

THIS MONTH'S MEETING

TUESDAY,  
 FEBRUARY 9, 2010

WPI, WORCESTER  
 Campus Center Odeum

NETWORKING: 5:30 – 6:30 P.M.

MEETING: 6:30 – 8:30 P.M.

ADMISSION:

Free – \$125 members & students

\$30 – public

\$15 – WPI alumni

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The WPI Venture Forum is a  
 program of the Collaborative for  
 Entrepreneurship & Innovation at  
 Worcester Polytechnic Institute

## Innovate to Survive and Thrive

Whether making complex optics or medical consumables, today's manufacturers are technology-driven businesses that need to innovate to sustain and grow their businesses. In the face of increasing competition worldwide, how are they adapting, and what do they see moving forward?

A slate of speakers will describe their experiences of excelling through innovation at the February 9 WPI Venture Forum, followed by a moderated discussion with audience questions. **Dennis Leonard '84**, vice president of operations at IPG Photonics in Oxford, will discuss why and how his high-performance fiber laser and amplifier company has transitioned to a vertically integrated manufacturing strategy from the more typical outsourcing model.

Leonard's career has focused on operations management with senior positions in four manufacturing companies. He graduated from WPI in 1984 with a BS degree in mechanical engineering and earned an MBA degree from RPI in 1988.

A passionate champion of lean business philosophy, **Karl Wadensten**, president of VIBCO Vibrators in Wyoming, Rhode Island, will focus on non-manufacturing applications of lean concepts to create continuous improvement



**DENNIS LEONARD '84**  
 IPG Photonics



**KARL WADENSTEN**  
 VIBCO Vibrators



**DICK LONGO**  
 Walker Magnetics

throughout a company. He will help audience members see how they can do more with less.

VIBCO® was founded by Wadensten's father, Ted, in 1962, and has manufactured industrial and construction vibrators in Rhode Island since 1974. Winner of the 2007 *Providence Business News* Business Excellence Award for companies with fewer than 100 employees, VIBCO holds more than 25 US patents for its product designs.

Strategic alliances have been the hallmark of Walker Magnetics' game plan in recent years, coupled with product and marketing innovations. Company president **Dick Longo** will round out the panel by addressing the variety of steps taken by his magnetic handling equipment company, founded in Worcester more than 110 years ago, to survive and thrive. Longo has been President and COO of Walker Magnetics since 2005, and was previously a product manager there from 1985 to 1996. He earned an Executive MBA from Stanford University. √

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# A LETTER FROM THE CHAIR

## Be Smart, Sustainable and Solvent



Mitchell Sanders

After a sluggish start, 2009 finished with an exuberance of merger and acquisition exits. Venture capitalists anticipate investing between \$21 to 25 billion in 2010 with continued interest in clean technology and in investment in Asia.

In this new economy where the stock markets are cautiously optimistic and VCs anticipate placing larger dollar amounts in later-stage companies, it is important to have a sustainable business model. Demonstrated market traction and products going to launch will captivate the institutional investment community.

Fortunately for entrepreneurs, the WPI Venture Forum serves as a “Swiss Army knife,” offering multiple tools to help you survive while operating your business in the revenue gap between the seed round of investment and a private placement in the

commercialization stage. Every meeting is a place to learn from industry experts on how to manage the bottom line while growing and establishing a business in New England. And every meeting includes a chance for you to give a one minute business pitch and to seek advice

from seasoned entrepreneurs and business professionals at the Help Desk.

The February 9 Second Tuesday Monthly program will feature a panel of qualified experts from manufacturing businesses that have survived to thrive with innovative approaches. Please join us that evening as you prepare to gear up, explore business opportunities, and take your business to a new level of growth and prosperity.

Sincerely,  
Mitchell Sanders, *Chair*  
*CEO and Founder, ECI Biotech*

## What is National Entrepreneurship Week?

Free business workshops February 23-25

On February 23-25, 2010 the Collaborative for Entrepreneurship & Innovation will host several free workshops during the fourth annual National Entrepreneurship Week celebration.

In 2006, the US Congress established National Entrepreneurship Week to honor American entrepreneurs and the lifelong learning and educational opportunities that prepare the nation's new business leaders of the future.

Please visit [www.wpi.edu/+CEI](http://www.wpi.edu/+CEI) for speaker and venue details and to register.

# It's Never Too Early to Think about an Exit

When entrepreneurs first begin to pitch potential investors, much of their attention is focused on a few key areas: market need, product offering, intellectual property and their management team, to name a few. While these are certainly critical, entrepreneurs often neglect to spend as much time on an equally important topic to investors: The Exit.

## Why is the exit discussion important?

Venture capitalists are in the business of generating investment returns, and the simple fact is that before VCs get in, they want to know how they are going to get out. It's not that VCs won't invest without a clear exit path; however, all else being equal, the more attractive the exit options, the more attractive the investment opportunity.

As an illustration, consider two separate investment opportunities: Company 1 and Company 2. Both are good candidates and have addressed the VC's questions concerning the market need, the technology and the management team. However, Company 1's exit opportunities appear to be limited to an acquisition by a very small group of buyers, whereas Company 2 appears to be an attractive acquisition target for a number of companies and may be a legitimate IPO candidate given the growth prospects that lie ahead for the business. Though an attractive exit potential will not overcome deficiencies in the business model or technology, in this simplified example, the likely exit options may make all the difference in the VC's decision.

## How to approach the exit discussion with investors

The good news for entrepreneurs is that the exit discussion is fairly straightforward. VCs really just want to know that the entrepreneur has thought about the path to liquidity. Entrepreneurs should be prepared to have a credible discussion of options and

possible outcomes. Is the company a potential acquisition target? Why? To whom? At what valuation? Is an IPO an option? When? By addressing these questions with a thoughtful analysis, the entrepreneur will demonstrate a firm grasp of the market dynamics and the competitive environment.

In preparing for this discussion, entrepreneurs should have a good handle on some basic industry- and transaction-related metrics. For companies that view an acquisition as the likely exit path, entrepreneurs should have a comfortable familiarity with the current trading multiples for similar public companies and likely buyers; a detailed listing of precedent acquisitions in the sector and the valuation multiples for each transaction.

For those companies targeting an IPO, one should be prepared to answer questions about prior IPOs in the sector and the financial profile of those companies prior to going public – were they profitable? What were the respective revenue run rates?

Armed with this data, the entrepreneur will be able to credibly discuss what a possible liquidity event might look like and what it would mean for investors. In addition, and most importantly, the entrepreneur will be in a position to clearly demonstrate his/her understanding of the market dynamics.

It is important to note one caveat that entrepreneurs should take to heart when discussing potential exits with investors: it is equally important to be realistic. Telling an investor that the exit strategy is to be acquired in three years by Google for \$1 billion demonstrates enthusiasm, but is often not realistic. It can be more troubling for investors to hear unrealistic expectations than to have an entrepreneur not prepared to have an exit discussion at all. While the business may indeed fetch that price, entrepreneurs must strike a good balance between enthusiasm and reality.

*by*  
**NICK PAPPAS**  
*Principal, MTDC*



## Cover all the bases

It is no surprise to any entrepreneur that the search for funding is a very difficult and stressful process – one that requires the entrepreneur to be well prepared to discuss every nuance of the company, including the business model, technology, strategy and, yes, the exit.

*Nick Pappas is a principal with Massachusetts Technology Development Corporation (MTDC), a quasi-public venture capital firm investing in early-stage, Massachusetts-based technology companies. To contact Pappas or to learn more about MTDC, visit [www.mtdc.com](http://www.mtdc.com). ♡*



## A LOOK AT THE JANUARY 2010 MEETING

# Licensing: How to Squeeze More

by

OTTO PROHASKA

Otto Consulting LLC



*The January meeting began the new year with an “Ask the Experts” session on intellectual property featuring attorneys from three law firms.*

Intellectual property (IP) laws, which grant owners certain exclusive rights to intangible assets, have evolved over centuries and are now providing industry with some of the most important business tools to protect a company’s ideas. IP laws are credited as major contributors to US economic growth. Much of the value of large US companies is estimated to be based on their protected intangible assets — their IP.

Tapping its own pool of experts, the January 12 WPI Venture Forum meeting began with a new offering, “Ask the Experts” on the topic of intellectual property. Ten representatives from three sponsors — Mirick O’Connell, Burns & Levinson, LLP and Hamilton Brook Smith Reynolds – held individual discussions regarding IP issues during a one-hour session preceding the regular meeting and during the networking break.

Keynote speaker Douglas Flood continued the evening’s theme with examples demonstrating how best to monetize IP – by selling it outright, using it to protect key value

features of products developed in-house or with partners, or selling products which incorporate it. The highest values derived from IP, he said, result from the integration of the company’s patent strategy into its business strategy.

Flood presented case studies from his wealth of experience accumulated during his years in corporate development with Mercury Computer Systems and FTP Software, where he participated in 23 merger and acquisition transactions and 22 other strategic alliances and licensing agreements. He pointed out that the best licensing results are obtained when the technology transfer is supported in a way which allows the licensee to smoothly translate the IP into value-generating product features.

“Tech transfer is to licensing as integration is to acquisition,” he said, as the source of value for any agreement lies with the way the transfer occurs.

It is critically important to select judiciously from the four IP quadrants of copyright, patent, trade secrets and publishing, develop an IP strategy based on that selection, secure the core IP and build additional IP on that core in order to increase flexibility in negotiating financially beneficial business deals.

Flood also pointed out that patent disadvantages can sometimes be turned into advantages, if a company can use someone else’s IP to make its own IP more valuable. On the other hand, in-licensing might enhance their own product and IP portfolio values, especially with the assurance that, as a part of the in-licensing deal, the in-transfer of the underlying technology is done with care, which guarantees extensive documentation and ongoing support from the licensor.

Some of the many questions that require answers in order to evaluate a licensing deal, he concluded, are who is taking on risk, and what will make your customer successful.

# Value from Your IP



Keynote speaker Doug Flood



Co-moderator Janine Susan



Case presenter Michael Henry (left) of Athena Diagnostics responded to panelist and audience questions.

## Case Presentation:

### Athena Diagnostics Inc.

The evening's case presentation expanded on in-licensing with Michael W. Henry, Vice President of Business Development at Athena Diagnostics Inc. Athena's business strategy is built on in-licensing rather than in-house discovery, as its operating success is based on a long-standing expertise with in-licensing.

Athena evolved historically out of Genica Pharmaceuticals, Henry explained. Genica began its business based on an in-licensed technology to test for Duchesne Muscular Dystrophy, and was later acquired by Athena Neurosciences. Athena underwent several acquisition steps before it was acquired by Fisher Scientific for \$283 million, having steadily increased its value through well-planned and executed in-licensing

CONTINUED ON PAGE 6



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# A Look at the January 2010 Meeting

CONTINUED FROM PAGE 5



*There was a full house with ample networking opportunities at the January meeting.*

arrangements, together with its strong focus on customers and on sales.

Athena's product focus advanced over the years toward the rapidly evolving genetic test and diagnostic markets, especially in the fields of neurology, endocrinology and nephrology, where its IP-protected products contribute to significant healthcare cost savings.

Today, Athena is a \$100 million company and offers over 100 products in the low-volume diagnostics market, where only a few hundred to a few thousand tests are being performed, and where it takes only about one year to bring test products to market versus the more than ten years to bring new drugs to the market.

The panel discussion, led by the panelists Flood; Prahlad Singh, Senior Director of Strategy and Business Development at Philips Ultrasound; and Joe Straight, CEO of Altura Diagnostics, provided further insight into Athena's successful strategy. Athena finds promising deals by working with well-known universities and research teams, taking advantage of many research results developed through funds provided by others, especially the National Institutes of Health.

Athena looks at the quality of published results, the demonstrated clinical utility and association with specific treatments, the support level of the inventors and IP owners to assure an effective transfer of technology, and the practicality of the technologies. To meet their business development requirements, products must be compatible with standard lab operations, and offer the potential to generate profitable sales. New equipment development will also have an impact on Athena's licensing decisions, as equipment innovations have become routine in the low-volume testing labs of Athena's customer base.

The lively panel discussion, coupled with a number of questions from the audience, completed an insightful and informative evening.



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## Spotlight on Entrepreneurs

The WPI Venture Forum invites technology entrepreneurs seeking investors or potential partners to make a one-minute elevator pitch at monthly programs. Fill in the online form one day prior to the program and, if you meet the criteria, we will place it into a PowerPoint slide to be projected during your pitch. One pitch per business idea, per season. Please visit:

[wpiventureforum.org/Programs/spotlight.html](http://wpiventureforum.org/Programs/spotlight.html)

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### 2010 CALENDAR OF EVENTS

#### Second Tuesday Monthly Programs

WPI Campus Center Odeum  
5:30-8:30 p.m.

- FEBRUARY 9** Survival and Revival: Innovation
- MARCH 9** Sales and Selling is a Team Sport
- APRIL 13** Non-equity Financing in 2010
- MAY 11** New Opportunities in Robotics
- JUNE 8** Five-Minute Pitch Contest

#### Radio Programs

**WTAG 580 AM/94.9 FM**

Saturdays, 5-7 p.m.

Streamed live at [www.wtag.com](http://www.wtag.com)

Call in number: 508.755.0058

#### Networking Events and Focus Workshops

*pre-registration required*

Check the [wpiventureforum.org](http://wpiventureforum.org) home page announcement box for more program listings throughout the year.

*Otto Prohaska, founder and president of OttoConsulting, LLC, specializes in the commercialization of high-tech inventions, with a focus on customers, profitable products, sustainable growth, and high return on investment. OttoConsulting has also an office in Europe to facilitate commercialization on both continents: visit [www.ottoconsulting.com](http://www.ottoconsulting.com). ♡*



## Community News

### Angels Fund i-Nalysis

Recent case presenter i-Nalysis LLC has secured a six-figure round of angel funding, according to *Mass High Tech*. The company, which produces a handheld materials analyzer, will use the funding to complete commercialization and bring the product to market.

CEO Drew Hession-Kunz also announced the company has its first customer from the materials inspection industry. Founded in 2008, i-Nalysis offers an x-ray fluorescence spectrometer for elemental analysis that enables manufacturers to quickly identify more precisely what is in their products.

### LinkedIn SIGs Land Moderators

Members of the WPI Venture Forum can join in the conversation in six subgroups (SIGs) on its LinkedIn page, and two SIGs now have moderators for their discussions. The Biotech SIG is moderated by Steve Munevar of Bronze Sponsor Munevar & Associates, and the Medical Technology SIG is moderated by Brian Moriarty of Premier Sponsor Hamilton Brook Smith Reynolds.

Restricted to WPI Venture Forum members and sponsors (and another great

reason to join the WPI Venture Forum), virtual SIGs offer an efficient way to make connections, exchange information within a specific area of interest and stay abreast of industry trends through LinkedIn without having to drive to more meetings.

Other subgroups include Automation/Robotics/Sensors/Rfid, Green and Sustainable, IT and Infrastructure, and Social Media. Sponsors interested in moderator positions for these SIGs, or anyone with another SIG recommendation should contact Barb Finer, who runs the WPI Venture Forum LinkedIn Group, at bfiner (at) quivivity.com.

### SBANE Innovation Award Entries Due March 5

Has your start-up tech business taken an innovative idea and made it successful? The Small Business Association of New England (SBANE) has an annual awards program that recognizes technology-driven companies who have taken a novel approach to their business and prospered. Online applications are due March 5. For more information, visit [sbane.org/innovation-center/new-england-innovation-awards-criteria](http://sbane.org/innovation-center/new-england-innovation-awards-criteria). ✓

## WPI Venture Forum RADIO SHOW

Are you looking for an entertaining, educational and interesting way to spend a couple of hours on a Saturday evening? Tune into the WPI Venture Forum radio show, every Saturday\* from 5 to 7 pm on WTAG 580 AM or 94.9 FM to hear interviews with area business professionals from a variety of industries. Call 508.755.0058 to participate in the discussions and ask your questions about entrepreneurship and managing technology-based companies.

### WANT TO BE A GUEST?

Visit [wpiventureforum.org/Programs/radio.html](http://wpiventureforum.org/Programs/radio.html) and click on the Guest Form link at the bottom of the page.



\*Sports events or late-breaking news stories may occasionally pre-empt the regularly scheduled program.

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