

## THIS MONTH'S MEETING

TUESDAY,  
JUNE 12, 2007

WPI, WORCESTER  
Campus Center Odeum

REGISTRATION: 6:00 PM

MEETING: 6:30 – 9:00 PM

\$15.00 members

\$25.00 non-members

**JOIN THE WPI VENTURE  
FORUM TODAY!**  
Register Online at  
[\*\*www.wpiventureforum.org/\*\*](http://www.wpiventureforum.org/)  
**Membership/**

## contents

<i>Success Comes with Practice.....</i>	2
<i>Know Your Cost of Capital .....</i>	3
<i>A Look at May's Meeting .....</i>	4
<i>Business Contest Winner Update: Crescent Innovations Lives Up to its Name .....</i>	6
<i>WPI Geniuses Available.....</i>	6
<i>Elevator Pitches .....</i>	6
<i>Shared Space, Ideas at Gateway Park .....</i>	7



# Wanted: Entrepreneurial Wisdom

Entrepreneurial wisdom comes from knowledge and experience working together with common sense and insight. First-hand experience in the “school of hard knocks” offers the best lessons in funding, market timing, product positioning and other issues faced by start-up enterprises.

On June 12th, come hear how two entrepreneurial spirits worked through the “hard knocks” challenges: serial entrepreneur Steve Rothschild, who went from spectacular business failure to profitable industry leader with Bulbs.com, and Frank Manning, who overcame a near-wipeout of his industry-leading company Zoom Technologies to recover and maintain market position.

The way to success might require one or two failures, as the opening keynote presenter Rothschild has learned. After blowing through more than \$50 million of venture investment for his dot-com high flyer, furniture.com, the company was soon bankrupt and Rothschild was challenged to rebuild his professional life. From this spectacular business failure, and relying on his newfound entrepreneurial wisdom, he built his new venture, Bulbs.com, into the nation's fastest growing, e-commerce business of its type. This profitable new venture now services over 45,000 businesses in more than 120,000 locations.



STEVE ROTHSCHILD



FRANK MANNING

Bulbs.com adds more than 1,300 new business clients every month!

Frank Manning, the evening's second keynote presenter, built Zoom Technologies, a dial-up modem manufacturer, into a \$100 million company in the 1990s. His product was considered the industry standard at the time. But as broadband subscriptions grew and demand declined for Zoom's Demon Dialer, Manning had the option of giving it all up, or persevering to find the markets that would embrace his technology. Manning tapped his entrepreneurial wisdom to overcome the challenging setback. Today, Zoom's products are sold worldwide, including the Americas, Europe, Egypt, Saudi Arabia, Turkey, and Vietnam.

## LESSONS LEARNED FROM BUSINESS CONTEST FINALISTS

Come and also learn from five of the past WPI Venture Forum Business Contest finalists. Hear how they've acquired entrepreneurial wisdom on the way to launching their dream companies. They will describe some of the challenges they have faced with funding, market positioning issues, and company development. Find out how their businesses have performed after being recognized by the WPI Venture Forum. √

## WPI VENTURE FORUM

### SPONSORS

#### Bank of America

David Graves-Witherell .....508.770.7082  
www.bankofamerica.com

#### Bowditch & Dewey LLP

CORPORATE, INTELLECTUAL PROPERTY,  
LITIGATION  
Michele Young, Esq. ....508.926.3456  
www.bowditch.com

#### Edwards Angell Palmer & Dodge LLP

PRIVATE EQUITY & VENTURE CAPITAL  
& INTELLECTUAL PROPERTY  
Imelda Kenny ..... 617.439.4444 x2251  
www.eapdlaw.com

#### Gesmer Updegrave LLP

THE TECHNOLOGY LAW FIRM  
Patrick R. Jones, Esq. .... 617.350.6800  
www.gesmer.com

#### Goloboy CPA LLC

CERTIFIED PUBLIC ACCOUNTANTS,  
TAX AND BUSINESS ADVISORS  
Andrew Goloboy, CPA .....781.793.5891  
www.g-cpa.com

#### Greenberg, Rosenblatt, Kull & Bitsoli, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
Richard F. Powell, CPA .....508.791.0901  
David J. Mayoate, CPA/ABV, CVA, CFE .....508.791.0901  
www.grkb.com

#### Hamilton Brook Smith & Reynolds P.C.

PATENTS, TRADEMARKS, COPYRIGHTS AND LITIGATION  
David J. Thibodeau, Jr., Esq. .... 978.341.0036 x3304  
Darrell L. Wong, Esq. .... 978.341.0036 x3296  
www.hbsr.com

#### Massachusetts Technology Development Corporation

VENTURE CAPITAL  
Robert J. Crowley, President ..... 617.723.4920  
www.mtdc.com

#### Mirick O'Connell LLP, CORPORATE, BUSINESS AND

INTELLECTUAL PROPERTY LAW  
Brian M. Dingman, Esq. .... 508.898.1501  
Jeffrey L. Donaldson, Esq. .... 508.791.8500  
Jeffrey E. Suwain, Esq. .... 508.791.8500  
www.modl.com

#### Optimum Technologies, Inc.

OPTICS FOR LIFE™  
Randal Chinnock, President ..... 508.765.8100 x204  
www.optimum-tech.com

#### Weingarten Schurgin Gagnebin & Lebovici LLP

PATENTS, COPYRIGHTS, AND INTELLECTUAL PROPERTY LAW  
Charles L. Gagnebin, III ..... 617.542.2290  
www.usgllp.com

INKIND: WTAG, MOTTLE MCGRATH BRANEY &  
FLYNN, P.C., TELESIAN TECHNOLOGY, SAGER & SCHAFFER LLP

### EXECUTIVE BOARD

Patrick R. Jones, Chair	Robert H. Hokanson
Mitch Sanders, PhD '92, Vice Chair	Richard B. Kennedy '65
Amar V. Kapur '65, Past Chair	Richard O'Brien
Paul F. McGrath, CPA, Treasurer	Kevin O'Sullivan
McRae C. Banks, PhD	Mark Parish
Richard K. Berger, Esq.	Richard H. Prince
Norman T. Brust	Stephen Pytko '68
Mark J. Conoby '83	Gail E. Radcliffe, PhD
William R. Cowen	John E. Rainey, CMA
Robert J. Creeden	Jerome J. Schaufeld
Brian M. Dingman, Esq.	Shari L.S. Worthington
James E. Fee '65	

### COMMITTEES

#### NEWSLETTER

Allison Chisolm, Editor .....508.853.5339  
Adshead Graphics .....508.829.7748  
IBA Printshop .....508.865.2507

MARKETING: Jim Fee .....781.862.4342

PR: Shari L.S. Worthington .....508.755.5242

MONTHLY PROGRAMS: Ricky Berger .....508.341.8505

RADIO SHOW: Bob Hokanson .....508.869.2984

SPONSORSHIP: Dick Prince .....508.869.2385

#### BUSINESS PLAN CONTEST:

Brian Dingman .....508.898.1501

Will Cowen .....617.438.7714

ELEVATOR PITCH: Norm Brust .....508.697.7200

BREAKFAST SERIES: Amar Kapur .....508.832.6542

### OFFICE

Gina M. Betti, Administrative Director  
telephone: 508.831.5075  
e-mail: [ventureforum@wpi.edu](mailto:ventureforum@wpi.edu)  
www.wpiventureforum.org

WPI VENTURE FORUM ©2007

A monthly publication of The WPI Venture Forum

100 INSTITUTE ROAD, WORCESTER, MA 01609

VOLUME 16, NO. 10, JUNE 2007

## A LETTER FROM THE CHAIR

# Success Comes with Practice

In working with emerging companies, my most successful clients tend to be those started by serial entrepreneurs - men and women who have previously launched other ventures, only some of which are ultimately financially successful. Likewise, in evaluating investment opportunities, investors at every stage will consider whether the founders or management team have "been there, done that."

So how does a fledgling entrepreneur gain the wisdom necessary to succeed in the business world? There is no foolproof approach to this, but there are a few good ways to minimize the growing pains you will experience in growing your business.

First, take advantage of the freely available advice of others. There are many successful business people who enjoy mentoring others without charge. Use resources such as the WPI Venture Forum, Small Business Development Center and SCORE to identify individuals who might be interested in your business and willing to offer some insight. Be mindful that the time of these individuals is a valuable asset that should be used judiciously.

Second, seek out professional advisors, such as lawyers and accountants, who can

bring a wealth of experience to the table.

Before you agree to spend money for professional services, make sure you are getting the most for your money. Just as you would do before hiring an employee, interview any potential "hire" to make sure they have the necessary experience in your area. A good professional advisor can add more to the mix than just base skills - they ideally also can make connections, such as with potential funding sources, other advisors, customers or suppliers.

Most successful entrepreneurs you talk to will freely admit that they have made some bad decisions. If you are successful in mining the collective wisdom of others, you can avoid some of their missteps and find a few of your own on your way to success. As you continue your entrepreneurial education this month, I look forward to welcoming you to our June 12 meeting. There will be much wisdom to share.

Sincerely,

Patrick R. Jones

Chair, WPI Venture Forum

Attorney at Law, Gesmer Updegrave LLP

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

Visit **[www.wpiventureforum.org](http://www.wpiventureforum.org)**  
and click on **Newsletter**

# Know Your Cost of Capital

**W**e have all heard the old saying that it takes money to make money. Certainly business owners have experienced this first-hand as they start a new venture or look to expand. The questions are: where will the capital come from and how much will it cost?

There are many sources of capital — from personal savings and advances from family and friends, to external financing and equity investments, or possibly earnings that have been retained in the business. Of course, there are costs incurred in order to acquire capital — whether it is repayments at a specific rate; a loss of equity or control; family disharmony; or some combination of the above. It's probably been a while since someone has asked you about your cost of capital. Yet, if your company has a favorable cost of capital, good things should follow.

What is the cost of capital? The cost of capital is the expected rate of return that the market requires in order to attract funds to a particular investment. The cost of capital for a particular investment is the opportunity cost — the cost of foregoing the next best alternative investment opportunity. There is a finite supply of capital, and start-ups know from experience that it is difficult to obtain, no matter what market conditions exist.

Generally, debt financing is cheaper than equity financing. This is so because debt financing produces interest expense, which is tax deductible for the borrower, and more importantly, the lender only receives their stated principal and interest payments (for this article we will not consider convertible debt financing). They do not share in the equity ownership. If the company hits a home run, the lender just claps as you round the bases! For this, the cost of borrowing is cheaper than equity. Imagine being an early equity investor in Microsoft ... now imagine being an early investor in Microsoft's straight debt. A different thought may have crossed your mind.



Equity investors require a higher rate of return to compensate for the risk that they are absorbing. They may do very well or they may not, but they want to get compensated appropriately.

By knowing your cost of capital estimate, decisions can be made for every project that requires funding. If the cost of capital is higher than the budgeted profitability of the project, it appears not to be a good use of the company's resources. In this case, the budgeted results should be reanalyzed or other projects should be considered that would yield a better return on capital. Or you could reexamine the cost of capital. Could more debt financing be obtained in place of equity financing?

If the projects continually return more than the weighted costs of equity and debt financing, the company is going in the right direction. And, if it's going in the right direction, good things usually follow.

*David Mayotte is a Vice President with Greenberg, Rosenblatt, Kull & Bitsoli, P.C. who works primarily with clients in business valuations, taxation and accounting services. He can be reached at [dmayotte@grkb.com](mailto:dmayotte@grkb.com). ✓*

by

DAVID J. MAYOTTE,  
CPA/ABV, CVA, CFE



**Greenberg, Rosenblatt,  
Kull & Bitsoli, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS  
WORCESTER, MASSACHUSETTS

## WPI Venture Forum

### RADIO SHOW

Are you looking for an entertaining, educational and interesting way to spend a couple of hours on a Saturday evening? Join Bob Hokanson, executive producer of the Forum radio show, every Saturday\* from 5 to 7 pm on WTAG AM 580 to hear interviews with area business professionals from a variety of industries. Call 508.755.0058 to participate in the discussions and ask your questions about entrepreneurship and managing technology-based companies.

Want to be a guest entrepreneur? Visit [www.wpiventureforum.org/Programs/radio.html](http://www.wpiventureforum.org/Programs/radio.html) and click on the Guest Form link at the bottom of the page.

\*Sports events or late-breaking news stories may occasionally pre-empt the regularly scheduled program.



## A LOOK AT MAY'S MEETING

# *Sell the Solution,*



*WPI Venture Forum meetings would not be possible without loyal volunteers.*



*Jeff Glass, Bain Capital Ventures*

*by*  
PAUL DANIS, PHD,  
*Eastwoods Consulting*



*Andy Goloboy,  
moderator*

Jeff Glass, former CEO and co-founder of mQube and now with Bain Capital Ventures, presented the fascinating story of how mQube came from the brink of failure to one of the fastest growing companies in the US. After spending \$6 million and two years to solve a problem that no one else had tackled, he was able to redirect mQube from developing mobile services to become the leader in mobile content delivery. By learning that the real opportunity was presenting premium content on mobile devices, mQube took their technology and turned it into a solution. This resulted in first quarter revenue going from \$100,000 in 2004 to \$57 million in 2006.

From his college T-shirt business to the rocketing mQube, Jeff has learned many important lessons, and he shared his sage advice at May's meeting.

- Great technology does not naturally translate to great business. Good technology is a necessary but not sufficient requirement of success.
- If you take the time to look, the answer is probably close at hand. There are often

good opportunities adjacent to poor ones. A good market can often be found without venturing far afield.

- Follow the money. If customers are not paying for your solution then you are not solving a problem.
- Don't give up – small changes can have a big impact. It is important to be nimble, flexible, and open to changes in business direction and strategy.

There were several good audience questions that prompted Jeff to discuss additional aspects of his success. He was asked how he found good advice when business was going poorly, and he said that he had a good advisory board, and that friends and family were supportive. He also had a peer group who could understand his situation, and he talked regularly with this group.

He was also asked about how much primary market research he undertook before and during product development. He admitted that he did not do much initially as they had very competent marketing people on board and assumed they had a good view of the opportunity. He also remarked that it

# Not the Technology



Panelists Mitchell Sanders and Lee Grindheim responded in conjunction with audience analysis of the case.

is very challenging to assess a market that does not yet exist. Once business was doing well, they did engage their customers in formal focus groups.

He was asked about what triggered the change in business strategy. First, Jeff mentioned that it is important to give a strategy time to play out so he felt it was a good decision to stay the course for a while. However, a trip to Europe opened his eyes to business being very successfully conducted around mobile content. This insight, coupled with his weakening cash position, stimulated his efforts to redirect the company.

## Case Presentation



David Kaufman (left), CEO of Hemetrics Development, presented the business case. Hemetrics Development is looking to affect the home-healthcare market with their simple, rapid test for determining a patient's level of

hydration (or dehydration). Their proprietary technology is based on a chip-based sodium detector that can analyze a person's blood in less than 10 seconds.

They project that visiting nurses will use their product to monitor patients recovering from congestive heart failure, to determine required adjustments to their diuretic medications as warranted. It is expected that this convenient and efficient quantitative assessment can improve a patient's condition and avoid some from having to be readmitted to the hospital, thus resulting in improved care and significant cost savings for the healthcare system. They are looking for follow-on market opportunities in private nursing homes as well as with the military application of hydration testing for soldiers in the field. The expectation is that revenue will reach \$175 million within seven years of product release, with acquisition as the most likely exit.

The case was reviewed by an expert panel consisting of Mitchell Sanders, Executive Vice President of ECI Biotech, Inc. and Lee Grindheim, President of HealthCare Reimbursement, LLC. The audience also

provided important feedback on these "three burning questions" for Hemetrics:

- The first question was whether doctors would allow nurses to make adjustments to the medications based on this test, and it was felt that this indeed would be allowed.
- The second question was how Hemetrics can penetrate the home-healthcare market, and it was felt that compelling clinical data coupled with a data-centric communication program will pave the way.
- The third burning question was what major obstacles were being anticipated for a small medical device company like this.

The audience and panelists provided several cautions. They felt that greater design controls and a longer timeline were needed, and a good working relationship with the FDA was essential.

*Paul Danis, PhD is the founder and principal of Eastwoods Consulting, which helps life science companies grow through the commercialization of new technologies. He can be reached at 508-869-2303 or at paul.danis@eastwoodsconsulting.com. ✓*

## Remember to Renew!

Your continued membership is important to the health of the WPI Venture Forum. To renew, visit [wpiventureforum.org/Membership/application.html](http://wpiventureforum.org/Membership/application.html).

## Spotlight on Entrepreneurs

### BIO X CELL INC.

**Claude Ranoux, MD, MS,  
President and Chief Scientist**

**Product:** Breakthrough technology in a life science medical device offers low-cost, simple infertility treatment with greater availability and efficacy comparable to traditional in vitro fertilization (IVF). Treatment uses "in-body" incubation instead of a complex IVF lab. Five patents issued worldwide. \$6 billion market, underserved due to cost/location constraints and personal concerns.

**Seeking:** \$1.2 million to fund company operations for 18 months, complete 510K application, obtain FDA clearance and initiate product sales and distribution.

**Phone:** 781-729-8408

**Email:** ClaudeRanoux@yahoo.com

### NXTIER TECHNOLOGIES, INC.

**John Holland, President**

**Product:** Multi-function application suite of supply chain software for manufacturers, home delivery, third-party logistics providers, warehousing and retailers. Pay as you go, open, scalable logistics systems. Existing customers include DHL and Exel Direct, proven model to serve \$75 billion supply chain and shipping software market.

**Seeking:** \$1.5 – 2 million to expand sales and marketing of existing applications and finance final development and beta testing of web-based warehouse management suite.

**Phone:** 800-784-9811, x12

**Email:** john.holland@nxtierusa.com

**Web:** www.nxtier.com

The WPI Venture Forum invites entrepreneurs to make a one-minute practice elevator pitch at monthly programs. Content is limited to seeking investors or potential partners, but not customers. Overhead slide allowed and one pitch per season, per business idea. For a helpful template and submission criteria, please visit:  
[www.wpiventureforum.org/Programs/spotlight.html](http://www.wpiventureforum.org/Programs/spotlight.html)

# Business Plan Contest Winner Update

## CRESCENT INNOVATIONS LIVES UP TO ITS NAME

Since Crescent Innovations, Inc. won the 2006 WPI Venture Forum Business Plan Contest, its president, Al Prescott has continued to pursue his goal: to forge strategic alliances with larger medical device companies.

He made progress on that goal with the recent corporate funding of a research project on work "we weren't aware of a year ago," he explained in a recent telephone interview. A Fortune 500 company has underwritten research on a technology to treat osteoarthritis of the knee and hip. Current treatments involve a biological polymer that has been used for 20 years without great efficacy, Prescott said.

"We're looking at developing biological polymers — huge molecules — that can block or change disease markers in the body," he continued. "We're trying to identify specific molecules without deleterious effects," molecules that the body won't reject, prompting an immune response.

The company's phase I work on temporomandibular joint (TMJ) disease had been federally funded and has stopped until that funding is renewed. Current budget restrictions have made research awards more difficult to win, but Prescott remains optimistic for a second round of SBIR funding after he submits an application for phase II work in August.

A third area of research involves growing bone back in diseased situations. A longer-term project, Prescott's company has completed the first level of feasibility studies with encouraging results. Crescent Innovations is also collaborating with WPI professors on building scaffolding for tissue engineering in cardiac and orthopedic applications.

The company has grown from one full-time (Prescott) and an occasional part-time person to a staff of two to three part-timers who help him as needed. "We're making new findings all the time," Prescott said. As a small company, he concluded, "we can ask 'What if?' and all it takes is the CEO to respond 'let's find out.'" √

## Passionate WPI Geniuses Available

There's a new organization on campus dedicated to bringing together WPI students with local entrepreneurial companies looking to share inventive ideas and passion, and it's modestly called WPI Genius! "We have great students looking for hands-on experience," says one of the founding officers, Zeb Tracy '07, who started the organization this spring with PhD student Paul Kassebaum and Liz Villani '08. All three are mechanical engineers. Tracy notes WPI students can also offer a technological and business perspective to area start-ups. The group's mission is to create an atmosphere of entrepreneurship on campus and promote the development of multidisciplinary teams on various local company projects.

"This is a grassroots avenue to make innovation happen in Worcester," Tracy says. More than 60 students have joined WPI Genius! to date, and they are seeking opportunities to learn about innovation and entrepreneurship in a professional business setting this summer.

For more information, contact Tracy at [zebtracy@gmail.com](mailto:zebtracy@gmail.com) or at 774-239-6837.

# Shared Space, Ideas Coming Soon to Gateway Park

**W**hat would the perfect lab space look like if you were a start-up life sciences company?

Something flexible, with wireless access and backup power and water? An HVAC-friendly space with load-bearing floors and piped-in gas? A place that has already secured the appropriate permits for hazardous waste disposal as well as air emissions regulations?

That's what Gateway Park plans to offer its occupants in September when it officially opens the doors of its first building at 60 Prescott Street. Located in Worcester, just off exit 18 on I-290, the WPI Life Sciences and Bioengineering Center is 124,600 square feet of flexible, adaptable lab space, designed to encourage its life science occupants — scientists, scholars, students and entrepreneurs — to talk to each other.

There's a 100-seat auditorium and several conference rooms for shared use. Areas specifically designed to stimulate conversations that could lead to collaborations. And a new dessert café, appropriately named "Pi."

Support for a product pipeline continuum has been carefully built into the 11-acre

Gateway Park, a joint venture between WPI and the Worcester Business Development Corporation, to attract companies starting out with just an idea, to those building prototypes and then on to product sales.

Resources for start-ups don't end at the building's doors, however. From glass wash, gowning and garb services all the way to legal and accounting practices well-versed in intellectual property issues, "young companies will find the support infrastructure they need in the community," says D'Anne Hurd, Vice President for Business Development at Gateway Park and WPI General Counsel. "The resources are here in Worcester, which is part of its attraction."

Life science and bioengineering programs in Worcester for the past decade ensure a steady supply of research assistants and lab technicians, too. And a key tenant, Alex DiIorio's bioprocessing laboratory, refines specialized biologic compounds and trains others on the purification process prior to larger-scale manufacturing. Several dozen former Polaroid employees recently underwent workforce training there.

by

ALLISON CHISOLM, EDITOR  
*WPI Venture Forum Vantage*

Just up the hill, UMass Memorial Hospital provides FDA support for the clinical trials conducted there. "That's proven to be one of our greatest assets," Hurd continues.

While the building at 60 Prescott Street is already fully occupied by a variety of enterprises, as well as several WPI department and research centers, three additional commercial buildings are on the drawing board, edging a landscaped quadrangle, with additional retail and residential space planned.

Hurd sums up the philosophy of this new commercial space with the tagline used in her presentations: "Gateway Park is about making space for genius." ▽

## WPI Hosts Fourth US-Africa Business Conference June 11-15

### *Keeping Competitive: US and Africa Business Exchange*

The US-Africa Business Conference is an attempt to bridge the needs of US and African businesses and help build and strengthen relationships between them. Plenary sessions and workshops will be held in water management, alternative energy, health management, information and communications technology, and tourism. The final two days will include company tours.

Hosted by WPI in collaboration with the US Department of Education, Business and International Education office, and the Worcester Regional Chamber of Commerce.

For more details, see [www.wpi.edu/+NEABC](http://www.wpi.edu/+NEABC).

## Green Engineering Symposium June 6

WPI campus, Olin Hall, Room 107

7:15 a.m. – 12:30 p.m.

Presentations from leaders in clean technology from automotive, aerospace, biotechnology industries, as well as a green heating technology company and a leading university center. Admission is free.

Register at

[www.wpi.edu/Academics/Research/  
MPI/spring07reg.html](http://www.wpi.edu/Academics/Research/MPI/spring07reg.html)



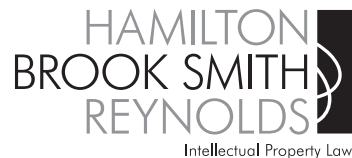
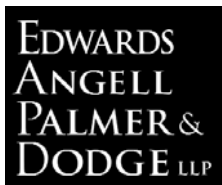
COLLABORATIVE FOR  
ENTREPRENEURSHIP & INNOVATION  
DEPARTMENT OF MANAGEMENT  
100 INSTITUTE ROAD  
WORCESTER, MA 01609-2280

---

**WPI Venture Forum would like to thank our 2006-07 sponsors:**



*Attorneys At Law*



Taxes • Accounting • Business Consulting



**INKIND SPONSORS:**

