

Vantage

THIS MONTH'S MEETING

**TUESDAY,
 JANUARY 8, 2008**

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MEETING: 6:30 – 9:00 PM

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How Are Green Companies Growing?

With oil prices dancing near \$100 a barrel, interest in green technologies has intensified. From Beacon Hill to China and back to Wall Street, investment in clean energy is a hot topic. Join the WPI Venture Forum on Tuesday, January 8 for an overview of recent public markets' performance of clean energy and clean technology companies — provided by keynote speaker Karina Funk, a partner at Winslow Management, LLC, an asset management firm that invests in environmentally responsible aggressive growth companies. Her presentation will highlight some of today's leading green publicly-traded companies.

Before joining Winslow Management Company, Funk was an advisor to clean energy entrepreneurs and venture investors including Charles River Ventures. She was previously an investment manager for the Massachusetts Renewable Energy Trust, where she launched an \$8 million initiative for early-stage companies and acted as lead limited partner of the Massachusetts Green Energy Fund, a \$17 million venture capital fund. Funk holds a BS in Chemical Engineering from Purdue University, two masters' degrees from MIT, a post-graduate diploma from the École Polytechnique in France, and is a CFA charter holder.



KARINA FUNK,
Winslow Management, LLC

Case Presentation:

Recycline, Inc.

Recycline was established in 1996 to provide high-quality recycled content and recyclable products to consumers, stimulating the use of recycled materials to both assist community recycling efforts and help assure the success of recycling efforts nationwide. Their first new products included the Preserve® and Preserve® Jr. Toothbrushes, the

Preserve™ Tongue Cleaner, the Preserve™ Razor Recyclable and the Preserve™ Replacement Blades. They recently introduced Preserve™ Tableware.

The Waltham, Mass.-based company seeks advice on marketing/branding issues, meeting environmental and social goals as they grow, and leveraging their first-to-market success in the face of looming competition from bigger brands.

Director of Operations John Lively joined Recycline in 1999. Responsible for operations planning and financial reporting, he also serves as the product manager for the Preserve Toothbrush and chairs Recycline's environmental committee. He received his BA in Environmental Science and Public Policy from Harvard University, and has published research on policy responses to global warming in the face of uncertainty. ✓

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LETTER FROM A COMMITTEE CHAIR

Staying on the Cutting Edge



Patrick R. Jones, Esq.

Since its founding, the WPI Venture Forum has stayed at the forefront of technology. As an organization made up of volunteers who are passionate about the technology marketplace, we pride ourselves on being ahead of the curve in bringing to our membership topics that relate to cutting-edge technology companies and associated issues. From the Internet to biotech, the WPI Venture Forum has worked hard to make sure that our programming is relevant to today's member.

Continuing this record, January's topic on businesses "going green" will address the performance of clean energy and technology companies. The dangers presented by the existence of global warming, coupled with the staggering cost of oil's threat to worldwide economic health, has made it critical for the marketplace to pursue alternative fuels and technologies. We hope that you will join us in contributing to this important conversation.

As we enter 2008, the WPI Venture Forum will continue to offer our members a forum to congregate and make connections. Our introduction of an extra half-hour of networking by beginning at 5:30

p.m. has been well received. Last October's networking event at Bose was very well attended, offering not only a chance to network but to learn more about the company. I invite you to mark your calendars for two upcoming networking events – February 27, 2008 at the Massachusetts Biomedical Initiatives' newest facility at Gateway Park, and April 17 at the Worcester Art Museum.

Best wishes to you for a safe, happy and successful 2008.

Sincerely,

Patrick R. Jones, Esq.

Chair, WPI Venture Forum

Senior Legal Counsel, Fidelity Investments

Read this newsletter online and forward it to your network of business associates. New subscribers welcome.

Visit www.wpiventureforum.org and click on Newsletter

Tips from History - After the “Bubble” Opportunities

Post-Bubble success stories show patterns of business success. While none of us has a crystal ball to see the future, we can learn from history. In *Pop! Why Bubbles Are Great for the Economy* (Collins 2007), Daniel Gross analyzes a number of “Investment Bubbles” in the 19th and 20th century. He concludes that the real opportunities are after the bubble bursts.

The pattern is clear. First, there’s an exciting new technology. Then there’s a frenetic period of growth, which leads to overbuilding, intense competition and falling prices, followed by a period of consolidation and bankruptcy. After the bubble bursts, companies prosper by using the infrastructure created during the Bubble to deliver new products and services. For example:

TELEGRAPHS:

Bubble: Three telegraphs connected Boston and NYC in the 1840s. Most of the companies that strung telegraph wire filed for bankruptcy.

Post-Bubble success stories: Dun & Bradstreet was able to build a lasting business by providing content (credit rating information) over that infrastructure. Thomas Edison invented the “stock ticker,” which delivered financial data more effectively. Western Union provided funds transfer services.

RAILROADS:

Bubble: Half a dozen transcontinental railroads were built after the Civil War and intense competition drove the price of freight from \$1.93 per ton-mile in 1867 to 84 cents in 1895.

by

JEAN SIFLEET, ESQ., CPA

Post-Bubble success stories: Retail mail order companies — Montgomery Wards and Sears used the railroads to expand catalogue sales. Food processors — Swift began a national meat packing and distribution company using refrigerated rail cars, followed by others, such as Armour & Company, Campbell’s soup, Pillsbury flour, Heinz ketchup and Coca Cola.

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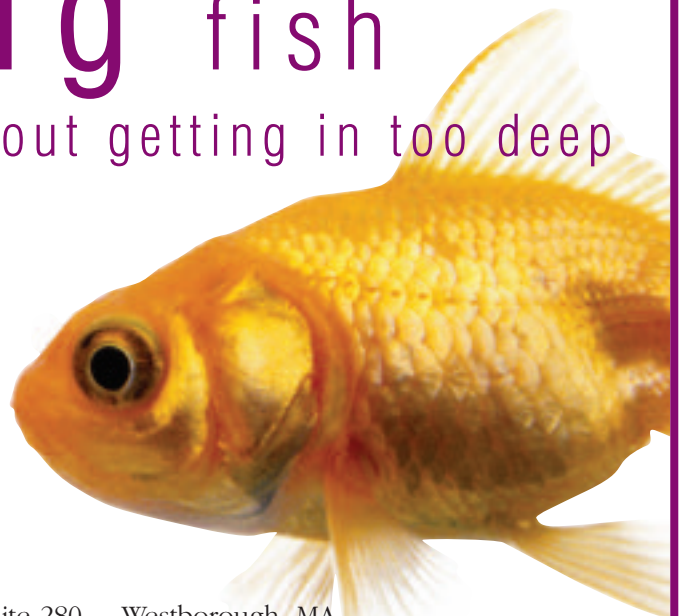
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A LOOK AT DECEMBER'S MEETING

Networking Advice,



Audience members had plenty of questions for keynote speaker Laura Ring during her presentation.



Keynote speaker Laura Ring of Castile Ventures

by

PHIL CYR

&

CHRISTINA P. O'NEILL



Moderator Don Pope

Want to get a venture capitalist interested in your business? Even in the age of email, web sites, and cell phones, nothing takes the place of good old-fashioned personal contact, Laura Ring, Castile Venture's Vice President for Strategic Relations, told the audience at the WPI Venture Forum's December 11 meeting.

It doesn't have to be hard work. Venture capitalists, always looking for the next good idea, are visible and accessible, through speaking engagements and networking events such as the WPI Venture Forum. Her tip to the audience: in a group setting, be respectful of others waiting to get their few moments of contact as well. If you are unable to make contact in a public forum, get an introduction to the VC through a "trusted source" — someone who can vouch for you personally and has an existing relationship with the VC. One way of identifying these sources is to analyze the VC's portfolio of companies and look for ones where you may have a contact. Other VC's, bankers and lawyers can be good resources as well.

While the structure of a VC firm used to be limited to partners and administrative

staff, many firms have expanded, adding business development and marketing communications personnel. These people can also serve as an initial contact to help you get in front of the decision makers.

Once you have identified four to five VCs in your target market, network early and often. Establish the relationship before you actually need them. Do your homework on the VC of your choice and the favor will be returned, Ring said. Castile calls its own contacts to determine if a perceived need in the business plan is actually a perceived need indicated by the market. You could be such a resource for them as well. "Our business is driven by knowing the best and brightest entrepreneurs," stated Ring.

Case presentation:

KO Instruments

Paul Keleher of KO Instruments made a pretty good case for himself and his company, the advisors felt. Keleher's KO Instruments, founded in September 2003, makes a testing product for circuit breakers. Of the billions of circuit breakers in US homes, he says, none

Shocking Business Plan



Panelists Fred Kinch (left) and Mort Rosenberg offered both praise and caution to case presenter Paul Keleher.

have been performance-tested since they were installed up to 50 years ago. Faulty circuit breakers are often a cause for house fires, allowing heat to build up in wires in the event of a short circuit. His plug-in product, trademarked TRIPLE-TEST™, tests 15-20 amp, 120-volt circuit breakers, of which there are billions already in use. The device weighs less than 1 lb., and fits into one hand. It verifies a circuit-breaker's response to a short circuit.

KO has sold 300 beta test units to contractors and others in the electrical maintenance business throughout the US. It's covered by two US patents, one of which protects the concept and another which protects specific methods. Keleher has redesigned his company's technology, resulting in a product suitable for mass distribution at retail prices of under \$500, enabling a basic model, consumer model and professional model.

Beta test sites include the Orange County Convention Center in Orlando, FL, and Children's Hospital, Boston. But he believes that homeowners will ultimately drive the market. Homeowners "trust electricians and will depend on electricians to test circuit

breakers if alerted to the fact that a potential hazard may exist in their wiring," he says, initially driving business through the professional trade markets. Within a year after the launch of TRIPLE-TEST, he expects to close on a private brand deal for the product. Ultimately, the product's market is the retail customer, not a reseller, he says, creating a market opportunity to sell a consumer version of the technology priced for the "weekend warrior" homeowner customer.

"KO is at a crossroads. Timing is critical," he told the audience and panel. The major decision Keleher faces is whether to license the technology to a large testing company, where a deal is pending, or hold on to it, engage a management team, take investment funds, and relaunch the company for acquisition in five years. He is presently seeking to line up a management team to run the company under his guidance because, he says, as a 60-year-old self-employed electrician by trade, "I don't see myself as being able to run the type of company I envision."

In the Q and A session, Laura Ring cited Keleher as "a perfect example of someone

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Tips from History - After the "Bubble" Opportunities

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FIBER OPTIC CABLE:

Bubble: The telecom industry laid enormous amounts of fiber optic cable in the 1990s and WorldCom and Global Crossing paid the price of over expansion.

Post-Bubble success stories: Google, YouTube, Skype, Second Life — use the lower-cost bandwidth to deliver new and innovative products and services.

ALTERNATIVE ENERGY COMPANIES:

Bubble: A current example is Alternative Energy Companies. We are seeing a frenetic period of expansion. History tells us that many of these companies are likely to fail. As the companies fight for market share, prices will drop and more consumers will be attracted.

Post-Bubble success stories? Time will tell. According to Mr. Gross, while the manufacturers struggle, the real winners may well be those who provide related products and services - less capital intensive products - such as "kits" that allow existing automobiles to run on ethanol, or software that enables a home to switch between generating electricity from a small wind turbine and from a solar panel.

The key point is that it's hard to survive as a participant in the Bubble — the period of overbuilding capacity and intense competition. To survive the Bubble, you need to avoid direct competition with deeper-pocket competitors by focusing on niches and providing value-added services. To position your company for the Post-Bubble period, stay alert for opportunities to leverage the

remaining Post-Bubble infrastructure to expand your business.

As Mr. Gross' book clearly demonstrates, "When it comes to business, history does have a way of repeating itself."

Is your company positioned for the changing marketplace? A strategic assessment with an experienced and objective advisor can help you evaluate opportunities and position your business for success.

WPI Venture Forum member Jean D. Sifleet is a business attorney, CPA and three-time entrepreneur. Author of Advantage IP – Profit from Your Great Ideas (2005), she is a member of the business practice group of Hassett & Donnelly PC and advises privately held companies on a broad range of business matters, including leveraging intellectual property and successfully implementing ownership transitions. She can be reached at jean@smartfast.com. ✓

WPI's Part-time MBA Tops in Northeast

A *Business Week* survey of part-time MBA students ranked WPI's part-time MBA program number one in the northeast and ninth in the country in results released last month. Faculty received an A+ grade, and the curriculum an A.

Rated the best for people who are changing jobs, the program's academic quality was number four in the nation, and its student satisfaction fifth.

"These rankings are an acknowledgement of something we as faculty and students have known all along, that we have a fantastic program that provides our students with the ability to change jobs and advance their

careers," said McRae C. Banks, department head and professor of entrepreneurship and strategy, and director of the Collaborative for Entrepreneurship and Innovation within WPI's Department of Management (WPI's business school).

"We believe the successful executives of the future need to understand how to integrate technology and business. So much of business is about innovation, and to an even greater extent, technical innovation. That's what makes our students so special; they not only understand technical innovation, they know how to turn it into success," Banks concluded. ✓



2008
CALENDAR OF EVENTS

January 8	Going Green, Growing Green
February 12	Valuation, Funding, Scaling Up and Exit
February 27	Networking Event at MBI, WPI Gateway Park
March 11	Traditional Manufacturing is High Tech Today
April 8	Marketing a High Tech Enterprise
April 17	Networking Event, Worcester Art Museum
May 13	Profits Come from People
June 10	The Five-Minute Pitch Contest

BPC Finalist Fulfills Exit Strategy

Enginivity Acquired by Vital Signs, Inc.

After reaching the finalist stage in the 2005 WPI Venture Forum Business Plan Contest, Enginivity, LLC continued to develop its IV fluid and blood warmer patented technology. It introduced its products, which received FDA marketing clearance and CE approval for European markets, in several hospitals and has had some sales to the US government.

In August 2007, founder Dr. James A. Manganello completed the company's exit strategy with a \$5.9 million sale to Vital Signs, Inc., a publicly traded company based in Totowa, New Jersey.

The sale includes Enginivity's enFlow® IV

fluid and blood warmer, a high performance fluid warming system that can be used to deliver flows up to 200 ml per minute, using advanced dry heat technology. The enFlow system brings the warming element closer to the patient, which reduces heat loss. Maintaining normal body temperature during surgery is an important factor in reducing post-operative infections.

Terry Wall, President and CEO of Vital Signs, commented in a press release that the company planned a November release for the enFlow warmer, calling it "an excellent strategic fit for us as it allows us to...gain access to a \$40 to \$45 million domestic market." ♡

WPI VENTURE FORUM BPC EYED BY WALL STREET JOURNAL

The Tuesday, December 11 issue of *The Wall Street Journal* featured a small business story on business plan contests. Calling them "American Idol Meets Trump," the article surveyed the national rise of business plan contests as a vehicle for start-up funding. The WPI Venture Forum's contest was mentioned in a chart with three other contests, describing its focus, top prize and consolation prizes for contest participants who did not win.

Business Plan Contest moderator Brian Dingman, Esq. of Mirick O'Connell spoke with Wall Street Journal reporter Kelly Spors.

Networking Advice, Shocking Business Plan

CONTINUED FROM PAGE 5

who takes advice." She suggested an alternative to VC funding could be angel or strategic investors. She said the management team was important, too.

Mort Rosenberg, President of Mort Rosenberg Associates, said that KO Instruments' numbers look good, as does its three to five million unit addressable, professional market. But, he cautioned, the financials show two percent market entry, not five percent, so KO needs to improve on this to impress financing sources. Another alternative to licensing or building: Sell out completely by assessing its value at



Paul Keleher, President of KO Instruments

the end of patent life, double it and take a present-value, "then pursue what you want to do in retirement."

Fred Kinch, President of Kinch Associates, advised Keleher to form an advisory board, driven by big, safety-important customers like hospitals or big box retailers. "A lot of the licensing decision is personal. You have to see what your appetite is," he said.

One audience member suggested marketing TRIPLE-TEST to circuit breaker makers as a quality control device. "Circuit breaker manufacturers don't like me very much," Keleher responded. "They've been selling their \$3 product for 50 years and nobody's

ever tested them. I showed them data but they didn't like it." Selling out to one of them as an exit strategy, he said, would work "only if I become enough of a thorn in their side that one of them decides to get rid of me."

To which Kinch responded: "For someone who doesn't know how to run a company, it sounds like you're doing pretty well."

Phil Cyr is Vice President of Business Development for R.H. White Companies in Auburn, MA, a 400-person contracting and construction management company specializing in commercial construction and utility contracting. Phil can be reached at 508-847-0711 or pcyr@rhwhite.com. Christina P. O'Neill is a former editor/managing editor for the Worcester Business Journal and currently a freelance writer and artist, specializing in niche magazines and custom publications. She can be reached at chrisponeill@msn.com. ♡



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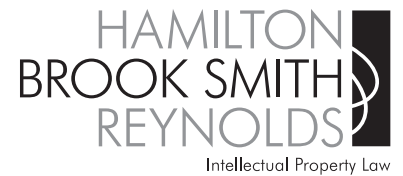
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