

THIS MONTH'S MEETING

**TUESDAY,
NOVEMBER 11, 2008**

WPI, WORCESTER

*Salisbury Labs, Kinnicutt Hall**
*Note change of location,
for building location please visit:
wpi.edu/About/Visitors/campusmap.html

NETWORKING: 5:30 – 6:30 P.M.

MEETING: 6:30 – 9:00 P.M.

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*The WPI Venture Forum is a
program of the Collaborative for
Entrepreneurship & Innovation*



Business Plan Contestants Square Off November 11

Business strategies and a large dose of optimism will be shared with audience members as eager entrepreneurs make their competing presentations during the WPI Venture Forum Business Plan Contest on Tuesday,

November 11. The winner of the 15th annual contest will bring back to their enterprise a prize of \$15,000 or more in cash and professional services.

Contestants have already bested a first round of judging, held Saturday, October 25. Open to any technology-based pre-start, startup and ongoing businesses located in the Northeast, including student enterprises, the WPI Venture Forum Business Plan Contest welcomed entries involving the development of a new product, a new application or process in an existing business, or the startup of a new business. The initial round grouped contestants into several industry tracks: information technology/telecommunications, healthcare, Web 2.0 and consumer products.

Judging this year's finalists will be venture capitalist Elliott Katzman, financier Dina Routhier and angel investor Peter Aranow. Katzman is a general partner of Commonwealth Capital Ventures and has more than 25 years of



ELLIOTT KATZMAN,
*Commonwealth Capital
Ventures*



DINA ROUTHIER,
*Massachusetts Technology
Development Corporation*



PETER ARANOW,
Boynnton Angels

high-technology experience as a venture backer, founder, and hired executive in building some of New England's most successful software companies. He focuses his investment activity in software, internet-related and new media companies. Prior to joining Commonwealth, Katzman was a general partner at Kodiak Venture Partners where he led investments in companies such as Groove Mobile, Newforma, Pragmatech Software, SpaceClaim and Wis.dm. In addition, he was on the board of Watchfire.

Before becoming a venture capitalist, Katzman spent more than 20 years as a senior operating executive building four highly successful software companies: Myteam.com, a direct marketing/new media company now part of the Active Network, SolidWorks, where he led the merger with Dassault Systemes, Atria Software, where he led an IPO and a \$1 billion merger with Pure Software, and Epoch Systems, where

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LETTER FROM THE CHAIR

Opportunity Amid Turbulence

With no end in sight to the worst financial storm since the '30s, it is hard to find good news when perusing the *Wall Street Journal*. You see the frustration and fears of the recession in the headlines: "Wealthy Are Afraid They'll Run Out of Money," "Oil May Hit \$50," "GM to Close Plants, Limit Lending." Readers might think the sky is falling, the earth is flat, and the sun will no longer rise, with nowhere to hide. Despite the storms ahead, there is good news and hope on the horizon.

Listen to the siren call of innovation and entrepreneurship from the wise perspective of venture capitalists. The National Venture Capital Association predicts 2009 to be a strong year for new startups. The window for IPOs in 2009 looks promising. Funds are larger than ever, and certain markets such as clean tech and biotech investment remain strong.

Turbulent waters bring new opportunities for those ready to take a chance. Anyone can look impressive in good times, but business accolades are more meaningful when you ride



Mitchell Sanders

out the tough times with creative approaches that capitalize on the real value in the marketplace. Capture the winds of innovation and entrepreneurship at the WPI

Venture Forum monthly program. Take another chance and ask to volunteer on a WPI Venture Forum committee and learn how rewarding mentoring can be.

Please join us for the WPI Venture Forum Business Plan Contest on November 11th where some of the shining entrepreneurial stars may brighten your outlook on the economy. There is tremendous value out there, and investing in a startup never looked so safe. I look forward to seeing you there.

Yours very truly,

Mitchell Sanders '88, PhD '92

Chair, WPI Venture Forum

Executive Vice President and Founder, ECI Biotech

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Selecting the Right Structure for Your Business

A major question for new business owners who are considering starting a business: How should I operate and structure my business?

How you set up your business and whether you plan on going it alone or operating it with others will determine the type of entity you should select – sole proprietorship, partnership, corporation or limited liability company.

Navigating through these decisions is not so simple and requires the services of a CPA. CPAs have worked with all types of entities and can walk you through all the filing and compliance issues as well as the tax benefits or detriments of the choices you face.

SOLE PROPRIETORSHIP

A sole proprietorship is a business owned and operated by one individual and is not a separate legal entity under the law. With this type of structure, all business receipts and expenses are reported on your personal income tax return. There is no limited liability protection to the owner. All the business decisions and results are based on the actions and abilities of the owner, and the owner is liable. In terms of continuity and liability, the business ceases to exist upon the death of its owner or its sale.

PARTNERSHIP

A partnership is a relationship between two or more persons to conduct a trade or business. It includes a syndicate, group, pool or joint venture and is not classified as a corporation. The partnership operates with the rights and responsibilities of a separate entity. When forming a partnership, be sure an attorney sets up a partnership agreement describing the role of each partner, the money that is involved, the property and skills to be contributed by each partner, profit and loss allocations, and the terms under which the partnership can be dissolved.

CORPORATION

A corporation, unlike the previous structures, results in the formation of a completely independent legal entity and is created under the authority granted by state law. Most people have heard that forming a corporation provides “limited liability” — that is, it limits your personal liability for business debts. A corporation is considered separate from the persons who own, control and manage it. It has its own legal rights as well as liabilities. A corporation may elect to be treated as a flow through entity and generally only pay tax at the shareholder level.

LIMITED LIABILITY COMPANY

A limited liability company (LLC) can be taxed as a sole proprietorship, a partnership or a corporation for federal tax purposes, but provides the liability protection of a corporation to its members. Similar to shareholders in a corporation, LLC members enjoy limited personal liability for the entity’s debts and liabilities. However, LLC members don’t have limited liability for their own personal misconduct.

WHAT BUSINESS ENTITY IS RIGHT FOR YOUR BUSINESS?

Determining the type of entity structure depends on a number of factors including important issues concerning taxation and liability. The place to start is discussing your objectives with your CPA. You can avoid a lot of problems and save considerable taxes by getting the right guidance at the beginning as opposed to playing catch up and fixing problems that might have become larger simply due to poor planning.

William Philbrick is a Senior Vice President at Greenberg, Rosenblatt, Kull & Bitsoli, P.C. He serves as the firm’s Tax Director and Director of Forensic Services and can be reached at 508.791.0901 or via email at wphilbrick@grkb.com. ✓

by

BY WILLIAM E. PHILBRICK,
CPA/ABV, MST, CVA, CFF



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A LOOK AT OCTOBER'S MEETING

by

BY DAVID THIBODEAU, ESQ., '78

From Vision to



Co-moderator Justin Nesbit introduced keynote speaker Ken Rapp of VelQuest Corporation



Panelists (from left) Steve Rubin, Chris Golden and Peter Aranow critiqued the Vigix case presentation.

WPI
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CALENDAR OF EVENTS

NOVEMBER 11 (Salisbury Labs Kinnicutt Hall)
Business Plan Contest

DECEMBER 9
Partnering & Outsourcing for Growth

JANUARY 13
Raising Money through the Entire Business Life Cycle

FEBRUARY 10
Market It and Sell It — or Die!

MARCH 10
Finding the Right People for Each Enterprise Stage

APRIL 14
Transition, Exits and the Future

MAY 12
War Stories and Lessons Learned

JUNE 9
Five-Minute Elevator Pitch Contest

On October 14, a particularly brilliant fall day, WPI Venture Forum participants were fortunate to hear Ken Rapp articulate his approach to turning the “sudden flash” of a new idea into a viable business. As Founder, President and CEO of VelQuest Corporation, Rapp has led the development of the Smart Lab cGMP from vision to mission. SmartLab is an electronic laboratory system that reduces drug development time and cost.

Rapp believes there are five key waypoints on the road to success:

- identify a large market with a real problem
- surround yourself with a smart team
- build a solution that works without relying on “bleeding edge” technology
- validate the benefits to the marketplace
- prove the business model.

Rapp reminded the audience that successful startups don't just have a great invention; rather, they first identify a

widespread problem. VelQuest actually began operations with a general idea to help the pharmaceutical industry, but without a specific product design. After extensive initial research, they realized one huge problem was that most researchers had no tools other than pen, paper and a calculator to document drug development, keep track of test data, and link their test data with compliance requirements for government approval.

Second, of course, most entrepreneurs try to surround themselves with a smart management team. Rapp cautions, however, not to surround oneself only with people that “think just like you.” While members of a good team will have a diverse skill set, they must also share and execute a common vision to avoid failure.

Third, one should not depend on “bleeding edge” technology to solve the problem. VelQuest's solution used existing wireless, data capture, secure storage and database systems. These disparate

Viabile Business



Audience members absorb keynoter Ken Rapp's advice.



Checking out the Vigix product demonstration kiosk.

technologies were brought together for the first time by VelQuest's vision, but no single piece was itself unproven.

Fourth, one must validate the benefits to the target market. In VelQuest's case, this involved demonstrating specific advantages to actual customers — an amazing 30% reduction in cost and 50% reduction in time to market. VelQuest's client base now includes pharmaceutical giants such as Pfizer, GSK and Bristol-Meyers. But in order to reach that enviable position, it was imperative to first validate the product's efficacy with testimonials from other early customers.

Proof of the business model is the final step. This can only come with further customer validation over time. This can be accelerated if the development team settles on product features and holds off developing the next generation product for a while. At this point, the team focuses on product refinements that expedite scalability to the larger customer base — an effort that may

require as much (if not even more) work than the initial design.

Case Presentation:

Vigix, Inc.

October's case study was by Eduardo Alvarez, Founder of Cambridge-based Vigix. Recognizing trends toward self-service, beginning with ATMs and gasoline stations, and more recently to self-check kiosks at airports, Alvarez realized that existing products did not efficiently address the vending of high-value products such as cell phones or MP3 players in high-foot traffic areas such as airports and shopping malls. Existing machines were really just scaled up versions of food vending machines, tending to be expensive and requiring a relatively large floor space.

Alvarez' vision began as a small footprint kiosk. Collaborating with the respected firm

CONTINUED ON PAGE 6

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Business Plan Contestants Square Off November 11

CONTINUED FROM PAGE 1

he managed the company's merger with EMC. He was also an executive with Prime Computer during its significant growth phase in the mid-1980s.

Katzman holds a BS/BA *summa cum laude* from Salem State College.

Dina Routhier, principal of Massachusetts Technology Development Corporation (MTDC), has more than 12 years' experience of investing in and financing technology companies. She joined MTDC in 1999, and has been responsible for reviewing business plans, interviewing entrepreneurs, identifying marketable technologies, making early-stage equity investments and working closely with MTDC portfolio companies. Routhier manages an existing portfolio of five

companies—serving as a director of three of those companies (geoVue, Spectra Analysis, and EdNets), and as an observer/advisor to the other two (OwnerIQ and Tomophase).

Prior to joining MTDC, from 1995 to 1999, Routhier managed a \$400 million portfolio of loan commitments at Fleet National Bank (now Bank of America). As a member of the bank's High Technology Division, she prospected, structured and originated new debt facilities to start-up and established companies operating with the technology and biotechnology industries. She came to Fleet National Bank from JP Morgan & Co., Inc. in New York City. Routhier earned her MBA from Boston University and her BS in Management from Boston College.

Peter Aranow has spent 30 years in finance. For 17 years he was in the investment banking department of Bear, Stearns & Co., where he worked on debt and equity financings, mergers and acquisitions, and was the investment banker responsible for Bear, Stearns' initial public offering. For the next 13 years he served as chief financial officer for a number of public and privately-owned companies, including a gaming company, an Internet advertising company and the New York City Off-Track Betting Corporation.

He is currently active with Boynton Angels, a Worcester investor group that invests in start-up companies. He graduated from Harvard College and Harvard Business School. ✓

A Look at October's Meeting

CONTINUED FROM PAGE 5

IDEO was an important step towards finalizing a customer-friendly design. The final design also uses a "no moving parts" dispenser, thus reducing the need for maintenance personnel.

Vigix also sees an opportunity to not just "sell hardware" but also to control the vending logistics/supply chain in an entirely more efficient and secure way. By packaging multiple products in a resupply cartridge, product restocking logistics can be handled by dependable delivery firms such as UPS, rather than by hiring a cadre of vending machine operators.

The case presentation was reviewed by Peter Aranow of Boynton Angels, Chris Golden of Mission Critical Advisors and Steve Rubin of Longwatch, Inc., all of whom had invested in or considered investing in Vigix. Each also explained their vision of what an investor can provide, other than money, to help a startup move beyond just a concept.

Aranow pointed out that the best thing an investor can do is to mostly just let the management team execute on the vision. But he did advise that an investor can help pinpoint aspects of the business plan that might make or break the venture. Aranow also typically likes to leverage other uses of the underlying idea. In Vigix's case, the same logistics technology might be used to supply manufacturing facilities. Aranow also pointed out that investors can leverage their contacts to help a new venture find customer contracts.

Golden, with prior experience in video distribution, also urged Vigix to think of themselves as more than just a hardware vendor. Some aspects of Vigix's logistics system could apply equally well to the video and music distribution business. Also, having the advice of an investor who has "already been there and done that" can help management avoid repeating others' mistakes.

Rubin believes another thing that an investor can bring to the table is to help articulate the vision. For example, an initial impression of Vigix might be that it is just another vending machine company. However, Vigix does not use investor's cash to float expensive inventory – that being the responsibility of the product vendor. That differentiation alone can help bring next round investors to the table.

Patent attorney David J. Thibodeau, Esq. '78 helps create value for new business ventures and investors through patent portfolio development, investment and transaction due diligence, infringement investigations, and licensing at Hamilton Brook Smith & Reynolds, PC. His particular technical expertise is in the fields of wireless communications, storage systems, networking, data security, and integrated circuits. He can be reached at david.thibodeau@hbsr.com. ✓

Business Plan Winner Evolves

It's been a year of growth and learning for last year's Business Plan Contest winner, John Lai of DataPact. The Milford, New Hampshire-based company has undergone significant changes, but changes informed by what founder Lai learned in the process of competing in the contest.

"I did a significant amount of work for the Business Plan Contest," he recalled in a recent telephone interview. "It helped me pave the way to what I'm doing now."

Lai's business plan described his ideas for a data compression service for the medical market, as their diagnostic images, such as X-rays, mammograms or MRIs, can be huge files that take hours to transmit over conventional Internet lines. But first he needed a client and a transaction to prove his business idea – and generate some revenue.

His entry to market came with a phone call. A physician in a medical imaging center needed a low-cost enterprise medical data archive storage solution for his patient files. Lai envisions his data compression engine may be embedded in the archive solution in the future.

Winning the Business Plan Contest helped Lai in several ways, he said. Participating in the competition forced him to refocus his understanding from technology to business viability. The cash was helpful when he had no clients, and it covered his trip to an international trade show in Chicago last November. His status earned him credibility

when approaching venture capitalists. But what he valued even more, he said, was the advice and connections he received.

Lai learned something new about himself in the process, he added. "Before the Business Plan Contest, I didn't believe I could speak in public," he said. Now, he enjoys public speaking. "I turn on a switch and open my mouth," he said with a laugh. "I can talk to people." √

Spotlight on Entrepreneurs

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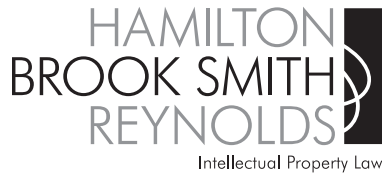
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