

THIS MONTH'S MEETING

TUESDAY,
MARCH 13, 2007

WPI, WORCESTER
 Campus Center Odeum

NETWORKING: 6:00 PM

MEETING: 6:30 – 9:00 PM

\$15.00 members

\$25.00 non-members

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Where's the Money? How to Fund, Build, and Exit Your Business

Financial questions dog business owners every day. Should I tap my credit cards? Seed with friends and family? How can I expand for a market launch? When can I sell and move on? Finances for every stage of a business' life cycle will be the topic for the WPI Venture Forum meeting on March 13, 2007. A panel of four experts will share their advice on business valuation, funding sources, scaling up and exit strategies. A roundtable discussion with audience members will conclude the meeting.

Presenting at March's meeting will be **Joel Johnson**, ASA, an expert in **business valuation** from start-up to final sale. Owner of Orchard Partners, Inc., which he founded in 1998, Johnson advises clients in mergers and acquisitions, provides fairness opinions and performs business appraisals. Designated an Accredited Senior Appraiser by the American Society of Appraisers, Johnson has published several articles, including "Valuing High Tech Companies," and is a frequent guest speaker.

Tripp Peake, Managing Partner, of Long River Ventures will tackle the subject of **funding**, addressing the advantages and disadvantages of such sources as angel groups, mortgage funding and credit cards. A former partner at Kestrel Venture Management, Peake focused on the management of the Mass Ventures Equity Fund,



JOEL JOHNSON,
Orchard Partners, Inc.



TRIPP PEAKE,
Long River Ventures



DOUG DANIELS,
HydroCision Inc.



ELLIOT WILLIAMS,
*Mirus Capital
 Advisors, Inc.*

a \$14 million early-stage fund established in western Massachusetts in 1997. He has served on numerous boards, including Clarity Imaging, Optasite, Profile Systems, Protedyne, Reconda International, Sovereign Hill Software, and WRNX Radio.

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Funding the WPI Venture Forum

Valuing, financing and selling your business are all topics for the upcoming meeting in March.

While the WPI Venture Forum enjoys non-profit status, that does not mean no income, however. We must raise revenue to pay our bills. And, new or expanded initiatives have to cover their costs.

Financial Structure: As in any entrepreneurial business endeavor, a budget is key to the successful financial operation of the WPI Venture Forum. Our charter states that the WPI Venture Forum is a member organization headed by a policy-making board of directors. Comprised of informed, active members, this board meets monthly and sets a budget each year. Also represented on the board is the leadership of the WPI Department of Management, to which the WPI Venture Forum reports.

Budget planning is now underway for the 2007-2008 WPI Venture Forum season. Each committee submits a budget request based on plans envisioned for the next year. The board weighs the goals for the coming year, debates the objectives, and then proceeds to approve a revenue and expense budget plan of action.

The WPI Department of Management contributes to the success and leadership of the WPI Venture Forum by providing administrative and program space and support (equipment, services, utilities), in addition to a part-time administrative director (Gina M. Betti) and secretary (Lorelle Tross). If the WPI Venture Forum wants or needs to have more paid support, we must raise the money to pay for those services.

Revenues: Our three revenue sources are meeting attendance fees, membership fees and sponsorships. As in many similar organizations, members are asked to pay an affordable annual membership fee. Sponsorships are critical to providing enough "capital" to give the WPI Venture Forum an opportunity to "invest" in new programs and resources to expand services and events.

Initiative Support: Typically new or expanded initiatives have been funded by new sponsorships, increased meeting attendance or membership fees, or some combination of the three. Membership fees are so modest that increases merely keep up with a portion of our ever-increasing costs. New sponsorships, however, have permitted the WPI Venture Forum to provide more direct and indirect services to its members.

WPI Venture Forum revenues cover direct, non-personnel expenses. But when we factor in our personnel and indirect costs, we need to increase our revenues. Going forward, the Executive Board is challenged to minimize some of that cost burden while still allocating new revenues for programmatic initiatives that meet our members' expanding needs.

Our finance issues reflect those faced by many of our members' companies. I look forward to learning some new approaches to financing at the March meeting. Be sure to join us on March 13.

Richard O'Brien
Member, Sponsorship Committee
Owner, Nagog Hill Partners

Document Management Policy: Why It Matters, Where to Start

Document management policies have long been overlooked by many organizations, particularly lean or growing businesses. While the reasons for this are often related to resources and costs, recent court rulings and legislation suggest that effective document management policies actually help businesses protect assets, save time and money, and prevent major headaches.

The Reasons Why. At present, there exist a litany of state and federal laws (including various industry-specific regulations) requiring companies large and small to retain documents for specific periods of time. Indeed, the Sarbanes-Oxley Act imposes stiff criminal penalties for destroying, concealing or modifying a business document in certain circumstances.

Moreover, any organization involved in litigation, whether anticipated or underway, is required to preserve relevant documents and then produce them when properly requested. This is a burden many businesses find themselves ill equipped to handle. In the past few years this issue has taken on added significance as courts have handed out devastating sanctions for companies' failures to preserve, and produce, relevant documents during litigation. This includes a whopping \$2.75 million sanction against Phillip Morris in 2004 because it failed to retain and produce certain e-mails. The message from the courts is clear: businesses bear the responsibility for preserving and producing documents (including all forms of electronically stored material), and the failure to do so may have severe consequences.

Notwithstanding the legal requirements, one of the primary benefits of developing a document retention strategy is the ability to efficiently manage the company's data. For many organizations, this capability is crucial since it protects one of their most valued assets from being lost, stolen, misused or corrupted.

The Policy. Although there is no universal plan appropriate for every organization, the goal of a document management policy is simple: to ensure compliance while protecting an organization's data. With this in mind, consider the following guidelines for developing an effective policy:

- A document retention plan must be tailored to an organization based on its unique needs, so the development process should involve representatives from all key areas of the business. All policies should be documented and employees should be trained regarding their obligations. Periodic audits are also advisable.
- Since the vast majority of corporate documents are currently created, used and stored electronically, a document management strategy must address electronic documents, regardless of how or where they are stored.
- A good plan will provide for a litigation response team involving key members of the organization such as legal counsel and IT, records management and human resources staff.
- In the event of litigation, an organization must also be prepared to suspend all document destruction policies, automated or manual. While this task may sound simple, it requires foresight, organizational discipline and prompt action. Moreover, compliance is critical because failures in this regard have drawn the ire of courts across the nation.

Kurt Bratten, Esq. is an attorney with Gesmer Updegrove LLP, a general counsel law firm for emerging companies. Mr. Bratten practices civil litigation in the areas of general business litigation, intellectual property and employment law. His intellectual property practice includes trademark protection and registration. ♡

by

KURT BRATTEN, ESQ.



Attorneys At Law



CALENDAR OF EVENTS

March 13
Valuation, Funding, Scaling Up and Exit

April 10
Advisory Board Superheroes

May 8
Marketing: Customers Buy Solutions, Not Technology

June 12
Spectacular Failures and Lessons Learned

A LOOK AT FEBRUARY'S MEETING

Tools for Building

by

RANDAL CHINNOCK
Founder/CEO, Optimum
Technologies, Inc.



Carol Bergeron



Debora Bloom



David Beisel



Jerrold Shapiro



Richard O'Brien

Companies can't exist without competent people working for them. Building a team is an ongoing process, not a singular event. Understanding how to hire at a company's different stages is vital information for any company, whether just starting out or ready for public financing. This year's human resources presentation, ably orchestrated and moderated by Jerrold Shapiro and Richard O'Brien, featured three speakers new to the WPI Venture Forum.

HIRING TOOLS

First, create a hiring model, according to Carol Bergeron of Bergeron Associates. Use this framework to define your needs for each job in terms of knowledge, skills and abilities, organizational fit, and motivation. Get buy in on the model from your board of advisors. Next, do behavioral-based interviewing to assess how the candidate has dealt with past challenges as a reasonable predictor of future ones. Then, cautiously use assessment tools, such as behavioral, IQ, or personality in the selection process. Behavioral assessments, applied to individual and team development, with the help of a pro, may be a better investment in creating a unified direction among executive team members.

Set performance expectations for new hires. Build your team and avoid what author Patrick Lencioni terms the "Five Dysfunctions of a Team" that can sink any organization: lack of trust, fear of conflict, lack of commitment, no sense of accountability, and, inattention to team results.

WORKPLACE DIVERSITY

As the principal of Debora Bloom Associates and specialist in workplace diversity, Debora Bloom encourages diversification of your team from the earliest days of your company.

Why bother? In today's business world with its increasing diversity of employees and customers, a culture of respect and inclusion can give you a competitive advantage. Bloom makes the case that more diverse companies gain competitive advantage. Diversity is broader than race and gender, and goes beyond ensuring legal compliance. By expanding your talent pool to include staff of various cultures, ages, races, life/work experience, perspectives, and thinking styles, you can position your company for greater innovation and increase your likelihood of connecting successfully with your customers and their markets.

the Successful Team



Offering their comments on the case presentation are panelists (from left) Steven Pytka, Managing Director, Consilium Partners; Jesse Hurley, CEO, Anamorphic Systems; and Carol Bergeron, CEO, Bergeron Associates.

What does it take to implement a sound diversity policy? Executive commitment, creative staff recruitment and retention policies, addressing unintended bias, and fostering an experience of inclusion at all levels of the organization. In doing this, you will attain competitive advantage through enhanced team innovation.

AN INVESTOR'S PERSPECTIVE

As a venture capitalist, David Beisel offers more of an outsider's view on company hiring. As Principal of Masthead Venture Partners, Beisel views a firm's management team like a movie, not a static photograph, as the team is dynamic. Most important is hiring "a well-balanced team of individuals, not a team of well-balanced individuals."

Team building is not like fitting together a precise jigsaw puzzle, but more like a group of overlapping rings, he said. A healthy team is comprised of people who are different in many ways yet share common values. "Culture is paramount," he asserted. Management needs to realize that the team extends beyond the company to its investors, advisors, consultants and others, so they need to be accounted for in any organizational thinking.

Case Presentation

Truelight Technologies Corp.

Does TrueLight Technologies offer the "Killer App" in video compression technology?

Yes, according to its founder and chief technology officer, Dr. Angel DeCegama. The soft-spoken, Ph.D. mathematician has developed video compression technology that enables high definition video to be downloaded in real time over the Internet – something that is not possible with the currently used MPEG technology.

Not so fast, according to a sampling of panel and audience questions. How can this one-person firm compete with industry giants who are throwing tens or hundreds of millions of dollars at the problem? What about "video artifacts" – the undesired side effects of the compression on the downloaded images?

Dr. DeCegama remains convinced that a \$1 million investment in his "wavelet transform" technology will return \$100 million in revenue in the first five years. The jury still seems to be out. More information, including sample video clips, is available at www.truelighttechnologiescorp.com/.



Panelist Steve Pytka was the lucky winner of a Valentine's bouquet.

Article author Randal Chinnock is Founder/CEO of Optimum Technologies, Inc., the Northeast's only full service product development firm specializing in optical medical devices and instruments. OTT's FDA-registered facilities are located in Southbridge, MA. More information can be found at www.optimum-tech.com. ✓

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How to Fund, Build, and Exit Your Business

CONTINUED FROM FRONT PAGE

Scaling up will be **Doug Daniels'** subject on the panel. Currently President and Chief Executive Officer of HydroCision Inc. of Billerica, Mass., Daniels is a member of the HydroCision Board of Directors. His positive track record of leading, building and expanding world-class medical device companies will offer much insight to the audience. He started with HydroCision in 2002 as the company's Chief Operating Officer and was promoted to President and CEO later that year. HydroCision is currently scaling up its operation to market products to the spine field—the fastest growing field in the medical device market. His prior start-up experience was as President and CEO of Vein Rx, a start-up company focused on vascular surgery.

Elliot Williams, President, Mirus Capital Advisors, Inc., will cover considerations for business owners who are **preparing to exit**. Williams has worked on more than 60 advisory engagements for clients – negotiating, structuring, valuing and closing mergers, acquisitions, and financings. An expert on the business services industry, he also has managed engagements in business process outsourcing, hosting, systems integration, staff augmentation, and trade show management. Williams' leadership throughout the 1990s has been pivotal in the transformation of Mirus from a specialized merger and acquisition boutique to a leading middle market investment bank.

ABOUT THE SPEAKERS

Joel Johnson has been involved with investment banking at Fechter, Detwiler & Co., Inc., and McTeague & Co., strategic planning with General Electric Credit Corp. and American Broadcasting Companies, and consulting with Denver Research Institute. Johnson earned an AB in English Literature from Harvard College and an MBA from the University of Colorado.

Before joining Long River Ventures, Tripp Peake was with Kestrel, and a co-founder and

CEO of two venture development consulting companies: Mass Ventures, based in Amherst, Mass, and associated with the University of Massachusetts; and Science Park Associates, based in New Haven, Conn., and associated with Yale University. Both of these companies provided university spin-offs and regional entrepreneurs with strategic and financing advice and helped raise over \$50 million in private equity for 18 different early-stage ventures. Peake holds a BA from Dartmouth College and an MBA from Yale University.

Doug Daniels spent the majority of his 24-year career in the medical device business working for the Boston Scientific Corporation, where he held numerous positions including Vice President of New Market Development, Vice President of BSC International and Vice President and General Manager of the Microvative Endoscopy Division. Microvative Endoscopy was the fastest growing division of Boston Scientific from 1988 to 2000, increasing from \$8.5M to \$450M in revenue worldwide. A key part of Microvative's growth was acquiring technology to keep the new product pipeline full and feed the growth engine for Microvative Endoscopy. Daniels also holds several patents in the field of minimally invasive surgery.

Elliot Williams currently serves as President, Association for Corporate Growth, a board advisor for several entrepreneurial companies, and an active member of the Boston Chamber of Commerce and the Alliance of Merger and Acquisition Advisors. Prior to joining Mirus Capital Advisors, Williams worked in business development for Power Conversion Systems, Inc., a family-owned reseller and integrator of power filtration and power supply equipment. He earned a BS in Business Administration from Babson College, and holds Series 7 and 63 NASD certifications. ♡

Spotlight on Entrepreneurs

VENMILL INDUSTRIES

Gerry Tammi

Product: Machine for video rental stores that repairs the optical surface of any digital optical recording media – movies, games and audio – with patented OptoClear process. More than 4,000 units of the original commercial model sold at \$2,300 each. New commercial and home models, announced at January's Consumer Electronic Show, are \$1,000 and \$250 each. Home version repairs damaged DVDs in three minutes, the new commercial version in 90 seconds. Total annual market size is projected to be \$25 million.

Seeking: \$500,000 to complete financing for new units' production. 1,000 shares (8 percent of outstanding shares) are available for investment.

Phone: 866-864-0210

Email: Gerald.tammi@venmill.com

Web: www.venmill.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)

Boynton Angels Spread Their Wings

There's a new angel investment group in Worcester. Announced in late January 2007, Boynton Angels expects to invest between \$1 and \$2 million this year, according to Mitchell C. Sanders '88 '92, a founding member of the group, vice chair of the WPI Venture Forum executive board, and executive vice president of ECI Biotech.

This marks Worcester's first angel group for start-up companies to fill the gap between "friends and family" funding and venture capital investment. Angel groups typically make investments of less than \$1 million.

The main objective of Boynton Angels is to provide an attractive return on investment for its investors while building successful companies. Target investments are in the life sciences, energy, transportation, communications and software industries.

Boynton Angel members are a diverse group, with professional experience in more than 15 different industries, including biotech, consumer products, energy, manufacturing, software and telecommunications. Two-thirds of the members have invested as individual angels in over 25 different start-ups prior to joining Boynton Angels. More than 80 percent of the members have been company founders, CEOs and/or presidents, and most have served on boards of directors. Boynton Angels is a provisional member of the Angel Capital Association, a nationwide association of over 90 angel groups.

According to the *Telegram & Gazette*, the group currently has 13 members who are business and technology leaders in the Central Massachusetts, with room for a few more, which could include local colleges and universities.

Companies that are either early stage or looking for expansion capital, are invited to submit a two- to three-page executive summary for consideration to plan@boyntonangels.com.

HOME OFFICE SUCCESS

After 20 years in business, Shari Worthington sees her home office as an asset, not a liability. As featured in the February 2nd *Telegram & Gazette* article, WPI Venture Forum executive board member Worthington noted that the perception of home-based businesses has shifted. Her business, Telesian Technology, is an in-kind sponsor and provides public relations services for each month's program. Her marketing and e-business services can be provided over the Internet, so remaining in a home office has been an easy decision for her.

Staying in touch with 10 employees in multiple locations (only one works with Worthington in the home office), is a management challenge, she acknowledged, but weekly teleconferences and paired-up project teams help keep everyone connected. The upside is fewer office politics issues, she noted.

SUBITO SECURES EQUITY INVESTMENT

Subito Technologies, Inc. has received an equity investment from Beechtree Capital, LLC of New York, according to Michael J. Gondek, WPI Venture Forum member, president and CEO of Subito Technologies in Worcester. The funds will be used to expand sales and marketing, product development and consulting services. Beechtree has agreed to serve as lead investor to help Subito secure a Series A round of financing, expected in the fall.

Subito is a software company that develops, markets and sells workforce scheduling software. Gondek has formed partnerships with corporations across the globe to extend Subito's market presence into countries like Australia, New Zealand, China, and France and has provided workforce optimization consulting to some of the largest corporations in the United States and Canada, including British Petroleum, Mohegan Sun Casino and IBM Global Services. ✓

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 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.





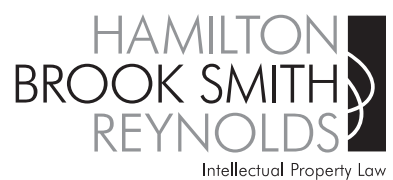
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