

WPI Venture Forum

Worcester Polytechnic Institute
Alumni Association
100 Institute Road
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WPI VENTURE FORUM CALENDAR OF EVENTS

January 19, 1999 - Up-Front Exit Strategies -
The Journey's Summit

March 16, 1999 - Creating A Corporate Image

All meetings in Kinnicut Hall, Salisbury Labs
(our usual location).

For a recorded announcement of the next
program or to receive future mailings, call
(508) 831-5821.

Directions to WPI Campus, Salisbury Labs, Room 115

FROM THE EAST:

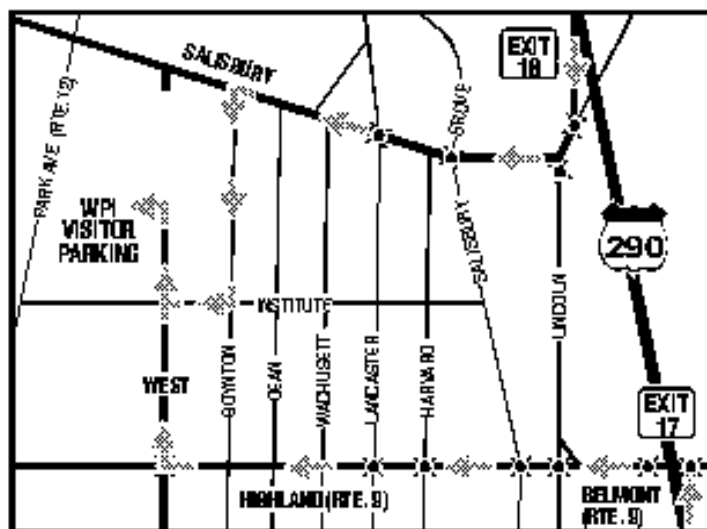
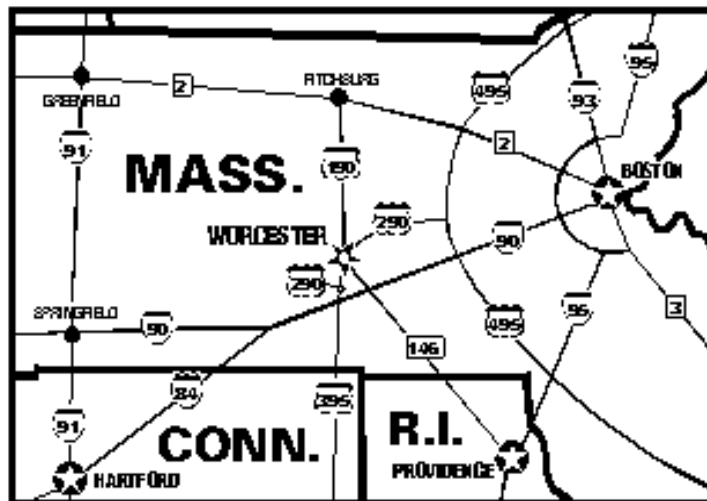
Take Mass. Turnpike (I-90) to Exit 11A (I-495).
Proceed north to I-290, then west into Worcester. Take
Exit 18, turn right at end of ramp, then an immediate
right before next traffic light. At next light, proceed
straight through, bearing to the right on Salisbury St.
At the WPI sign, turn left onto Boynton St., then right
onto Institute Rd., then right onto West St. Visitor
parking is on the left after footbridge.

FROM THE NORTH:

Take I-495 south to I-290. Follow directions as from
east.

FROM THE SOUTH AND WEST:

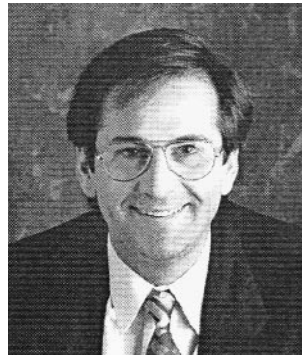
Take Mass. Turnpike (I-90) to Exit 10 (Auburn).
Proceed east on I-290 into Worcester. Take Exit 17,
turn left at end of ramp, follow Rte. 9 west through
Lincoln Sq., straight onto Highland St., then right at
light onto West St. and through first intersection.
Visitor parking is on the left after footbridge.





Venture

VENTURE FORUM
NEWS



Eliot D. Weinman

WPI VENTURE FORUM

The mission of the WPI Venture Forum is to promote and serve technology-based entrepreneurial activity and economic growth in the region by increasing the business and financial knowledge of the participants through sharing experiences with entrepreneurs as well as area business, financial and educational leaders.

EDITOR

Nancy McKenna (508) 793-7615

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WPI VENTURE FORUM OFFICE

phone: (508) 831-5075 or

Email: ventureforum@WPI.EDU

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Letter From the Chair

Web Resources For The Entrepreneur

By Brian Dingman

Another fascinating Web resource for entrepreneurs, whether involved in a pre-start, startup, or growing business, is called "Entre World", at "www.entreworld.org". EntreWorld describes itself as "an on-line information resource for entrepreneurs and supporters of entrepreneurship. EntreWorld provides a solution to information overload on the Web by providing highly filtered information coded by stage of business development".

EntreWorld is a collaborative project created and maintained by entrepreneurs, leaders in the field of entrepreneurship and coordinated by the Kauffman Center for Entrepreneurial Leadership at the Ewing Marion Kauffman Foundation, which is located at 4900 Oak Street - Kansas City, Missouri 64112-2776. Telephone (816) 932-1000, and email at "info@emkf.org".

The Kauffman Center for Entrepreneurial Leadership at the Ewing Marion Kauffman Foundation was established in 1992. Its mission is to: stimulate entrepreneurial leadership in both the profit and not-for-profit sectors; search, identify, teach and disseminate the critical skills and values that enable entrepreneurs to succeed; introduce young people to the excitement and opportunity of entrepreneurship; and encourage others to support entrepreneurship. EntreWorld is one program that the foundation uses to achieve its mission.

The Organization of the Entreworld site

EntreWorld is organized primarily under three major topical headings: "Starting Your Business", "Growing Your Business", and "Supporting Entrepreneurship" (this last is primarily academically oriented).

According to the Kauffman Foundation, "the EntreWorld editorial team scours the Web for salient, useful information for the entrepreneurial community, reads and reviews each piece of content, and decides whether it is Grade A material. If it is top-notch, our team assigns it to a channel—or user group—and further codes it to a business topic and subtropics. All of this is done with the user in mind".

The site is searchable using a key word or phrase, or by broad or more narrows topic.

Searches result in summaries of documents available online, with hot links to the documents. The searches are extremely simple to conduct. Also, as usual, search tips are available if additional help is needed. The articles include within them links to other articles and sites, as well as links to a glossary of terms. In using the site myself, I have found the articles interesting and relevant and the links appropriate.

The following includes some of the searchable topics under the "Starting your Business" section of EntreWorld: Entrepreneurship as a Career; Assessing the Idea; Entry Strategies; Business Plan; Exit Strategies; Culture; Networking; Market Evaluation; Market Demographics; Competitive Intelligence; Market Research; Product/Service Development; Pricing; Systems/TQM; Manufacturing; Supplier/Vendor Relations; Attracting/Retaining Employees; Executive Team; Boards; Outside Professionals; Finance Sources; Loans; Investment; Angel financing; Venture Capital; Alternative Financing Sources; Financial Controls; Personal Finances; Advertising; Public Relations; Online Marketing; Sales; Customer Service; The Global Marketplace; Taxes; Negotiation; Form of Business; Regulatory Issues; Protecting Your Idea; Managing Technology; Computers; Telecommunications; Internet; Franchising; Home-Based business; Minority business; and Family business.

Some of the searchable topics under the "Growing your Business" section of EntreWorld include: Company Culture; Networking; Balancing Work with Family/Leisure; Business Planning; Strategic Planning; Market Research; Competitive Intelligence; Advertising; Online Marketing; Public Relations; Sales; Customer Service; The Global Marketplace; Loans; Investment; Angel financing; Venture Capital; Public Offerings (IPOs); Alternative Financing Sources; Financial Controls; Strategic Alliances; Valuation; Personal Finances; Attracting/Retaining Employees; The Executive Team; Terminating Employees; Boards; Outside ▶



Continued on page 10

Stock Option Repricing

By Daniel Roach, Director, High Technology Group
Pricewaterhouse Coopers LLP

Stock option repricing programs are on the rise in the technology industry due to the volatile nature of the equity markets. A stock option, in essence, gives an employee the right to buy a certain number of shares in their company, at a fixed price, for a certain number of years. The price at which the options are provided, called the "grant price", is typically the market price at the time the option is issued.

"Underwater" Stock Options

Today, technology companies are often faced with the real problem of "underwater" stock options, or those that have an exercise price that is higher than the current market price. Increasingly, these companies are choosing stock option repricing programs, in which the option's grant price is reset to a price closer or equivalent to the stock's current market value.

The move is needed, proponents say, to keep employees from fleeing to companies with fresh options, and to keep recruiting and motivation efforts from being hindered by lifeless options.

Attractive Incentives

Technology companies have historically relied much more heavily on repricing programs to rescue underwater options than companies in other industries. They are also taking the lead in showing responsibility for balancing the concerns of the shareholders against the company's need to preserve options as attractive employee incentives.

Changing The Rules

Employees value stock options because of the wealth creation potential. Employers find that options are an economical way of conveying wealth to key personnel, since the cost is borne primarily by shareholders in the form of dilution without an upfront cash outlay. On the other hand, shareholders characterize repricing as "changing the rules after the game has begun." After all, they cannot reprice their depreciated shares.

One of the most debated approaches in stock option programs is to omit senior management from the repricing. Companies that choose not to reprice for their senior management do so for a number of reasons:

- They feel that including senior management sends a negative message to shareholders — their shares might not change hands at higher prices anytime soon.
- Senior management often hold options that were issued very early and at low prices; thus, the need to reprice those options is less than the need to reprice options issued at higher prices.
- They instead favor giving larger grants; in this case, more options are allocated at fair market value to go along with underwater options.

The most shareholder-friendly practice involves having employees trade underwater options for fewer options at the lower price.

Currently, the exchange ratio tends to be approximately one underwater option for every underpriced option. However, ratios are changing a bit so that employees will get fewer repriced options in exchange for their underwater tradings. For instance, some option programs require that 1.25 to 1.5 underwater options be exchanged for every new repriced option.

Balancing Concern

Another popular way to balance shareholder concern is to extend vesting periods or incorporate blackout periods for options that are repriced. For instance, if any employee exchanges underwater options for repriced options when there is only one year left to vest 50 percent of those underwater options, the company may require that the employee wait an additional year for the repriced options to vest. Companies often require that one to two years be added to the vesting period after repricing.

Blackout periods, on the other hand, keep an employee from exercising an option for a six-month or one-year period after it has been repriced. Some companies even put in provisions that require employees who leave a company within one to two years after repricing to return some level of the gains from exercising the repriced option.

Another repricing strategy employs a tiered approach whereby only a certain portion—for example 50 to 60 percent—of the underwater options are repriced. One way this can be done is

by excluding the senior management. However, as already discussed, there is a dichotomy of opinion on completely carving out the top executives.

Repricing only the option under a certain level can also have a tier effect. Here the repriced level is set somewhere between the underwater price and the fair market value, leaving room for stock improvement before it is attractive to cash in the option.

Repricing of stock options in technology companies will continue to rise. Underwater options have little or no incentive value and the tight job market dictates that companies do everything possible to attract and retain key valued employees.

Along with more option repricing, however, companies will continue to employ various mechanisms to make repricing easier for shareholders to stomach.

When companies carefully consider the purpose of repricing and integrate some of the discussed strategies which demonstrate a balanced approach to shareholders, repricing can actually be viewed as a benefit for both shareholders and employees by keeping the talent happy and productive.

About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwcglobal.com), the world's largest professional services organization, helps its clients build value, manage risk and improve their performance.

Drawing on the talents of more than 140,000 people in 152 countries, PricewaterhouseCoopers provides a full range of business advisory services to leading global, national, and local companies and to public institutions. These services include audit, accounting and tax advice; management, information technology and human resource consulting; financial advisory services including mergers & acquisitions, business recovery, project finance and litigation support; business process outsourcing services; and legal services through a global network of affiliated law firms.

PricewaterhouseCoopers refers to the US firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization. **VF**

Getting Your Management House in Order

By Floranne R. Reagan, Principal, EXXEL, Inc.

What happens when you don't plan for the future of your company? Blind luck. Happenstance. The way the ball bounced. Twist of fate. Darndest thing. This is how our speaker began the evening's presentation. Under the heading of Organizational Planning, a cartoon character pointed at Blind Luck, with the other options prominently displayed on the board behind him.

However, this was **not** the message articulated by our speaker, Nancy Mobley, President of Insight Performance Improvement Company. Nancy's central theme was that *Getting Your Management House in Order* requires planning at each stage of the company's development.

Entrepreneurship was described as a contact sport. This is because entrepreneurs are unique people in and of themselves. They tend to be passionate about what they're doing, spontaneous and opportunity obsessed. They must balance these characteristics against the disciplined process of growing a business. These two sides create a conflict (contact). Nancy summarized this situation of freedom versus discipline with a quote from Mario Andretti, *I know I'm going too slowly when I'm in control*.

Our speaker used an important study by Churchill and Lewis, which discussed the five stages of small business growth, as a backdrop for some of her comments. The five stages are: Existence, Survival, Success, Take Off, and Maturity. For each of the five stages, Nancy described the characteristics of the company and the management structure. However, she stressed that the goal of an entrepreneur should not necessarily be to reach the Maturity stage.

The Stage 1, Existence company is focused on three questions:

1. Can we get enough customers, deliver our products and provide services to become a viable business?
2. Can we expand from that one key customer to a much broader sales base?
3. Do we have enough money to cover the cash demands of this start-up phase?

In the Existence phase the organizational structure is quite simple because the entrepreneur is the business, typically performing all the major tasks, and providing the major share of energy, direction and capital. This individual

supervises all employees, assuming there are any. Systems and formal planning are minimal. The strategy is basic and profound: To Stay Alive.

The Stage 2 company, Survival, is focused on the relationship between revenues and expenses. The crux of the issue is cash flow, that is, how to manage it? In this stage the management structure is largely concentrated in the entrepreneur. He or she is still very active in the business, but may now employ sales or marketing manager. Systems development is minimal, and formal planning is, at best, cash forecasting.

At Stage 3, Success, there is an important decision point. Whether to grow or maintain stability is an essential question. Another way to express this pivotal assessment is: Do we expand and go for the gold or preserve the characteristics of the firm and become a lifestyle enterprise? Neither answer is right or wrong. The issue is that the entrepreneur has a choice, because the company can stay at this stage indefinitely since it has financial strength and market viability.

At Stage 3, the management structure is comprised of professional staff who performs the basics of finance, production, scheduling, marketing, and operations. The entrepreneur must delegate to these individuals in order to focus on a strategy of maintaining the company's stability or on that next idea or opportunity, if expansion is the goal. One key element for the owner to confront is that he or she cannot micromanage the company. Trust in key employees is essential at this stage.

The Stage 4 company is at Take Off. Here the entrepreneur is dealing with critical aspects of growth. Some of the questions that must be addressed:

- Should the company grow?
- How do we finance this growth?
- How will we measure performance?
- How do we monitor cash flow?
- Do we have adequate expense controls?



Nancy Mobley explains a strategy to get the right people for management positions.

Ron Bouley

Nancy described a client company at this Take Off phase. The company was a call center at \$2 million in sales. The entrepreneur made a crucial decision to step aside by hiring seasoned operations manager. This experienced individual helped the company expand overseas, acquire other companies, put into place more sophisticated systems, thereby increasing sales to \$20 million in a very short period of time. The central point was that

the entrepreneur did an honest assessment of his abilities, and was willing to allow another person with the more appropriate skill set, make his company even more successful.

For the management structure of the Stage 4 company, hiring the right people to enhance processes is critical. Often the difficult decision for the entrepreneur is to realize that he or she must upgrade some or all of the current management team. This is a time when a college roommate or a neighbor's child no longer has the aptitude to grow the business. Further, this is often a time when entrepreneurs disengage from the business they created. This could be by choice or by design of the funding sources.

The company challenge of Stage 5, Maturity, is how to sustain high growth and retain flexibility and entrepreneurial spirit. At this stage there are sophisticated systems such as budgets, strategic plans, MBOs, cost systems, etc. The management structure is characterized by highly professional, experienced managers, and typically, the entrepreneur and the company are quite separate, financially and operationally.

Nancy's presentation transitioned to a discussion of seven common pitfalls that most entrepreneur's encounter:

- 1. Hiring clones.** She stressed the need to define the specific roles, behaviors, talents, and skill sets that the company requires. Far too often, entrepreneurs hire individuals that they are comfortable with and those with experiences and expertise that are similar, or

even identical, to their own. This approach does nothing to help the diversity of the organization, which is an important hallmark of strength.

- 2. Doing it all yourself.** The most successful entrepreneur can trust and delegate to others instead of trying (and typically failing) to do it all.
- 3. Lack of planning.** For the company's stability and growth, an entrepreneur must plan. The two plans that were stressed: business plans and marketing plans.
- 4. Hiring the wrong skill set.** Clarify what skills and abilities the company needs; don't react by hiring whoever is available.
- 5. Acting as an employee or a manager ...rather than as a leader.** A classic pitfall for entrepreneurs is to focus on the day-to-day, rather than on the long-term and strategic decisions.
- 6. Not listening to your investors, your customers, and your employees.** Entrepreneurs tend to be self sufficient, often overlooking, and sometimes ignoring, critical words of advice, counsel or warning, that can advance their companies, avoid a loss of client or customer, or improve their individual or corporate performance.
- 7. Failing to outsource to experts and advisors.** Again, the specter of self-sufficiency comes up. Creating advisory relationships and using trusted outsiders significantly enhances the performance of the company. These individuals can provide as-needed expertise that supplements the entrepreneur's, allowing concentration on their own area of excellence.

In preparation for the Venture Forum session, Nancy interviewed venture capitalists (VC) to get their insights. What resulted was a "wish list" of characteristics for the entrepreneur.

- Experience in the industry
- Conducted formal market research
- A novel technology or approach that reaches a large potential market
- An implementation plan linked to financials
- Operational ability
- Leadership skills
- Listening and critical thinking talents
- Ability to make tough decisions for the good of the company
- A plan for the next key hires: VP Marketing and Sales, Controller, Technology Product Development/R&D

Further, the VCs wanted to know:

1. Is the entrepreneur the right person to take this business through the various stages of company growth?
 2. Does the entrepreneur have a "fire in the belly?"
 3. Is the entrepreneur driven by passion, controlled conviction, and enthusiasm to sustain the hard work?
 4. What incentives will the entrepreneur offer to employees? (No stock options = no VC commitment)
 5. What means will the entrepreneur use to value employees and keep them interested?
- Nancy Mobley ended her presentation with important advice to the audience:
- Assess where you are in your company's growth cycle.
 - Deal with the management challenges at each stage.
 - Be honest about your own limitations and seek help where needed.
 - Keep the focus on your vision and lead the charge!
 - Read: *The E Myth: Why Most Small Businesses Don't Work and What To Do About It* by Michael E. Gerber.



Dr. Roger Weiss discusses contact technologies.

Ron Bouley

build ACE, not to build sockets. The goal is to sell to the connector industry not to compete with them for their customers.

The Paricon team is comprised of its two co-founders: Roger Weiss Ph.D. and Bill Lambert Ph.D. Roger's experience includes: 23 years at Bell Labs, greater than 10 patents, VP of worldwide engineering at Augat, and he considers himself an expert in

interconnection technology. Bill's experience includes: 15 years at Bell Labs, greater than 10 patents, ECPI product champion, and he considers himself an expert in polymer sciences.

The company's major needs are funding and access to entrepreneurial expertise to help with financial strategy.

Dr. Weiss' presentation was reviewed by three panelists: Andrew D. Clapp, Managing Director, Gateway Financial Group; Stephen Pytka, CEO, Streamware, Inc.; DR Ed Sayre, President, North East Systems Associates, Inc.

Andrew Clapp began his comments by noting that the opening of the presentation was good, and money was asked for right up front, which he felt was appropriate. He thought the summary of the management team was good. Next, Andrew offered some observations about the Paricon's business plan. He suggested that the business definition needed to be crisper because he wasn't sure what the company wanted to do for whom, and that the plan should have a good executive summary. He summarized the importance of the plan by saying *a good business plan can make you look good; a good business plan can make you look more advanced than you are*. Andrew's final comments related directly to Roger, Paricon's co-founder. *You're not an ivory tower person but someone with real passion and practical understanding.*

Stephen Pytka spoke next and observed that Roger had the *evangelistic fervor of an entrepreneur*. Commenting on the presentation, *his dynamism brought a very technical business plan to life*. Steve asked some important questions of Roger: Is there a pressing need for this product? Do you have a proprietary position that's defensible regarding use of the ►

Case Presentation

Paricon Technologies Corporation
Roger Weiss, Ph.D.

The case presentation for the November 17th session was made by Co-Founder and President, Roger Weiss, Ph.D. Paricon Technologies was formed with the goal of becoming a leading edge provider of high density, separable, surface mount, interconnection products. To facilitate this goal Paricon is acquiring a unique material capability from a leading developer of interconnection technology. Currently the company is under contract to acquire core capacity from Lucent Technologies. They will acquire the technology, patent portfolio, and manufacturing equipment.

Paricon's core capacity is anisotropically conducting elastomer (ACE). The material is resistant, and a pad attachment. The material only conducts through the sheet thickness. Paricon's will supply to the Test and Burn-In, and the OEM markets. Its business model is to

Continued on page 11

SBA Venture Capital Program Produces \$5.3 Million Payoff For U.S. Taxpayers

A venture capital fund licensed and funded by the U.S. Small Business Administration (SBA) has paid the agency \$5.3 million, the largest shared profit to date in the agency's revamped Small Business Investment Company (SBIC) program, SBA Administrator Aida Alvarez announced on November 19th.

The \$5.3 million payment to SBA from MidMark Capital of Chatham, N.J. represents taxpayers' share of the profits realized from investments made with funds backed by SBA. The payment, which brings the total SBIC profit shares received by SBA since 1995 to \$13.6 million, will be made to the U.S. Treasury.

Venture Capital

"The payment received by SBA from MidMark Capital is evidence of how well this program is working for small businesses, and further proof that the new, streamlined SBA is an excellent investment for the country," Administrator Alvarez said. "Now, for the first time, U.S. taxpayers are sharing in the profits of these venture capital investments, and we have every reason to believe that these distributions will increase substantially over time. We all benefit when a program like this produces reliable sources of venture capital for small businesses that create new jobs and build the economy.

"For example, just one company that benefited in its early stages from SBA-backed SBIC investments - Intel - paid more in taxes last year than the SBA's entire budget for 1998," Ms. Alvarez continued. "And Intel is just one of this program's major successes. I could add Apple, Compaq, Federal Express, Outback Steakhouse and thousands of others.

SBICs

SBA-backed SBICs made more than \$2 billion in investments in small businesses in FY 1997. Who can tell if the Intel of the future is not among them?" The total distribution made by MidMark Capital to SBA amounts to more than \$30 million. Of that, \$5.3 million represents the SBA's profit participation and \$24.7 million represents MidMark's repayment of a portion of MidMark's outstanding leverage from SBA.

Under the SBIC program, SBA licenses and regulates privately owned and operated venture capital firms. The agency supplements the private sector capital raised by licensees with other

funds raised through the use of SBA guarantees to help finance venture capital investments in small businesses.

According to regulations implemented in April 1994, the SBA is permitted to provide funds to SBICs in the form of participating securities. Using the new securities allows SBICs to defer repaying their debt to the SBA until the small business investments they have made become profitable. The new securities allow the SBA to receive a share of the profits from successful investments.

Participating securities provide for payments of dividends or interest to the SBA only when the SBA-backed SBIC realizes earnings from the investments made with the funds. Those returns are not generally expected to occur until three to five years after the funds are made available.

MidMark Capital became one of the first SBIC participating securities licensees in September 1994. The investment that yielded the payment to SBA was made in SPD Technologies, a supplier of electric power delivery systems for U.S. Navy combat ships and submarines. As a result of MidMark's investment of \$5 million and extensive involvement with SPD's management, SPD grew from a company with 1996 revenues of \$93 million and 488 employees to a company with projected 1998 revenues of \$211 million and 1,250 employees. Mid-Mark earned \$80 million on its investment.

The creation of the participating securities program has spurred significant growth in the SBIC program. Since September 1994, the SBA has licensed almost 70 new SBICs in the participating securities program with private capital of

\$1.2 billion. To date, SBA has provided those licensees with SBA-backed leverage amounting to almost \$1 billion. Those licensees have invested \$1.2 billion in much needed equity capital in 1,500 small growth companies. **VF**

The U.S. Small Business Administration, established in 1953, provides financial, technical and management assistance to help Americans start, run, and grow their businesses. With a portfolio of business loans, loan guarantees and disaster loans worth more than \$45 billion, SBA is the nation's largest single financial backer of small businesses. Last year, SBA offered management and technical assistance to more than one million small business owners. SBA also plays a major role in the government's disaster relief efforts by making low-interest recovery loans to both homeowners and businesses. America's 24 million small businesses employ more than 50 percent of the private workforce, generate more than half of the nation's gross domestic product, and are the principal source of new jobs in the U.S. economy.

Release Date: November 19, 1998 Contact: Mike Stamler (202) 205-6740

Release Number: 98-102 SBA News Releases: www.sba.gov/news/

CALENDAR OF EVENTS

February 16, 1999 - Growing Pains - Building Your Company

March 16, 1999 - Creating A Corporate Image

April 20, 1999 - Finding The Funds

May 18, 1999 - Getting Real Customers To Pay Real Money For Your Product

June 15, 1999 - Business Plan Contest

The Journeys Summit

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that focuses on advanced software development technologies.

Mr. Weinman has consulted to the world's leading technology companies. His engagements have ranged from customized strategic marketing for existing and new product development to developing product rollout strategies, vendor product analyses, expanding international marketing and distribution channels, and tradeshow and conference development. A sampling of domestic and international clients include IBM, Andersen Consulting, Booz/Allen Hamilton, Boston University, and CMP Media.

Mr. Weinman received his M.S. and B.S. in Computer Engineering from Boston University where he was awarded a Research Fellowship in Artificial Intelligence working with General Electric's advanced technology group. He also earned a B.S. in Accounting from the State University of New York at Albany and is a licensed Certified Public Accountant.

Please join us on January 19 to hear Mr. Weinman share his insights on various methods of cashing out and generally interesting others in investing in your business. Mr. Weinman's experience and dynamic speaking will make this a session not to miss.

Case Presentation

Donald R. Byrne
President, CEO and Co-Founder
Kx Multimedia Software, LLC
Nashua, New Hampshire

Let's see, which technology companies have seen their stock prices soar recently? Internet, Internet, and Internet. In keeping with that theme, the Venture Forum is pleased to have Kx Multimedia Software, LLC (Kx) as its case presentation for the January meeting. Come hear about the exciting software product offered by Kx!

Kx has developed a suite of software applications that allow users to navigate, manipulate, annotate and in other ways interact with multimedia information for the first time. Known as the Kx Media Processor Suite, these applications allow average PC users to perform tasks that historically have been outside the capabilities of even sophisticated video editors. Designed for use with the Internet and other types of networks, these software applications work with any type of multimedia file including video, voice record-

ings, presentation graphics, animation material, and combined voice, video, image and text files. Users can quickly navigate to specific sections of a multimedia file through the use of a variety of search and retrieval tools. These same users can add outlines; keywords, margin notes and even collaborate with others via groupware applications (such as LOTUS Notes and Microsoft Exchange). No other company currently competes across the entire range of Kx's new product category of enterprise-ready media processors.

The Kx Suite defies easy classification since it is producing the first in a new class of desktop software applications. Known as media processors, these applications do for multimedia information what office applications do for words and graphics. No special training or programming skill is required to use this breakthrough technology.

The Kx Suite has wide appeal and broad use in many fields of endeavor. This unique product can be used by any Windows-literate person from their desktop to produce, publish, and collaborate over the Web, local area networks or via CD-ROM - information in a multimedia format. Although immediately applicable to many industries, Kx is focusing its initial sales, marketing and engineering efforts on three specific markets: (1) Computer-Based Training & Distance Learning, (2) Sales & Marketing Encyclopedias, and (3) Multimedia OEM Opportunities.

Donald R. Byrne is the CEO, President and founder of Kx. Mr. Byrne began his twenty-five-year career in computers and technology with Wang Laboratories and then Digital Equipment Corporation. Mr. Byrne left Digital to found Epoch Systems, one of the first companies to focus on storage management software for the client/server environments. After raising over \$19 million in venture funding and \$5 million from equity partnerships with two multi-billion dollar corporations, Epoch was acquired by EMC Corporation. Subsequent to Epoch Systems, Mr. Byrne joined Data General Corporation's mass storage division, and then became president of Target, which merged with Applix, Inc. in 1995. Mr. Byrne also spent time as managing director



Donald R. Byrne

for the Platinum Group; a New York based mergers and acquisitions firm specializing in "buy side" transactions. In 1996, he co-founded Arcadia Ventures, Inc. an investment banking and venture capital firm focused on the capitalization and growth needs of small information technology firms.

Mr. Byrne serves on the board of directors of several technology firms, and is a frequent speaker

on international business development at conferences and industry trade shows. He also teaches courses at local colleges on various sales and marketing subjects. Mr. Byrne received his BA in Mathematics from St. John's University and earned an MBA in International Marketing (Summa cum Laude) from New Hampshire College.

Kx is currently seeking equity financing to facilitate the development of its product and to expand its facilities and operations. Kx is particularly interested in considering expanding its current sales distribution network for its existing products and creating market opportunities for its new products and services. Following Mr. Byrne's presentation, a panel of experts will provide advice and suggestions concerning Kx's business plan. Specific areas that will be addressed include market positioning and message, pricing, distribution channels and the ability to obtain and likely sources for equity financing.

Please join us on January 19 to learn about the mysteries of reaching the end of the rainbow and hearing about a new Internet company before it becomes a household name. **VF**

The Vision For Worcester: A Major Capital Of The Medical Industry

By Kevin O'sullivan, Vice President Of Development
Massachusetts Biomedical Initiatives (Mbi)

The Worcester area is an emerging capital in the medical industry due to our renowned academic resources, strong research capacities, and medical and health care innovation and support. These strengths are the solid foundation our region builds upon in promoting our Medical and Health Care assets.

The most recent science related industries developing in Worcester - biotechnology, biomedical, and medical devices - are creating increased employment and an expanded tax base for the region. Biotechnology is an outgrowth of an industry that arguably can be described as one of Worcester's most highly visible economic assets. In partnership with UMass Memorial Health Care, the UMass Medical School, Tufts School of Veterinary Medicine, the Fallon Health Maintenance Organization, the new Worcester Medical Center, Worcester Polytechnic Institute and in particular, their Bioengineering Department, this field has modernized the area's profile as a very attractive place for science related business and professional growth.

New Emphasis

To further enhance the economic development of the region, a new emphasis has surfaced within the biomedical industry to attract companies developing medical devices, supplies and equipment, as well as hospital and medical information systems and diagnostic products. With this new focus capitalizing on the synergy between the needs of the biomedical industry and the

health care and medical strength that Central Massachusetts can offer, the region is also poised to become the leading center of medical product development.

The Massachusetts Biomedical Initiatives (MBI) is poised to help strengthen this strong biomedical industry cluster. Establishment of an effective working team consisting of WPI, UMass Medical School, Tufts Veterinary School, the City of Worcester, Worcester Business Development Corporation and Worcester Area Chamber of Commerce and Mass Biotechnology Research Park and MBI is now in place to support all health and medical related business activity.

Key Goals

Several key goals have been embraced by this biomedical economic development team with MBI as a leading economic development support agent:

- create a higher profile for Worcester and Central Massachusetts as a place to establish and grow the medical industry business;
- establish a lifeline with Venture Capital funds in order to match prospective companies with specific VC fund opportunities;
- promote the function of Technology Transfer in order to create more opportunities for the commercialization of science;
- work to create more affordable science related incubator lab, office, and light manufacturing space in order to meet the growing real estate need;

- market an attractive and diverse financial and real estate package to grow and attract biomedical companies by assembling grant, loan guarantee, tax incentive, and real estate resources and services; establish an educational networking forum to highlight Biotechnology, Biomedical, and Medical Device activity in the area; all the while aggressively promoting the science related opportunities for the growth of this field in Central Massachusetts.

Given our vast array of leading health science institutions along with a fully integrated health care network, Worcester and Central Massachusetts will continue to aggressively capture this new technology and move it into the market place, thus, creating and attracting new business and jobs.

The WPI Venture Forum is a leading agent in promoting the importance of the life sciences industry and its relationship to our regions future economic success.

Massachusetts Biomedical Initiatives - (MBI) is an independent, tax-exempt corporation devoted to supporting the growth of biotechnology and other biomedical industries in Massachusetts. Utilizing a unique collaboration of public

And private ventures, MBI's mission is to enhance Massachusetts' status as a capital of the medical industry. Kevin O'Sullivan is Vice President Development and can be reached at 508-797-4200 or by email at kosullivan@massbiomed.org. VF

Y2K Future Headlines: Above or Below the Fold?

By Barry Clapp, *The Source Recovery Company*

When we wake up on Saturday, January 1, 2000, what'll the newspaper headline of the day be: "Power Plant Fizzles", "Elevators Plummet", "Government Grinds to a Halt", "Corporations Crumble"? Or will it be "Millennium Bug: A No-Show"? We'll have to wait.

Unfortunately, we don't know what the Y2K headlines will be, if it'll be front page news, or filler for an inside section. As individuals, we are in the midst of a constantly changing environment, whose outcome is not necessarily dependent on the actions that we take. Collectively, our actions, or in-actions will determine what gets written.

If IT organizations focus on simply "fixing legacy code", don't bother buying a newspaper (if one is even available). We'll have failed miserably. The Y2K problem, and the risks associated with it go far beyond the "simple" task of repairing millions of lines of code. There are at least thirteen other issues that every enterprise needs to consider as it begins its millennium countdown. Those risks include: business partners, competition, customers, distribution, facilities, financial, global, human resources, legal, operations, political, regulatory, and reputation. Unfortunately, within many organizations, these risk areas aren't even faint blips on the Y2K radar screen. However, behind each blip are hidden, often insidious, risks that could easily sink an organization.

What If...

For example, what if your major competitor failed miserably? That's great news, or is it? Sure, you may be on the receiving end of newfound market share, but can you handle it without impacting your already loyal customers?

What if a steady exodus of IT talent erodes your best efforts to fix the systems? All the recruiting efforts will be wiped out because HR policies overlooked retention concerns. If you are able to hold onto the talent, then what are the plans for these saviors once their job is complete?

And to compound problems, while you're likely scrutinizing your suppliers for their Y2K readiness, so too are your customers, questioning you. If you don't measure up, someone may be dropping you as their supplier.

The list of risks and questions goes on. Each of the thirteen can trigger a cascading avalanche of problems if not properly addressed in a Y2K project. And simply being thorough on a few risk areas doesn't lessen the chances of a disastrous outcome. Being somewhat prepared still leaves the organization entirely vulnerable.

Enterprise-Wide

What's needed at this time, are comprehensive, enterprise-wide Y2K initiatives that look at all the vulnerabilities and risks associated with each of the mentioned areas. Just because a suspect area doesn't show up on any software inventory list, or come under the purview of the CIO, doesn't mean it is immune from the millennium bug. It should be clear that this assignment needs to be coordinated from the highest levels of the organization, in order to have as broad a reach as

possible. That means, Y2K projects are now the province of the CEO, government agency heads...and even the president of the US.

If organizations resist the shift in focus, and continue to address the Y2K problem solely as a code-wrestling match, then the headlines will be scary. If, however, in the time remaining, there is a new awakening, and organizations dedicate themselves to addressing both the obvious as well as concealed Y2K issues, then the news may be passe. In fact, we might want to sleep in and rest. We'll have earned it.

Barry Clapp is President of the Source Recovery Company in Framingham, Massachusetts. This firm specializes in the development of the technology to recover missing source code. Barry can be reached at 508-626-9955 or through the web site at www.source-recovery.com. VF

A Start-Up Check List

By Jack Derby, President, Kean Management Group

Considering going into business? Below is a checklist of things that must be done prior to starting your new venture.

- 1. Vision and a detailed strategy.** You need both. This means *you must have the ability to see things that might be and how to get there.*
- 2. Good idea.** You need an idea that is good. What's more, whether your idea is for a product or service, it must also have some unique feature.
- 3. Timing.** This means you must have an understanding of *which way the commercial winds are blowing, so that you are not unknowingly fighting the prevailing winds.*
- 4. Business Plan.** Every business needs a plan, one that is complete, clean, and thorough, right down to the smallest detail.
- 5. The right people.** You want people who are well qualified for technical, marketing and manufacturing if applicable. These should be the best that you can attract, not based on friendship or family relationship. However, never overlook *personal chemistry* when considering a potential employee/partner.
- 6. Money.** Cash is still king. Make sure you have or can arrange to have enough money that will enable you to carry the company through the start-up period to a point where the company can create its own cash flow. Typically, this can take up to three years.
- 7. Focus.** Concentrate on being better than anyone else who is either in or could be in the business, regardless of whether the company is large or small.
- 8. Commitment.** Be prepared to put in an extraordinary amount of hours, *even to the extent of temporarily pushing all other (including family) considerations aside.*
- 9. Seek help when necessary.** If you have not done this before, you're going to need help. Use anybody that could be helpful, but use people who are willing and experienced. *It will pay off.*
- 10. Board of Directors.** As an extension of number 9, set up a board. And set up the best board you can get. Numbers don't matter; quality does. The key is to have someone who understands the type of business you are in, someone who could help you raise money, and/or someone who can help you in an area in which you are weak, i.e., technical, marketing, etc. Most will do this service for expenses plus a few bucks. Not necessarily high pay.

Used with permission from the Kean Eye, Vol. 3 No. 1, Spring 1998. Jack Derby is President of the Kean Management Group, Inc., providing management expertise to growing companies. Jack can be reached at 800-459-8533 or 508-949-2577. VF

Letter from the Chair

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Next time you see me please let me know what you thought of this site. For me, it is definitely on my list of "Favorite Places" on my AOL page.



Brian Dingman is a partner in the Westborough intellectual property law firm Niels, Lemack and Dingman. Brian can be reached at (508) 898-1818, or by email at NLDlaw@aol.com. VF

WPI Venture Forum

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Past Meeting Summary

Continued from page 5

patents? Who are the competitors in this marketplace?

A number of Steve's comments related to sales and marketing. He liked the fact that Paricon had tried to do due diligence of the marketplace, but felt this would have been stronger if there had been more validation of the numbers used in the plan. Further, the sales and marketing section of the plan needed more depth, from his perspective. Finally, Steve asked about contacts that can bring in sales.

The third panelist, Dr. Ed Sayre felt the business plan was too long and that Paricon may have underestimated their financing needs. He commented that sales and marketing professional needed to be an integral part of the management team, because the product is a hard one to sell.

There were two comments from the audience. One individual said he felt the market for Paricon's product was open, and that there was a growing need. The second person asked Roger if he was planning to run the company or to hire a seasoned CEO. Dr. Weiss concluded the evening by stating *my goal is to make money, but I don't have to run the company.*

Floranne Reagan is a Principal of EXXEL, Inc. She leads EXXEL's consulting practice in organizational effectiveness, executive coaching, and strategic human resource advisory services. She can be reached in Natick, MA at 508.651.3377 or exxel@prodigy.com.

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