

# Vantage

**THIS MONTH'S MEETING**

**TUESDAY,  
 JUNE 10, 2008**

**WPI, WORCESTER**  
 Campus Center Odeum

**NETWORKING: 5:30 – 6:00 P.M.**

**MEETING: 6:00 – 9:00 P.M.**

*Please note earlier start time*

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## Five-Minute Pitches Expand June Program

*Join the judges to vote on ten contestants operating early-stage technology ventures*

The competition will be fierce and the feedback constructive. The WPI Venture Forum's second annual Five-Minute Pitch Contest will be Tuesday, June 10. Come hear ten entrepreneurs present their case for funding their business, listen to the judges' responses and vote for your favorite. To make time for all the pitches, **the meeting will begin a half-hour earlier at 6 p.m.**

judges will offer brief comments on the case. They will evaluate the cases on innovation, market opportunity, value proposition, investability, and presentation quality. The audience will vote with handheld electronic voting devices. Both judge and audience votes will determine the winner, who will receive a cash prize. June's event and the contest's cash prize are sponsored by Wolf, Greenfield & Sacks, P.C.



An integral part of the WPI Venture Forum's commitment to foster entrepreneurship and the growth of technology-based businesses, the Five-Minute Pitch Contest is designed to generate investment interest for participating entrepreneurs. Finalists are contemplating starting or operating early-stage technology ventures and are seeking funding.

Contestants will be given five minutes to pitch their business plan to the WPI Venture Forum audience and a select panel of business leaders and investors. After each case is presented, the

The WPI Venture Forum has assembled an experienced panel of judges for this contest, with a mix of attorneys, investors and advisors. **William R. Cowen**, managing partner at Long River Ventures since 2002, has more than 20 years of early-stage company building experience as a CEO of several start ups, and as an early stage venture investor. Cowen founded his most recent company, NaviMedix, in 1998, now a leading healthcare IT firm that streamlines transactions between healthcare payers and providers.

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## LETTER FROM THE CHAIR

# What Is Five Minutes Worth?



Patrick Jones, Esq.

**Y**ou've heard the old adage many times before, but it's especially true for the June WPI Venture Forum meeting: "time is money." As we bring to a close the 2007-2008 program year, we ask you to consider just how valuable five minutes of your time could be.

Our program committee has yet again outdone itself in organizing the second annual "Five-Minute Pitch Contest," with a stellar slate of judges, an increased prize for the winner, and another opportunity for the audience to participate in the process. As the WPI Venture Forum's answer to "American Idol," participants will present an abbreviated version of their business plan to the judges and the audience. Who can set out the most compelling case that their venture is worth an investment of time and money? Come vote for your favorite!

This contest fits squarely into the WPI Venture Forum's mission of providing a forum for educational opportunities for entrepreneurs. The ability to make a concise

and effective pitch about your business is one of the most useful tools you can have in your tool chest. For both startups and more established businesses, the goal is the same: To get people as excited about your business as you are. You want a pitch that is honest, intriguing, and sparks

someone's interest, leading them to say, "Tell me more."

On a personal note, I would like to take this opportunity to offer my sincere thanks to the volunteers and staff who make the WPI Venture Forum such a success. In my two-year tenure, we have made great strides in reexamining our mission and reenergizing the board and the committees. I have found my time as Chair to be both challenging and rewarding, and I look forward to witnessing the future accomplishments of the WPI Venture Forum.

Sincerely,

Patrick Jones, Esq.

Chair, WPI Venture Forum

Senior Legal Counsel, Fidelity Investments

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# The Midnight Ride of...the Tax Advisor

*Section 409A is Coming, Section 409A is Coming...*

**T**ax attorneys, accountants and other tax advisors have been galloping across the country sounding the alarm that a new Internal Revenue Code section is here and will drastically change the treatment of “deferred compensation.” Have you (or your employer) responded to the call to action? Or have you ignored the warnings and pulled the covers over your head, hoping the effects of 409A will not affect you?

Section 409A is the IRS’s latest attempt to address the previously ad hoc approach to the treatment of “deferred compensation.” 409A has been characterized as “deceptively simple and extraordinarily complex” because it requires all deferred compensation plans (and a “plan” is everything from a one-time, one-employee arrangement to something that covers all employees for the duration of their

employment) to comply with the various requirements of 409A (which are subject to myriad interpretations, applications and exceptions). 409A actually was signed into law in 2004, and final regulations have been issued, but the new rules governing documentary and administrative compliance are not scheduled to become fully effective until January 1, 2009. So, there is still time to address potential 409A issues, but the clock is ticking.

## WHY SHOULD YOU CARE?

Any nonqualified deferred compensation plan that fails to conform to 409A will be subject to accelerated income recognition (i.e., the taxpayer must declare and pay taxes on income that may not be received for many years, if ever) and penalties of 20 percent plus interest. These penalties will be applied to the recipient, so once-happy employees whose

CONTINUED ON PAGE 7

*by*  
DAVID MORAN, ESQ.  
&  
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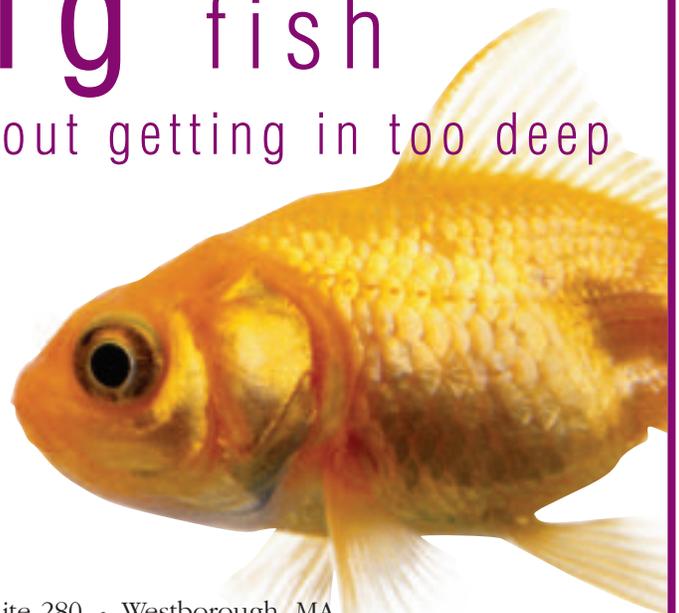
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# A LOOK AT MAY'S MEETING

## Succeed with Your

by

MORT ROSENBERG,  
THE CFO RESOURCE

The subject of success attracted good attendance at the May 13 WPI Venture Forum. In a meeting that reversed the typical schedule, the case presentation led the evening, followed by two keynote speakers.

### Case Presenter:

Invesra™



Sunil Bhatia

Sunil Bhatia, Founder, Chairman & CEO of Invesra™ presented his company as an internet-based Software as a Service (SaaS) provider of retirement planning and investment management

to under-served mass-affluent customers. Founded in 2003 as LTSave and re-branded as Invesra, Bhatia described himself as a “scrappy bootstrap entrepreneur” whose company plans to take advantage of the 70 million “Boomer” demographic. Unlike other retirement solutions in the marketplace, Invesra’s offering combines an easy-to-use, flexible planning experience with a scalable, cost-effective investment solution.

The company launched with \$3 million in angel capital and then raised another \$3 million in its first institutional round led by Village Ventures. Invesra is now in the process of raising Series B financing.

Invesra’s market focus is based on a channel partner’s strategy such as banks, employers and affinity groups. Staffing is currently at 20 people, with 16 hired in just the last six months.

Bhatia’s major questions for the panel were size of next round of financing, recommended number of marketing channels, and



Audience members enjoyed the May presentations.

what skills to seek in key hires.

Panelists recommended Bhatia take as much money as he reasonably can to reduce the risks of delays. Define milestones and take payments when he meets them. And add a cushion to smooth over unexpected bumps in the business. Concerning marketing, they noted that Invesra will want to maintain control, which for his company means focusing on employers and affinity groups. Banks will want to take control of marketing, so be prepared to pursue what is affordable.

Before thinking about replacing himself as CEO, he needs to build the company to a certain level. Hiring should be planned, rather than in advance of company growth. The essential skills in job candidates for this stage are in marketing.

### KEYNOTE SPEAKERS



Tom Crotty

cited advice to

1) hire senior managers that have “done it before,”

2) build out the senior team sooner rather than later,

3) quickly move to switch out under performers, and

4) recognize that the skills necessary for success evolve as companies mature.

He also provided examples of success achieved by taking actions contrary to the rules. His conclusion: Success can be measured by how well a business executes its plan. Trust your instincts, he advised.

Crotty also discussed mistakes that *founders and CEOs* make with investors and boards.

- **Accept the money but not the investor.** In one case, the founders used their company as their private piggy bank and did not accept the responsibility to their investors that a company requires. The founders landed in jail.

- **Keep the board out of the loop.** Shared information is essential to success. More communications is better than less.

- **Wait for the board to push you** to make tough decisions. This leads to failure. Be aggressive; make the hard decisions when you feel they are required and not when pushed into them.

*Investors and boards* also make mistakes that can cause failure.

# Start-up Team

- **Letting the lines blur** between Director and Operator. It does not work well when the Director desires to be a value-added investor providing operational direction rather than strategic direction.
- **Befriending the CEO** and avoiding the tough decisions until it's too late. This can lead to costly mistakes.
- **Failing to appreciate the "founder equals company" syndrome** where the founder becomes very defensive and protective of his or her "baby" when facing board criticism. Address this as soon as possible.
- **Rarely providing annual CEO performance reviews.** Lack of a communications structure between boards and CEOs bodes ill for company or career success.



**Vic Odryna, CEO ZeeVee, Inc.** and serial entrepreneur, spoke from the entrepreneur's perspective on building your startup team.

*Vic Odryna*

ZeeVee was started and funded in 2007 and has built its team to 25 seasoned professionals today. ZeeVee's mission is to enable broadcasting everything that your computer can do, including access to high quality internet video, to every HDTV in the home. Odryna called it "resolving the last 50 feet between the PC and the TV."

Odryna stressed that in his experience, "it's all about execution." There are plenty of patents and great ideas that have never been commercialized. Never underestimate how hard it is to bring a new product or service to market, and that you need expert execution to succeed. To succeed, there are three steps

that must be done well: Build it, Sell it and Grow it. Your team is the most important factor for your success, he noted.

He discussed key startup team attributes.

- **"Everyone carries bricks"** — build a culture where everyone contributes to the company's success.
- **Add staff members as they are needed.** Senior team members should last at least three years, otherwise their elimination and/or replacement will be painful, disruptive and costly.
- **Don't worry if your team is not complete,** especially if you are in fundraising mode. Often critical of the existing team, investors may be able to tap their huge resource pool to fill in any gaps in the team.
- **"Chemistry is critical."** Teams that don't work well together will waste time, energy and funds. Take interviewing seriously; make sure the candidate meets everyone that they will interact with. "Bad apples" can be very destructive to a team.

Odryna addressed where to find good people for the team.

- The best source — people you have worked with in prior ventures.
- Recommendations from people that you trust, including your investors.
- Job boards and postings such as Craigslist, Monster and the like are inexpensive but will likely be time consuming.
- Recruiters and staffing firms can be very helpful, but be prepared for a big bill.

*Mort Rosenberg is President of Mort Rosenberg Associates Inc., a firm which provides chief financial officer services to companies in the \$0 to \$10 million sales arena. He can be reached at mortr@mrassociatesinc.com or 978-838-9981. √*

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# Kalenian Award for Medical Software

A medical software diagnostic tool developed by a WPI mathematics professor was the winner of the third annual Kalenian Award, presented at the beginning of the May 13 WPI Venture Forum meeting. Dalin Tang, PhD, Professor, Mathematical Sciences, received the award from Paul Kalenian, President of X-Café, LLC and son of Alba Kalenian, who established the award in 2006 in memory of her late husband, inventor Aram Kalenian'33.

Professor Tang's invention uses computational methods for non-invasive, early identification and diagnosis of cardiovascular diseases, so that physicians can improve their assessment of a patient's disease stage and make better treatment decisions. He has filed

for a US patent, as his invention improves previous tools by providing a three-dimensional, magnetic resonance imaging-based, multi-component model with fluid-structure interactions that permit mechanical analysis of atherosclerotic plaques, aneurism and heart disease.

The Kalenian award provides seed money to fund a single viable invention, in order to encourage innovation and entrepreneurship at any stage of development. Any member of the WPI academic community and its alumni are eligible for the prize, which seeks to support and advance inventiveness at WPI. The award includes \$25,000 cash and \$5,000 in legal services, provided by Wolf, Greenfield & Sacks, P.C.

This year's 20 applications were reviewed for novelty of the idea, commercial potential, including market opportunity, demonstration of a viable business plan evolving from the idea, product, or process, and likelihood of success.

First Honorable Mention went to Electrical & Computer Engineering Professor Peder Pedersen, PhD, for a virtual interactive training system for ultrasound. Civil & Environmental Engineering Professor Malcolm Ray, PhD, received an honorable mention for his novel highway guardrail concept, as did Chemistry & Biochemistry Post Doctoral Fellow Quanqin Dai, PhD, and Assistant Professor Weiyong Yu, PhD, for their efficient and environmentally-safe LED lighting material.

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## *Five-Minute Pitches Expand June Program*

CONTINUED FROM PAGE 1

On the investing side, Cowen was a managing partner of Interface Technologies and Firepond Partners, two early-stage healthcare funds.

**Chris Golden**, president, Mission Critical Advisors and vice chairman, Boynton Angels, is a seasoned executive having held "C" level positions in industrial and technology companies in both domestic and international markets. An active investor and serial entrepreneur, he is a founding member of the Boynton Angels, Worcester's only angel investing organization.

**Steven J. Henry**, shareholder at Wolf Greenfield, is a member of the firm's Electrical & Computing Technology Group and co-chairs the IP Transactions Group. He has broad experience in all aspects of intellectual property with special expertise in the

protection of computer-related inventions (hardware and software) and electronic technology. He is particularly interested in fostering the growth of technology-based

investment banking firm specializing in corporate finance activities for a wide variety of purposes for middle-market companies. She is also president of Shields Securities, Inc., a broker-dealer firm.

Rounding out the panel is **Mark Solomon**, principal, Hamilton Brook Smith & Reynolds. An IP attorney, he has drafted and prosecuted patent applications in diverse engineering technologies, including telecommunications, optics, fuel cells, digital signal processing, optical and electrical networking, control systems, business methods, analog and digital electronics, software,

GPS systems, antennas, medical devices, and mechanical devices. Prior to joining the firm, Mark worked for ten years as an engineer in the areas of R&D, design, development, testing, and field integration. ✓

This is a great opportunity for budding entrepreneurs. It pushed me out of my comfort zone... My five-minute pitch allowed me to walk in with confidence to meetings with high-level executives at major manufacturers because I was prepared....The effort is well worth more than any prize money. I am now in serious licensing discussions with several manufacturers.

– Bob Barton, Tech Lite Designs

companies, large and small, by developing effective IP strategies. He served as president and managing partner from 1995 to 2000.

**Janice L. Shields** is managing partner and executive vice president at Shields & Company, Inc., a private Boston-based

# The Midnight Ride of...the Tax Advisor

CONTINUED FROM PAGE 3

bonuses or other promised income gets wiped out by the employer's failure to comply with 409A will become markedly less happy, and may direct their anger towards their employer. A faulty deferred compensation plan also could affect the employer's withholding obligations.

## EXAMPLES OF PLANS COVERED

Despite 409A's broad reach, certain short term deferrals (i.e., where payment is made within 2 1/2 months of the end of the year

the compensation is earned) and tax qualified retirement plans are not covered by 409A.

Types of plans that are covered include:

- Non-qualified stock options initially issued at below market value
- Incentive Stock Options *could* be covered (ISO plans technically are *not* covered because they are required to be issued at the then fair market value; however, the old "back of the envelope" or significant "good faith" approach to determining fair market value will no longer be sufficient, and a far more formal approach to valuation is mandated)
- Restricted stock awards (again, technically not covered by 409A, but the rules governing "substantial risk of forfeiture" have been tightened to capture arrangements that merely provide camouflage to artificially defer income recognition)
- Stock appreciation rights and "phantom stock" plans
- Severance/separation payments
- Bonus awards and other performance-based compensation

- Certain reimbursement policies
- Split-dollar insurance arrangements
- Non-competition agreements

This literally is the tip of the administrative iceberg that affects any employer with a varied compensation structure, and is not the proper forum for a substantive discussion of the applications of 409A. 409A is the current law regarding the definition, treatment and taxation of deferred compensation, and compliance is mandatory. Have you paid attention yet to the alarm raised by the midnight ride of the tax advisors?

*David Moran, tax partner at Gesmer Updegrove LLP, can be reached at David.Moran@gesmer.com, and Justin Nesbit, a corporate associate at Gesmer Updegrove LLP, can be reached at Justin.Nesbit@gesmer.com. ✓*

## Case Presenter Wins Military Contract

Worcester-based Mass Megawatt Wind Power Inc., a wind turbine power plant manufacturer, won its first military contract in late April with a sale of a 50 megawatt wind-powered plant for U.S. Army Intelligence Headquarters in Fort Huachuca, Arizona.

The company presented its case at a WPI Venture Forum meeting in January 2002.

## Member News

### MEMBER ADVOCATES FOR SMALL BIOTECHS

Small biotech businesses deserve more grant funding in the Massachusetts life science bill working its way through the Massachusetts state legislature this spring, according to WPI Venture Forum member and past program committee chair Jerrold Shapiro, president and CEO of Fem-Medical LLC.

As reported in the *Worcester Business Journal*, Shapiro is a member of Massachusetts Life Sciences Innosystem

(MA Innosystem), a coalition of small life science companies that wants to see greater attention paid to the needs of smaller companies in the state's \$1 billion bill. In particular, the group wants to see restoration of a \$30 million investment in five regional "technology and innovation centers" that would serve as incubators for small companies, similar to the Gateway Park concept. ✓

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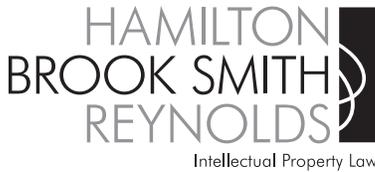
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