

WPI Venture Forum

Worcester Polytechnic Institute
Alumni Association
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(508) 831-5821

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WPI VENTURE FORUM CALENDAR OF EVENTS

March 14, 1998

Annual Workshop "Supercharging Your Sales"

March 17, 1998

Surviving the Crisis

April 21, 1998

Financing Your Company's Future

All meetings in Kinnicutt 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 Massachusetts 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 take an immediate right before the next traffic light. At the next light, proceed straight through, bearing right onto Salisbury Street. At the WPI sign, turn left onto Boynton Street. Parking will be on your right, behind Gordon Library. Salisbury Labs is up the hill across from the Library.

From the North—Take I-495 south to I-290. Follow directions as from the east.

From the South and West—Take Massachusetts Turnpike (I-90) to Exit 10 (Auburn). Proceed east on I-290 into Worcester. Take Exit 17, turn left at end of ramp, follow Route 9 west through Lincoln Square, straight onto Highland Street. Turn right onto Boynton Street. After crossing Institute Road, parking will be on your left, behind Gordon Library. Salisbury Labs is up the hill across from the Library.



THE WPI **VENTURE** FORUM

Promoting and serving technology-based entrepreneurial activity
www.wpiventureforum.org

Volume 7 No. 7
March 1998

Surviving The Crisis

A look at the upcoming meeting

Tuesday, March 17, 1998
WPI Campus, Salisbury Labs
Registration: 6:00pm
Meeting Begins: 6:30pm
Admission Fee: \$7.00

You think you have taken care of everything. You've recaptured the lost customers, your new bank loan is in the works, you've just moved into expanded facilities and you're ready to turn out two weeks worth of production in the next week. BUT, as you get ready to leave for work Monday morning, you learn that the unexpected can still bite you. A 3-day Nor-Easter is expected to hit at noon and a fire has wiped out your computer system. After the storm ends, as a final touch, the snow collapses the roof. As Carl Malden used to say in the "American Express Travelers Check" commercial, "What will you do?" If you have a written, tested business continuation plan, you can survive. If you don't, your business is likely to become a failure statistic.

On March 17, 1998, the WPI Venture Forum will present Ed Deveau, a Principal Partner of *Turning Point Solutions*, who will discuss his ideas and experiences on *Surviving the Crisis*.

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Business Continuation Plans

Turning Point Solutions was formed recently through the merger of The Taylor Group and Deveau Consulting Services. *Turning Point Solutions* is a Boston-based organization positioned to provide a wide range of services, including Business Resumption Planning, Year 2000 Planning, Desktop Systems Planning, Installations and Trouble Shooting, and Database Planning and Development.

As noted above, one of the services provided by *Turning Point Solutions* is Business Resumption Planning. Ed Deveau and Vic Taylor, *Turning Point Solutions*' two principal partners, have a broad background in business contingency and data center program development, critical needs analysis and business recovery planning for core functions. Independently and as a team, they have coordinated and participated in developing and documenting business continuation plans for Fortune 500 companies such as State Street Bank, First Data Corp., Fidelity Investments, Putnam Investments and Nynex. During the past two years, Ed Deveau and Vic Taylor have been responsible for developing and conducting two large-scale disaster recovery simulation exercises at the annual NEDRIX Conference, and they are currently working on plans for their third simulation exercise.

Discussion Topics

As part of his presentation, Ed will discuss the following:

- Why Is Disaster Recovery Planning Important
- What Disasters Should You Plan For
- What Is The Process For Developing A Plan
- How Is The Plan Tested



Ed Deveau

Case Presentation

Mansur Yalpani, President CarboMer, Inc. 2 Olde Connecticut Path Westboro, MA 01581

CarboMer is an early stage private company that man-

ufactures biopharmaceuticals. CarboMer's specialty is the synthetic modification and design of high value specialty carbohydrates and biopolymers. CarboMer offers a range of proprietary and custom-designed products to the rapidly growing number of companies involved in the use of carbohydrate-derived drugs and advanced materials.

Dr. Yalpani, the founder of CarboMed, is a recognized carbohydrate expert. He has extensive experience at the senior scientific management level in Fortune 500 companies, where he led several projects from concept to commercialization.

Issues

CarboMer is seeking equity financing to expand its manufacturing capacity and operations. Panelists will present their views on the feasibility of obtaining venture capital and/or "angel" financing, as well as on other alternatives to commercializing CarboMer's products. **vf**

March Meeting Sponsors—

Zero Stage Capital
and
Worcester Business Development Corp.

VENTURE

The mission of the WPI Venture Forum is to promote and serve technology-based entrepreneurial activity through education, networking, and recognition.

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Letter From The Chair

Local Outreach - The WPI Venture Forum And Worcester Area Businesses

by Brian Dingman, Chair

This month's letter is primarily directed to people involved with the WPI community and business people in the greater Worcester and central Massachusetts areas. Since the WPI Venture Forum is located on the WPI campus in Worcester, we consider the WPI community and the central Massachusetts business community to be important parts of our market. And as a service organization, we strive to meet the needs of our market.

I am soliciting input from these two groups regarding the WPI Venture Forum, its mission and the manner in which we accomplish our mission. Almost everybody reading this column has attended one or more of our programs. Regardless of your frequency of attendance, or the reasons you have an interest in the Venture Forum, your feedback is critical to us: without your input, we can only speculate as to your needs and how we can meet those needs.

We currently offer monthly Venture Forum programs and publish this newsletter from September through June, and have a weekly radio program on Saturdays from five to seven p.m. on WTAG, 580 AM. Annually we run a Mentors Dinner, offer a half day annual workshop in the Spring, hold a business plan writing workshop and run a business plan contest. We also have a web page at: www.wpiventureforum.org.

We are constantly reviewing this slate of programs in an attempt to better serve our members and attract new members. Just as important as this review, is our planning of the content of each of our programs and features of the Venture Forum.

The executive committee members are particularly interested in determining whether we are meeting the needs of our members and potential members. You are extremely important to us. Please let us know. You can contact me, preferably by email at NLDLAW@aol.com. You can also contact Christine O'Connor, the Venture Forum coordinator, at the telephone number just to the left of this column, as well as any member of the executive committee.

Please take a few minutes to consider the programs we offer. Do they meet your needs? I am particularly interested in knowing whether the content of our

monthly programs and the annual workshop are useful for you. Would you like to see more in-depth information at the expense of treating a relatively large number of different topics in less depth? Should we be conducting more seminar-type programs? Are we meeting your networking needs, and if not, how can we better do so? Your suggestions and comments will be helpful to us. Please take the opportunity to guide the Venture Forum into an organization which helps you *today* to better and more successfully conduct your business. Thank you in advance for your input.



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



No Release From Trade Secret Liability

by Joseph S. Landiorio, Landiorio & Teska

How thoroughly does a copier have to copy a trade secret before it is liable for trade secret theft? The answer is: not completely. If the secret guided, made possible or accelerated the copier's effort, that may be enough.

Ted Blackman and Peter Lagergren founded Mangren Research and Development Corp. in 1974 while they were chemistry students at the University of Texas. The company began to produce mold release agents, which rubber and plastics manufacturers use in molds and presses to prevent the solidifying substances from sticking to the mold during the process.

A New Approach

In the mid-1970's, Masonite was a major user of mold release agents. At the time it was using a DuPont product which was quite expensive, and so Masonite asked Mangren to attempt to develop a cheaper mold release agent that would be

more effective. After 18 months of study and testing, Mangren found that a particular type of polytetrafluorethylene (PTFE) performed this function. A special PTFE had three essential characteristics: it was highly degraded, it had a low molecular weight and it had low tensile strength. At the time, PTFE's having these characteristics had never before been used as a primary component of mold release agents. Indeed, the available literature indicated that this type of PTFE was unsuited for such an application.

But it worked, and Masonite eventually approved the product and began using it with great success.

Guarding The Secret

Because its success depended upon the uniqueness of its mold release agent, Mangren took a number of steps to insure that its formula remained secret. First, all employees were required to sign a confidentiality agreement and non-employees were not permitted in the company's premises, moreover, the labels identifying those ingredients were removed and replaced with coded labels understood only by Mangren employees. The company's financial and other records also referred to ingredients only by their code names. When an ex-employee brought the secret to a competitor, National Chemical Company, Mangren brought suit under the Illinois trade secret statute. National argued that they had not stolen the trade secret because their mold release agent formula is also a highly

degraded PTFE with a low molecular weight and low tensile strength. However, National emphasized that many of the other ingredients are different and that the specific PTFE used in their product is typically not the same as the one used by Mangren, although its essential characteristics are identical. National also argued that they used slightly smaller volumes of PTFE in a mold release agent, 20% as opposed to 23% in Mangren's.

Misappropriated Essential Secret

Under trade secret law, in order to find that National misappropriated one of Mangren's trade secrets *it is not necessary to find that National copied or used each and every element of the trade secret. Misappropriation of a trade secret is sufficiently established even if National created a new product - if National could not have done so without use of Mangren's trade secret.*

Jury Decides

Mangren emphasized that the trade secret misappropriated here was not necessarily its overall formula, but the essential secret ingredient, a highly degraded PTFE having a low molecular weight and low tensile strength which had previously been considered unsuitable for such an application. National does not contest that they used a similar PTFE in their mold release agent and that it was a former Mangren employee who revealed to them that such a PTFE could be used effectively. The jury was correct in concluding that National's mold release agent was derived from Mangren's trade secret. Mangren was awarded \$252,684.69 in compensatory damages and twice that amount, \$505,369.38, in exemplary damages, as well as over \$113,000 in attorneys' fees. *Mangren Research and Development Corp. v. National Chemical Co.*, 39 USPQ2d 1339 (7th Cir.).

Joseph Landiorio is a patent attorney and partner in the law firm of Landiorio & Teska, Waltham, Massachusetts. The firm specializes in patent, trademark and copyright counsel. Joe can be reached at 781-809-5678. VF

Structuring Your Team For Growth

By David L. Renauld, Attorney, Mirick O'Connell

The January meeting of the WPI Venture Forum began with a dynamic presentation from Judith Nitsch, P.E. and President of Judith Nitsch Engineering, Inc. (JNEI), on "Structuring Your Team for Growth: Strategies for Success." Judy addressed three strategies JNEI used to become successful. After the networking break, Michael Drues, Ph.D and President and Chief Technical Officer of Vascular Sciences made a case presentation of his company.

Three Key Strategies for Success

Judy began by describing the three strategies she would explore in her presentation. First, she would address growing the JNEI team by helping people shine. Next, she would share her experiences in using outside consultants as a way to use limited capital effectively. Finally, Judy would share some "lessons learned."

Helping People Shine

Judy discussed six different ways to help people shine. The first item was hiring the right people. Judy described the positive experience she has had using the Predictive Index to determine the fit of the potential employee. The second item was devoting considerable resources to training and promoting employees. Using examples, Judy focused on the benefits of specifically delineating expectations and progression for employees. The third item Judy addressed was quickly weeding out problem employees, both proactively by checking credentials and after hire through the use of performance reviews. Judy spoke of the positive employee feedback she has received when prompt action is taken to remove a prob-



Photo by Ron Bouley

Judith Nitsch explains her three strategies for success.

lem employee. The fourth item was creating opportunities to fit the individual. Judy's basic question is "Do we need this person?" if so, she tries to find a position where they will excel. The fifth item was to support individual preferences and work styles by accommodating different personalities and creating flexible work schedules. The last item was growing her team by leading by example, encouraging training, asking for help when uncertain and letting go of responsibility to not undermine others' efforts.

Use of Outside Consultants

Judy extensively discussed different types of outside specialists. First were strategic planning consultants who were invaluable in helping JNEI determine the business opportunities on which to focus. The Board of Directors Advisory Committee she established has also provided valuable insight. Judy stated the best part of these meetings was JNEI's preparation as it forced them to focus on what was happening at JNEI and why. Judy also described the benefits she has received from participating in the Women Business Enterprise, a network of six firms working on different aspects of similar projects. Judy commented on the benefits of having a peer review performed, particularly one performed by someone JNEI wanted to be like eventually. Similarly, human resource and administrative audits revealed that the procedures at JNEI had remained the same as when it was a small company and that JNEI needed to update the people and their roles, not just the procedures.

Lessons Learned

Through the use of examples, Judy reviewed six lessons she has learned in growing JNEI to over \$3.5 million in annual sales in seven years. First, seek feedback. One of the methods used by Judy to obtain employee feedback is an annual employee survey. Next, hire thoughtfully. Judy described recently hiring an individual who was beyond JNEI's current needs to help JNEI grow. Third, be realistic—you can't please everyone. Fourth, change *your* behavior, which was an example of her previous point of leading by example. Fifth, regroup when necessary. Sixth, be positive. In Judy's experience, something good will come out of each effort.

Judy closed with her tag line: change is good!...but it gives me the willies!

Case Presentation

Michael Drues, Ph.D.

*Vascular Sciences
11 Crescent Street
Natick, MA 01760*

Dr. Drues presented Vascular Sciences which develops realistic physical models, called biosimulations, that mimic the functions of a real human being. Dr. Drues concentrated his presentation on three areas: what do we do; why do we do it; and what is next. Dr. Drues summarized Vascular Science's business by stating "we bring the human body to the benchtop." Biosimulations would represent the next generation from the typical models made today, which are structurally correct but have no function. Dr. Drues then described the first product, CardioSIM, which would simulate the anatomy and physiology of the cardiovascular system of the body. Three other contemplated products are NeuroSIM, UroSIM and GastroSIM.

Dr. Drues predicted that biosimulations would be important because of new food and Drug Administration requirements. As Dr. Drues explained, the approval of the FDA is necessary to bring a new medical device to market and the latest FDA regulations require simulation testing for those devices. Biosimulations would permit medical device companies to reduce their development time for new products and also minimize animal testing. Another application of biosimulations would be as "killer marketing



Photo by Ron Bouley

Mike Drues demonstrates the typical heart model used today.

demos,” using them in clinical trade shows to demonstrate the use of new devices. A final application of these biosimulations would be in the area of physician training to permit practicing of techniques in a non-threatening manner. In this context, Dr. Drues described his Plug and Play pathologies, which let the user input a disease of choice into the simulation to simulate patient symptomatology.

Many Applications

Dr. Drues then described the company, its business and its market. The four priorities of the company are developing a physical prototype, developing an intellectual property portfolio, educating the medical device community about the new FDA regulations, and producing custom products for customers. The three main categories of potential customers of Vascular Sciences were described as medical device and biotechnology companies, medical schools and physicians, and the government. Dr. Drues indicated that the company has few potential competitors. Sales projections were based on using funds received from custom projects to fund growth internally with the expansion greatly expedited by equity

funding. Dr. Drues stated that the immediate need for the company was to obtain initial seed money. Sources of seed money that Dr. Drues has investigated are private investors, corporate or strategic partners, venture capitalists, and debt financing.

Dr. Drues then prognosticated on future developments in this area. With the aging of the population, he saw the

market size increasing both with new devices and procedures coupled with a pressure to cut the cost of health care. He also foresaw new technologies that would permit more realistic simulations, with the culmination being the ability to take actual patient data and turn it into a simulation. He also mentioned the possibilities of virtual surgery (performing surgery from a distance) and biosurgery (integrating medical devices and biotechnology into one).

Panelist Comments

The first panelist, James E. Nicholson, President and Chief Executive Officer of Nicholson Associates, Inc., began by praising Vascular Sciences for having a clear mission and a well educated spokesperson. Mr. Nicholson thought that Vascular Sciences should concentrate on large markets with a single product solution. Mr. Nicholson suggested that Vascular Sciences interview potential customers to help focus its efforts. Mr. Nicholson cautioned that it is very difficult to make any money in custom product development and that the persons who pay for the development will typically want any intellectual property rights developed. Mr. Nicholson

recommended reevaluating the current financial presentation. Mr. Nicholson closed with a comment concerning the lack of competition which may indicate there is no market.

The next panelist, Greg Stone, co-founder of Kestrel Venture Management, stated two positive aspects of Vascular Sciences were that it is in a unique business and that it has a regulatory push behind it. However, Mr. Stone commented it is unclear whether the regulations require the type of testing for which Vascular Sciences would be producing a product. Mr. Stone cautioned about the small size of the market Vascular Sciences intends to pursue and that venture capitalist financing might not be the route to choose as it would require the founder to give up too large an equity interest in the company. Mr. Stone concluded by suggesting that Vascular Sciences focus on a single product at first and do consulting work to learn about customers while getting paid.

The final panelist, Ross L. Trimby, founder of Davelin Partners, felt that Vascular Sciences had very sophisticated technology and was developing an exciting product, but that sales and marketing were coming last. Language in the business plan specifically demonstrating the need for biosimulations was recommended as it would show the potential customers and that Vascular Sciences understands its business. Mr. Trimby also cautioned that you always need more money than you plan. In particular, Mr. Trimby suggested that the projected expenditures on sales and marketing in the first years were much too low.

The panel concluded that Vascular Sciences must demonstrate how its biosimulations will save money as there is pressure for health care systems to cut costs.

David L. Renaud is an associate with Mirick O'Connell, located in Worcester, Massachusetts. He can be reached at (508) 791-8500 or dlrenaud@modl.com. VF

Avoiding The Business Tax Surprise

by Jean D. Sifleet, JD & CPA & Cynthia G. Sechrest, CPA

The good news is — Carla made money. The bad news is — Carla owes taxes — Big Time!

Carla Smithson, our hypothetical business owner of Smooth Solutions, a custom software company, is still reeling from the news about her taxes. Her first year in business was successful! After surviving her first year struggles of cash flow and meeting customer commitments, she was pleased to close the year with a profit. She was surprised, however, to learn how much money she owes in taxes.

As with many new businesses, Carla was not really thinking much about taxes. Previously, she had been an employee and taxes were withheld from her paycheck. So, it didn't really occur to her that she would now be responsible for her own FICA and Medicare and that she should be paying estimated taxes on a quarterly basis.

Like many new business owners, Carla had fallen into the classic tax traps:

- 1. Mixing business and personal expenses**— Carla has paid personal expenses from the business checkbook. She now has to painstakingly separate them item by item. It's much better to pay herself from the business (owner draw or distribution) and deposit the company check in her personal account. She can then pay family and personal bills from her personal account. Once it's set up, it's easy to keep the business and personal expenses separate.
- 2. No records for out of pocket expenses**— Carla knows that she's spent a lot at the copy shop and the post office and she's usually paid cash. She has located some receipts, but she knows that she spent a lot more than she can account for. Next year, she vows to put those receipts into an envelope in her briefcase and log the total as a business expense at least once a month.
- 3. Few records for business travel & entertainment**— Carla attended a conference on software development issues and traveled out of state. She has some records for airfare and lodging, but little for the meals and other expenses. She finds it very difficult to

reconstruct what she spent although she knows it added up to a lot of money. Oh yes, she remembers paying at least \$50 for parking at the airport — but can't find the receipt.

- 4. No mileage log**— business mileage is a business expense and can be deducted. The deduction is 32.5 cents per mile in 1998. Carla will now keep a mileage log in her car noting the date, business purpose and distance traveled for each business trip. Mileage for commuting is not deductible. Since Carla's office is at home, this is not a problem.
- 5. Home office**— Whether to take the home office deduction is another tax question that Carla needs to evaluate in light of the changes in the tax code allowing exclusion of gain on the sale of personal residences.
- 6. No Estimated Tax Payments**— Carla didn't make estimated tax payments and now

finds she owes significant penalties. This is avoidable with planning.

Carla definitely wants to avoid repeating the tax surprise experience. Carla has been working with her business development team on an integrated calendar for her business that includes all the key operational dates as well as the important tax due dates.

Carla is finding that as her business grows, there's a lot to pay attention to. The integrated planning calendar helps keep her focused on the important things.

Jean is a Business Attorney & CPA and three time entrepreneur with high tech experience. Jean has offices in Acton and at Devens. Jean can be reached at 978-263-7980 or 978-772-6332. Cindy is the founder of Sechrest & Associates, a full service CPA firm located in Concord. Cindy can be reached at 978-369-3006. VF



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BUSINESS PLAN CONTEST BEGINS!!!

Sharpen your pencils...gather your napkin notes...it's time to write that Business Plan!!! Each year, the WPI Venture Forum awards a \$10,000 prize to an entrepreneur who has written a great business plan - \$5,000 in CASH and \$5,000 in business services. It could be YOURS!

To be eligible, business plans must involve technology-based ventures and describe the development of a new product, application or process in an existing business, or the start-up of a new business. Plans are judged by a panel selected from professional service and advisory groups. The winner will be notified on or before June 2, 1998 and will present his/her business plan at the Venture Forum's June 9, 1998 meeting.

To enter the contest, complete the entry application and mail it, along with your business plan and the \$25 application fee to, WPI Venture Forum, 100

Institute Road, Worcester, MA 01609. The entry deadline is May 4, 1998. If you have questions about the contest, please contact Atty. Pamela H. Sager at 508-435-8787 or stsager@ultranet.com. Good luck!

BUSINESS PLAN CONTEST ENTRY APPLICATION

Applicant Name/Title: _____

Name of Business: _____

Address: _____

Phone: _____ Fax: _____ Email: _____

Date Established/Target Launch Date: _____

Structure: Proprietorship Partnership Corporation
 LLC/LLP

Type of Business: Manufacturing Distribution Wholesale
 Research Service Other

Business Stage: R&D Mode Start-up Revenue

Producing

Number of Employees: ___ Full-time ___ Part-time ___ In 3 years

The 8th Annual Venture Forum Entrepreneurs' Workshop Supercharging Your Sales!

How can you increase sales? Which distribution channels should you use to enter a new market? What techniques can you use to get the most out of your sales effort? What is the best way to integrate the Internet into your sales strategy? How do you manage channel conflict?

To answer these questions, and more, the WPI Venture Forum has gathered together innovative industry leaders and experts to give you the kind of top-level insight and ground-breaking sales tactics that you can use immediately in your own business at its' 8th Annual Workshop, **"Supercharging Your Sales!"**

For far less than the cost of a consultant, you will get the pertinent information you need to accelerate revenue growth. At this workshop, you'll hear how these business to business companies conquered obstacles they faced in expanding or building their sales channels and businesses.

You'll hear an extraordinary keynote presen-

tation from Sandra McCarthy, General Manager of Microsoft New England. Sandra played a key role in the start-up and growth of Microsoft's Consulting Services Group.

Four panels of industry experts will give you insight into the best practices to apply to your current sales strategy. Each panel will be followed by a half-hour period set aside for individual questions and networking so you can seek answers to those pressing issues facing your business.

Take a walk through our Sponsor's Showcase — "Ask The Experts." You'll be able to network and ask specific questions to a variety of experts on a one-to-one basis, in an open trade show format.

So, if you want an opportunity to:

- Take home practical ideas and advice that you



Keynote speaker, Sandra McCarthy,
General Manager of Microsoft New
England.

can use right away to boost sales,

- Hear how industry leaders helped their companies achieve rapid sales growth,
- Participate in roundtable discussions with all of the program speakers and learn how to apply their techniques to your business,
- "Ask The Experts" your individual questions at the Sponsor's Showcase,
- Network with fellow decision makers, entrepreneurs, service providers, the special presenters and the plenary panelists throughout the day...

Reserve Saturday, March 14th, 1998. For more information call (508) 831-5075 and visit our Web Site at www.wpiventureforum.org. See you at the Workshop! **VF**

Special Invitation For Entrepreneurs Mentor's Dinner

The WPI Venture Forum invites you to set aside the evening of Thursday, April 30, 1998, to attend a special event. We have arranged for seven successful, local business people to serve as Mentors for small, table-size groups of entrepreneurs. Spend dinner with one of these Mentors and discuss the ups and downs of how to start or grow a company. Find out what it really takes to succeed in business - all in a comfortable, dinner atmosphere.

Our Mentors for this special evening will be:

- Mark J. Conoby, Vice President of Concorp, Inc. Concorp manufactures and services water treatment systems and process control systems.
- Michael A. DiPierro, President, Baystone Corporation. Baystone is involved in turnarounds, acquisitions and temporary CFO management assignments. Michael previously owned Polyform Corp. which specializes in custom plastic parts reaction injection molding
- Howard A. Gries, President, Kinefac Corporation. Kinefac specializes in cold forming machines, systems and die spring machinery, turning machines and automated inspection equipment.
- Donald A. Johnson, Member of the Board of Directors and Former Chief Executive Officer, Corning OCA Corporation. Corning OCA focuses on optical and electro-optical components and systems.
- Paul S. Kennedy, President, Kennedy Die Castings. This company makes precision die castings.
- Mark V. Parish, President and Chairman, Specific Surface Corporation. Specific Surface Corp. designs and manufactures compact industrial fibers.

- Edward P. Sayre, President and CEO, North Systems Associates, Inc. This company specializes in high performance engineering and design.

Like our Mentor's Dinner last year, this evening will begin with a short networking session at 6:00pm. Dinner will include a six course meal with beer and/or wine.

Reservations are being taken on a first-come, first-served basis for this limited seating event. To facilitate maximum communication among attendees, a limit of 42 entrepreneurs will participate - six attendees and one Mentor per table. Last year's Dinner was a lot of fun and very interesting, so reserve your spot now by returning the form

below.

Yes, please sign me up to attend the WPI Venture Forum Mentor's Dinner on Thursday, April 30, 1998. Enclosed is my check for \$30 to cover the cost of the dinner.

Please return this form and check to:
WPI Venture Forum, WPI, Alumni Office,
100 Institute Road, Worcester, MA 01609 Call 508-831-5075
if you need more information about this event.

Stop The Screaming!

by Richard Dacri, President, Dacri & Associates

Conduct of a sexual nature that unreasonably interferes with an individual's work performance or creates an intimidating, hostile or offensive work environment constitutes sexual harassment. But how do you know whether your environment is hostile? And what if the behavior is not of a sexual nature? Is it still illegal? It is not easy to define a hostile environment. Like many things, we know it when we see it (or experience it) but to put it into words is not as easy. We know that **hostile environments** often have some common elements including:

- verbal abuse against any person
- angry interchanges between people over political or territorial boundaries
- one-up-manship and excessive competition
- power plays and challenges issued over imagined threats to a person's authority
- attempts to squash a person's ability to be creative and to do their work in a way that is most productive for the individual
- enforcement of ineffective or unreasonable rules for the sole purpose of exerting power over others or to impede progress.

In other works, a hostile environment is a climate in which a person is unable to do their job without feeling threatened or intimidated. It is an environment controlled by the issues of power and dominance.

Violation Of Law?

Does the existence of a hostile environment violate any laws? If the behavior infringes upon a person's civil rights, that is, discriminates based on race, color, creed, sex, national origin, handicap, veteran's status, sexual orientation or age, then there is probably a violation of the law. But if there is not, then the issue is not as clear. What is clear, however, is the impact on the individual and the organization.

Where this type of hostility occurs, we can expect to find the following:

- hostility toward the workplace
- reduced productivity and quality
- high absenteeism and turnover
- increased grievances and complaints
- high accident rates and workers' compensation costs

- hurt, frustrated, angry and confused employees
- physical illness and depression

What Can Be Done?

So what can be done about individuals who scream, threaten or intimidate employees, particularly when they may be key managers? First, the organization must develop, implement and strictly enforce a clear, comprehensive harassment policy. Secondly, managers must be trained or coached to understand their own behavior and its impact on the organization. Power and control are behaviors that have often been encouraged in the workplace, but when abused, it can be the basis of a lawsuit and declining organizational effectiveness.

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Direct Public Offerings OR Can A Poor Entrepreneur Find Happiness On The Internet?

By Frederick Young, Director, Small Business Development Center, Salem State College

The need for financing in this country seems to be insatiable. The more entrepreneurial ventures we fund, the more we want to fund. Certainly, the commercial banks and the SBA are a significant help in fueling small business growth, particularly in the start-up and early stages of life-style businesses. And the venture capital community is there to support the technology and some other sectors, where they see a chance for significant returns. Groups of private accredited investors (Angels), when they can be found, can be induced into providing capital for ventures that are not high tech but seem to have potential and are deemed too risky for the banks.

Isn't That Enough?

Apparently not. There is a new source of capital that is often referred to as Direct Public Offerings. Although total funding through this source is relatively small, it seems destined to increase as more and more entrepreneurs and investors find their way onto the most fascinating communications vehicle, the Internet. That is where the action is taking place and will continue to take place.

Why Direct Public Offerings?

Historically, public funding of ventures in the United States have been the prerogative of the established stock markets and a highly developed network of broker-dealers. Companies that wished to "go public" and were willing to go through the arduous process of registering their stock with the Securities and Exchange Commission *and* with each and every state in which they wished to make a sale, could work with underwriters who would purchase the stock at price X and resell it at price X plus Y to the general public. The brokers have their individual network of investors that they could call and encourage, using a variety of persuasive methods, to buy the stock. Even if the underwriters were not willing to buy the stock from the company, (usually because they were unsure of what price the public would pay for it), they would often be willing to enter into a "best efforts" contract and act as sales representatives. Not as good as straight underwriting but many high-risk companies were financed through such a process.

Financing Hard To Get

This financing avenue has disappeared for all but a few companies. The established brokers have shifted away from the general public to the large institutional investors such as mutual funds, pension funds, insurance companies, and probably in the future, commercial banks. No longer are they calling their list of engineers, lawyers, undertakers and doctors to sell stock - those customers simply don't buy enough stock in a world where the New York Stock Exchange routinely trades over 500 million shares in a day. This shift away from the general public as buyers of stock has narrowed the market to those ventures the institutional money managers believe have a significant short-term potential of positively effecting the value of their portfolios. This is unlikely to include a growing food service company with a need of \$5 million dollars in equity financing. That company needs to find another financing option, if it is to continue to grow and create jobs.

What Is a Direct Public Offering?

A Direct Public Offering is one that goes directly to the public *without* utilizing the established stock exchanges or the associated dealer-broker network. In a micro-sense, this process has been going on for many years - it's really nothing new. Entrepreneurs have always offered stock to their families, friends, employees and co-workers. As long as they didn't exceed thirty-five such offer-ees, this process did not violate federal securities laws, although some states restrict the number to less than thirty-five (in Massachusetts it is twenty-five). What is different is the scope of the offerings - entrepreneurs have found ways to make these offerings to unlimited numbers of investors and in amounts up to \$5 million dollars.

How Do They Do This?

They utilize a combination of the Internet, taking advantage of either SEC Regulation D (up to \$1 million) or Regulation A (up to \$5 million), and simplified filings in each state in which they wish to sell stock.

The first incident of a company taking advantage of this multi-faceted financing option

may have been a small brewery in Brooklyn. A few years ago they needed some risk capital and happened to be owned by an individual who was computer literate. Not knowing anything about securities laws, this individual simply offered his shares for sale on the World Wide Web. Well, of course, the SEC became aware of it and immediately called to tell him that he couldn't do that. He asked "Why not?" (Entrepreneurs do that sort of thing.) They told him they didn't know why not, but they knew he couldn't do it. After some additional dialog, the entrepreneur agreed to stop for an agreed period while the SEC figured it all out. They did and subsequently came back to him and said he could do it, as long as he adhered to certain rules of disclosure. The entrepreneur sold \$1.6 million dollars of stock and has now started an on-line investment banking house on the Internet to assist others who find it difficult to raise public money.

Direct Public Market, Inc.

This process has also resulted in the emergence of an entity named Direct Public Market, Incorporated. You can visit their web page on www.directstockmarket.com. Direct Public Market not only facilitates offerings to the general public but also allows entrepreneurs to make private placement offerings to accredited investors. In addition to listing the offering, they also make available the names of attorneys, CPAs and consultants who have had experience with Direct Public Offerings.

Although the process has a long way to go, its legitimacy was underscored last year when the Pacific Stock Exchange began listing Direct Public Offerings.

Anyone wishing to know more about this exciting and emerging source of capital would benefit greatly by obtaining a copy of:

Direct Public Offerings; Author: Drew Field
Publisher: Sourcebooks, Naperville, IL
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