

THIS MONTH'S MEETING

**TUESDAY,
 DECEMBER 13, 2005**

WPI, WORCESTER
 Campus Center Odeum

REGISTRATION: 6:00 PM
MEETING: 6:30 – 9:00 PM

\$10.00 members
 \$20.00 non-members

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Building Your Start-up Team

Investors fund both the idea and the management team. But who should be on that team, what skills should they have, and how do you find them? Much like the old adage that location is the key to success in real estate, management is the key to success in starting and growing an early stage company. At the December 13 WPI Venture Forum program, Bob Creeden and Steve Rubin will play the roles of entrepreneur and investor to illustrate the dynamics of building the team of a start-up company.

Their interactive presentation will address such questions as:

- How do I identify the people that I need to be successful?
- Where do I find them?
- How do I attract them?
- What do investors seek in a management team?
- How do I make sure the chemistry works?
- What happens when it doesn't?
- Does my management team include outside service providers?
- Which ones and how do I pick them?

Robert J. Creeden, MBA, is Managing



ROBERT J. CREEDEN, *Managing Director, Center for Innovative Ventures, Partners Healthcare*

Director of the Center for Innovative Ventures (CIV) at Partners Healthcare, where he oversees the creation and launching of new ventures generated from Partners' innovative research discoveries. During his career, he has reviewed more than 2,000 business plans and invested in more than 40 companies.

Creeden has spent more than 25 years commercializing new technologies and promoting

emerging businesses, including 15 years of early stage venture capital investing experience. In 2004, Partners appointed him to establish the

CONTINUED ON PAGE 6

Case Presenter

vCentrix, Inc.

This Massachusetts-based, wholesale Voice over IP (VoIP, or internet telephone) provider offers telecom applications that combine a reliable VoIP network with an integrated, web-based operation support system. vCentrix enables any existing network, municipal, independent cable or non-facilities-based provider to provide a comprehensive suite of telephony services. The

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The Company You Keep



launched without our assistance. Our MBA students have worked with a number of inventors inside and outside WPI

Did you know that, through the WPI Venture Forum, you are involved with a top-10 entrepreneurship program? Late last spring *Entrepreneur.com* published its rankings of collegiate entrepreneurship programs. WPI was in the top 10 in the entrepreneurship emphasis category.

WPI's very strong extra-curricular and outreach program stands at the center of our ranking. Each year, the Collaborative for Entrepreneurship & Innovation hosts two or three conferences, more than 40 workshops, five or six "Dinner with Entrepreneurs" events, course-based invention contests, an innovation contest, and a business plan contest. This is in addition to the Department of Management's minor in Entrepreneurship for engineering and science majors, four undergraduate courses, three graduate courses, plus the events that are part of the WPI Venture Forum. This year we expect to register more than 1,150 students and 2,100 non-students across all of our various activities. For a university that has only 3,700 undergraduate and graduate students enrolled, those are amazing numbers.

More important than sheer numbers is the impact of our programs. We can point to at least six businesses that have launched out of courses or contests in the past four years, and many more student entrepreneurs who

to screen market opportunities and help determine market feasibility of their inventions. These experts often recommend additional development – something our students understand because most of them were educated as engineers and scientists.

In the pipeline, we have proposed a new undergraduate major in Entrepreneurship & Innovation, and a new MS in Technological Innovation & Entrepreneurship, through which we expect to have an even greater impact on the region's licensing and startup activity. Ultimately that will benefit all of you, by attracting more investors, generating more ideas and opportunities, and solidifying the region's economic base.

Stay tuned, and stay involved!

Sincerely,

Mac Banks

Director, WPI Collaborative for
Entrepreneurship & Innovation
Head, WPI Department of Management
(the business school at WPI) ♡

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for directions to the meeting

Invention or Innovation?

by

PETER FLENTOV, JOANN
MICHALIK AND MIKE PETERS,
Principals, 20/20 Innovation LLC

All new business ventures are based on an idea or concept that the founders believe is innovative – you have to in order to embrace the uncertainty and risk inherent in starting a new business.

The “innovation” might be a new technology that’s the basis of a product or service. Alternately, the business concept might involve a new business model or a novel new process. Whatever idea the new business is based on, it’s new, it’s different and you believe it’s innovative.

While typically used interchangeably, there is an important distinction between invention and innovation. An invention is anything that is new and novel. But mere novelty, in and of itself, does not represent an innovation. In order to be innovative, the invention has to meet three criteria:

- 1) It must provide a group of customers with recognized and meaningful value
- 2) The customers must be willing to pay for the value.
- 3) There must be a significant, sustainable customer demand.

So innovation is defined in terms of value and demand. If there isn’t a critical mass of users who are willing to adopt (and pay for) a new invention, then it simply isn’t an innovation. Any new business should start with a deep understanding of the market and the value proposition of the new offering. This makes sure that you really answer the question of “what’s in it for me” from the customer’s perspective. After all, in the end it is the customer who will determine whether your business is successful or not.

As consultants who help companies create new value by working with them to identify and implement growth strategies, we have had the opportunity to review a wide variety of business plans. Over the years we’ve been

struck by the number of plans that don’t discuss the value offered to the customer. Nine out of ten business plans don’t include any significant discussion about who the customer is and what’s in it for them.

Sure, each of the business plans we’ve reviewed has an overview of the market being targeted, but this discussion typically deals with the structure of the market rather than how the customers function within the market. The plans will describe in detail the size and rate of growth of the market, and the positioning and strength and weaknesses of the current and expected competitors.

These are important considerations when planning your new venture – they tell you whether market fundamentals can support the venture. But they don’t give any meaningful insight into whether the business will be successful in this market.

Success depends on the company being able to exploit customer behaviors, needs and wants to deliver outcomes that will be of value to the customer. Ensuring that the concept at the heart of the business plan will be of sufficient value to the target customers requires a deep understanding of the customers’ practical, intellectual and emotional needs and wants.

Before you approach investors for funding, make sure your business plan is able to articulate the customer value proposition in detail – and validate that value proposition. It will make your case much more compelling.

20/20 Innovation LLC helps start-up ventures with business plan evaluation, market and user research, and develops go-to-market strategies to identify and exploit growth opportunities. For further information contact Peter Flentov at (617) 763-2020 or at pflentov@2020innovation.com. ✓



A LOOK AT NOVEMBER'S MEETING

So You Want to Start a

by

JERROLD M. SHAPIRO, PH.D.

Richard T. Schumacher, CEO, President, and Founder of Pressure BioSciences, Inc., took us on a fast-paced roller coaster ride through the ups and downs of his career in biotech. As the roller coaster pulled back into the station, he shared his thoughts on what he learned in his first 33 years in business:

- Don't hire people who will later fire you
- When your stock appreciates by a factor of 100 – sell quickly
- Be prepared to take a healthy dose of “ego reductase” each time things are really going well and/or each time you think you don't need to listen to another's advice...because it usually is not that easy

Then after a bit of laughter, he shared his thoughts on what he *really* learned in his first 33 years in business:

- When opportunity knocks, answer the door – but always look through the peephole first
- Plan your work and work your plan
- Contacts make contracts
- Hire well and treat your employees with respect
- Say “thank you” to every customer at every opportunity
- Don't go it alone – share your vision with staff/colleagues
- There are a number of right ways to raise capital – and a number of wrong ways – do your due diligence, keep emotion at bay, and do what is best for you at the time
- There is no substitute for hard work, but balance your ambition with the other parts of your life



Keynote speaker Ric Schumacher makes a point.

For the biotechiees in the audience, Schumacher explained the advantages of Pressure Cycling Technology (PCT) which is safer, faster, more versatile, more reproducible, and more powerful than current technologies that are used to break apart cellular structures, yet PCT is gentle in that it doesn't shear nucleic acids and preserves the biological activity of proteins.

WESAGEN, INC.

Dr. Mustapha Abdelouahed, Ph.D, president of WesaGen, Inc., presented the company's mission of developing a new generation of cancer treatments using drugs that prevent the tumor from developing the blood vessels it needs to feed itself and grow. These next-generation drugs are called angiogenesis inhibitors, and originated with Judah Folkman at Children's Hospital in Boston in the 1970s. WesaGen targets the 676,000 people who now have lung, breast or prostate cancer, hoping to reduce the 134,000 deaths (one in five) from these cancers. He explained the mechanism of action of their drugs.

Within the Type 1 segment of their biomolecule are inhibitors of the growth of

Spotlight on Entrepreneurs

The WPI Venture Forum invites entrepreneurs* to participate in a one-minute practice pitch for funding. Each entrepreneur is allowed to display one overhead slide, which they can bring or prepare on site with materials provided by the Forum. The one-minute rule is strictly enforced and no questions are allowed.

Each entrepreneur is allowed only one opportunity to present a one-minute elevator pitch per each new business venture. The main objective of this feature is to generate investments and/or advice, rather than sales.

**An entrepreneur is defined as someone who organizes, manages and assumes the risk of a business or enterprise. This can include pre-startups.*

Biotech Company?



During the break, Schumacher answers a question.

the endothelial cells that line the new blood vessels. Abbott Laboratories, a competitor, has the ABT-510 version of this segment in Phase II human clinical trials in various cancers. WesaGen's molecule is almost 700 times more active than Abbott's, and is effective in the nanomolar range.

Case Review

Joe Blanchard, Principal at Landhouse Strategies, said that the company plan for an IPO in 2008 was a little aggressive, and that similar companies complete Phases 2 and 3 of their clinical trial before attempting this. He would like the business plan to contain more detail on the proposed clinical trials and their other products.

Mitchell J. Martin, President of C4C Consulting, has seen significant improvement in the business plan since their meeting last week, but it still needs more detail on expenses, and a contingency plan. A competitor with a less effective product doing \$10 billion in sales is good to discuss.

W. Grant McGimpsey, Ph.D., Director of the Bioengineering Institute at WPI, would also like to see a more realistic timeline for the clinical trial, and asked a significant strategic question, "With all the competition to develop a cancer drug, why not use this class of drugs to go after a niche market in treating macular degeneration in the eye?" He also reminded us that for a company with only one drug, acquisition was a more likely exit strategy than an IPO.

Joe Blanchard suggested that the company get someone excited about the product and get funding from foundations and angels, not VCs. McGimpsey recommended the federal funding route via SBIR/STTR because the company retains its intellectual property. Abdelouahed has scheduled a meeting with the NIH that looks positive for funding.

Q & A

Moderator Mitch Sanders, President, ECI Biotech, ably fielded several questions from the audience. Randy Chinnock, President of Optimum Technologies, Inc. asked if the plan would be stronger if the company had more than one owner, and Mitchell Martin responded that while more risky, investors prefer to deal with one owner. Regarding the timeline, Richard T. Schumacher said that it seems to always take two months or longer from when you are sure the deal will go through until you get through all the legal work and it is signed, so it was unlikely that WesaGen would raise the funds by the end of the year, as indicated on the financials presented by Abdelouahed. In response to Martin's question about dividing the patents



Panelists respond to WesaGen's case, (from left) Joe Blanchard, Mitchell Martin and W. Grant McGimpsey.

and licensing them to multiple investors, Abdelouahed noted that they might do so with another patented platform technology in nanotechnology.

Jerry Shapiro is a member and past Chairman of the WPI Venture Forum Program Committee. He is the founder, President and CEO of Fem-Medical LLC in Framingham, Mass., which gives incontinent women the freedom to enjoy their lives via nonsurgical drug-free treatment. He can be reached at shapiro@FemiScanUSA.com ♡

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Member News

Industrial Marketing Lectures Online

S hari Worthington, President of Telesian Technology Inc. gave several marketing lectures at the Instrumentation, Systems and Automation Society (ISA) conference in Chicago on October 25-26, including "Suspects vs. Prospects vs. Leads: Acquisition and Lead Conversion Strategies for the Industrial Markets" and "Guerilla Marketing for the Industrial Markets." She moderated a panel discussion of "A New Force in the Controls Industry: The Growth of Independent Control Integrators," which addressed the new and rapidly growing phenomenon of independent control and information systems integrators that are coalescing into a viable alternative to the major manufacturers, engineering consultants, and constructors who have long dominated large control projects. Copies of her presentations are available at <http://www.telesian.com/techlibrary/index.cfm>.

She also recently discussed industrial marketing and what manufacturers can do to turn their businesses around with Mass MEP Director Jack Healy on internet radio at <http://www.business.voiceamerica.com>. ♡

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Start-up Team

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CIV. He was previously a general partner at Egan-Managed Capital, a \$150 million dollar Boston-based venture fund, after having served as Vice President of the Massachusetts Technology Development Corporation, an early stage venture firm that funds technology-based companies in Massachusetts.

Earlier in his career, he gained strategic operating expertise as a COO/CFO with start-up ventures and as a management consultant with Control Data Business Advisors. He holds an A.B. in economics from Holy Cross College and an MBA from Suffolk University. Creeden is a member of the Advisory Board for the WPI Collaborative for Entrepreneurship & Innovation, and a former Chair of the WPI Venture Forum, where he currently serves on the Board. He is also a Director of The Capital Network and a frequent speaker on entrepreneurship and early-stage investing.

Stephen E. Rubin '74 has built and led several companies and is chairman of



Intellution Inc. in Foxboro, Massachusetts. He received his B.S. in computer science from WPI in 1974. After leaving WPI, he

was a systems engineer at The Foxboro Company and at EMC Controls, active in developing software for process control systems. He was also assistant to the president at Copeland and Roland, a Columbus, Ohio, developer of automation systems.

In 1980, Rubin founded Computer Control Systems, later renamed Intellution.

Intellution has grown to be a worldwide leader in process monitoring and control software for personal computers. With more than 300 employees, the company does business with 75 percent of the Fortune 500 and has five international subsidiaries. In the summer of 1995, Intellution was acquired by Emerson Electric, a leading manufacturer of electrical equipment and control systems.

In 1989 Rubin received WPI's Ichabod Washburn Award for professional achievement by a young alumnus. He is also an alumnus of Harvard Business School's Owners and Presidents Management (OPM) Program. ♡

Communication Workshop December 8

WPI Venture Forum member Michael O'Steen, Founder and President of Cedarwood Associates, Inc., will host a workshop at WPI on December 8 to explore the marketing potential of technical communication techniques. The workshop, including both lecture and hand-on exercises, will help high-tech start-ups differentiate both their products and their company from the competition. Participants are encouraged to bring samples of their technical communications to the workshop for analysis by the speaker, who will offer recommendations.

Workshop details: Thursday, December 8, 2005, 6-8 P.M.

Salisbury Laboratories, Room 104

Free for WPI community and WPI Venture Forum members with advanced registration \$25 for the general public, payable at door.

To register, visit <http://www.wpiventureforum.org/Programs/workshops.html>

Members: If your company has news to share, please email your press releases to ventureforum@wpi.edu. Releases may be edited and included on a space available basis.

Entrepreneur News

ANGEL INVESTING UP BUT FEWER DEALS

Total angel investments were up to \$11 billion for the first half of 2005, just under last year's investment levels at that time, according to a study released last month by the Center for Venture Research at the University of New Hampshire. Funding went to about 26,000 entrepreneurial endeavors, of which 48 percent were start-ups or seed funding. That figure is down 11 percent from the previous year. Life sciences garnered the most funding, with 20 percent of all angel investments, followed by biotech (17.5 percent), software (17 percent) and IT services (13 percent).

PATENT CHANGES AFOOT IN D.C.

Facing a backlog of some 600,000 pending patent applications, the patent office has come under increasing criticism for making applicants wait more than two years for patent decisions. To speed up the process, the

House Judiciary Committee approved legislation on November 9 that would increase patent application fees to generate extra revenue for the Patent and Trademark Office (PTO). But a key provision intended to prevent the use of patent fees for other purposes may create opposition to the bill. The PTO would have to refund all fee revenues that exceed its appropriation.

According to *Congressional Quarterly*, the Patent Reform Act of 2005 (HR 2791), sponsored by Judiciary Chairman James F. Sensenbrenner Jr., (R-Wis.), was approved by voice vote with bipartisan support. It would make permanent a new patent and trademark fee schedule enacted late last year to provide additional resources for an agency that lawmakers say is overworked and under funded. A similar bill passed the House last year, but dropped all language referring to the PTO retaining all collected fees.

Of concern to inventors, however, is the legislation's intent to change the American system to a "first to file" standard, common

Upcoming Events

January 10, 2006	Financing the Dream
February 14, 2006	Negotiations
March 14, 2006	Crafting the Elevator Pitch
April 11, 2006	Marketing
May 9, 2006	Leadership
June 13, 2006	Business Plan Contest

outside the U.S. The PTO now awards patents to those who can show they first invented the idea or device. Patents could also be challenged during the first nine months after they are issued, creating an opportunity for endless lawsuits brought by large companies, some fear.

The U.S. Small Business Administration recently released a report that found small companies hold far more patents per employee than larger businesses. Scientists and engineers with ten or more patents were particularly attracted to small firms, the study found. √

Case Presenter

CONTINUED FROM FRONT PAGE

vCentrix network will deliver a host of application features that do not exist in the current service provider market place today, such as:

- Do Not Call services to ensure businesses comply with numerous federal and state laws and regulations
- Real-time digital dashboards and monitoring tools for distributed organizations that enhance management capabilities and productivity improvements
- Soft phones and follow me/find me services, Outlook, customer relationship management (CRM) integration and enhanced unified messaging services (voicemail, email and fax) for increased productivity

- Sophisticated billing applications
- Their proprietary class 5 soft switch.

vCentrix CEO Steve Crummey was previously Senior Vice President of Worldwide Sales at Lotus, responsible for more than \$900 million in revenue. As Vice President of Sales and Marketing at Avid Technologies, Crummey was instrumental in positioning the company for a very successful IPO. His other worldwide sales responsibilities included PictureTel where revenues approached \$500 million. Crummey also founded and served as CEO of Intranets.Com and the webcasting company e Studio live.

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When you're ready to assess the competition, this site offers online market intelligence and marketing research. Special reports on changes in consumer buying habits and the "buzz" on RFID – radio frequency identification of inventory are recent features on the site. You can get free top line summaries of these reports in exchange for providing your contact information. To find many snapshot statistics of consumer trends, including "What's Hot and What's Not," click on News and the most recent Executive Briefing press release. √



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