



Venture Forum News

To inspire and facilitate technology-based entrepreneurial activity and economic growth
www.wpiventureforum.org

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Exit strategies: determining the destiny of your organization

Tuesday, May 14, 2002
WPI, Salisbury Labs; Kinnicutt Hall*
Registration: 6:00 pm
Meeting: 6:30 pm
Cost: \$10, Venture Forum individual annual & lifetime members
\$20, non-members
No cost for discounted members

What does a company do when it can't raise money by selling stock? Mitchell G. Tyson, president & chief executive officer of Precision Robotics, Inc. (PRI), the leader in advanced automation systems and software for the semiconductor industry, will provide some answers and options to that question.

During his presentation, Tyson will explore four major areas of concern for businesses. He will explain the importance of having an exit strategy, even before raising your first round of

financing. Tyson will also explore the issue of choosing between being acquired or filing an IPO. Building value in your company is always the right choice, no matter which path you choose. Tyson will tell you why. Lastly, what should you do when you receive a phone call from an interested party? Drawing on his own experiences as he acquired or attempted to acquire several different companies, Tyson will describe how to prepare for that all-important telephone call.

Tyson, a 20-year veteran of the semiconductor industry, joined PRI in 1987 as vice president of operations. He was promoted to chief operating officer in 1990, president in 1995 and to his current position in 1998.

During Tyson's tenure, PRI's revenues grew from \$4 million in 1987 to more than \$300 million in 2001. Realizing the increasingly critical role automation would play in the semiconductor field, Tyson guided PRI through a significant expansion of its product line from robots to integrated, factory-wide hardware, software and services solutions. PRI also expanded its customer focus, and now sells its automation solutions to semiconductor and precision electronics manufacturers as well as to OEM semiconductor capital equipment suppliers.

Before joining PRI, Tyson held a variety of senior positions at GCA Corp., a manufacturer of semiconductor capital equipment. He has also served as a science advisor and senior legislative

assistant to Senator Paul Tsongas in Washington, D.C., where he worked on legislation relating to industrial and technology policy, environment and economic development.

An engineer and physicist by training, Tyson is very active in semiconductor industry consortiums. He currently serves on several boards, including the International Sematech Industry Executive Forum, the North American Advisory Board of SEMI and the U.S. Korea Committee on Business Cooperation. He is also the U.S. Group Leader of the Semiconductor Working Group and a member of the Board of Directors and Treasurer of the Massachusetts High Technology Council.

Tyson holds a BS in physics, an MS in political science and an MS in Nuclear Engineering, all from the Massachusetts Institute of Technology.

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* Please note change in meeting location.

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Letter From the Chair

The future of the forum

by Dick Prince

The WPI Venture Forum has come a long way since opening its doors in 1990. The progress has been made possible by the tireless effort of a small army of volunteers and a dedicated WPI staff. The organization has been strengthened by actively increasing attendance at events and recruiting more people for positions on committees. The increase in numbers has led to the rapid cultivation of new ideas and the development of some very successful programs.

A few examples of our success:

- The last networking event drew more than 150 people to its meeting.
- Each month increasing numbers of entrepreneurs deliver their one-minute elevator speeches.
- The recent joint meeting with the Society of Professional Communicators played to an overflow crowd.
- The newsletter is noticeably improved and consistently complimented for its content.
- Sponsorship and advertising programs have expanded, helping to put the organization into a stronger financial position.
- The winner of the 2002 business plan contest will receive \$15,000 in cash and services, an increase of \$5,000 from last year's prize.

All the while, we continue to gain momentum and set our sights on the future. The organization is already planning for many exciting new fall programs, including a CEO roundtable, a venue where entrepreneurial executives can meet, discuss mutual problems and learn from one another. There is discussion of an angel network where entrepreneurs can seek funding and hope for their future endeavors. A restructuring of the current business plan contest is underway to improve the learning process and increase the rewards. And last, we are considering numerous recognition and award programs. There is no limit to the number of ideas.



In order to turn these new ideas into successful events, we must have ample resources. This requires an increased number of volunteers and staff members along with an influx of additional capital. It will be necessary to complement the WPI staff with dedicated Venture Forum personnel. It will also be necessary to broaden our search for sponsors and advertisers. As the reach of the Forum has extended further into Central Massachusetts, there has been significant interest shown by companies in becoming WPI Venture Forum sponsors. We must capitalize on every opportunity. Luckily, volunteers are starting to emerge faster than new ideas. They thoroughly enjoy the camaraderie and fully respect the purpose of the organization.

The WPI Venture Forum continues to grow as the premier entrepreneurial organization in our market niche. We must now assure that our progress is well planned and properly implemented. The future is in our hands.

Dick Prince is retired from Norton Company and Siebe, plc and is presently a partner in Brooksville Associates, a merger and acquisition company specializing in the health and safety industry. **VF**

Please note that after February 1,
the Venture Forum membership
fee is reduced to \$20.

You can't take that away from us

by Barry Tatelman, Jordan's Furniture

Back when my brother Eliot, and I took over the furniture business that our grandfather had founded in 1928, our father said something that I thought was wise. He said that he would always be there for us if we needed him, but that the business was ours to run and that we were in charge.

That was several decades ago – Eliot took over in the 1960s, when Jordan's Furniture was a single store with five employees and located in Waltham, Massachusetts. I joined in 1972 after graduating from college. But throughout the years, we have taken our father's words to heart and have tried to do things our way.

Early on, for example, we decided to focus on a segment of the market that was then largely being ignored: younger customers aged 18 to 34 who were acquiring homes and starting families, and who, therefore, very much needed furniture.

While we've since changed our focus to appeal to the broad spectrum of furniture buyers, the point is that in the course of taking matters into our own hands, we have tried to attend, not only strictly to the business matters of expanding the number of our stores and increasing revenue, but also to a less tangible but equally – if not more – important factor.

That intangible is simply the sum of a number of elements that, when combined, makes an enterprise unique. At Jordan's Furniture, in other words, we have created not only a business but also a "culture."

Culture is critical

Just how important culture is can be illustrated with a landmark development for our company. Three years ago, a gentleman who was in town for a board of directors meeting at Boston-based Gillette Co. gave us a call and said he wanted to talk. The gentleman was legendary investor Warren E. Buffett, and what he wanted to talk about was buying Jordan's Furniture.

In fact, Eliot and I have indeed since sold the company to Berkshire Hathaway Inc., an entity controlled by Buffett. That the renowned investor had spotted us, however, was due to the fact that we were in the furniture business – and he is

known to be partial to that industry. No doubt, it was also because of what we had accomplished on the business side.

By 1999, our company had expanded into a thriving chain of four stores, with 1,200 employees and an annual revenue of \$250 million. The revenue figure was key, as Buffett generally limits purchases to enterprises with at least a couple of million dollars on the top line.

But there is no doubt in my mind that this master investor was also attracted because of our company's distinctive culture. And that is where Eliot and I come in, because, as our father had intimated so wisely decades before, we had put that culture into place. And that is also where our employees – whom we call our "J-team" – come in, because it is they who have had to build upon what we set in motion

Having fun

At Jordan's Furniture, the single most telling characteristic of our culture is that Eliot and I want to have fun, and we want our employees and customers to have fun as well. One way to do that is by injecting humor into our advertising. Since most of our hallmark television commercials feature Eliot and me, we use our personalities to amuse and attract customers.

In these commercials, the gigs are clever and appealing, such as one in which we poke gentle fun at a hip commercial aired by The Gap clothing chain. In our version, a handful of dancers dressed in Gap-like chinos are twirling on a stage, while Eliot and I stand behind a sofa in the background. A dancer flips over the sofa, and there we are sitting on it, with big smiles on our face as this tagline flashes: Jordan's Swings.

A fine line separates clever from schlock, of course, and we are careful not to cross it. Our commercials feature quality film and subtle lighting, and we don't ever mention prices. An aura of respect for the customer must underscore the humor.

As for our stores, we similarly inject fun by taking a cue from Disney. Our stores don't have a uniform "look and feel." Just as Fantasyland differs from Tomorrowland, and Frontierland

from Adventureland, our four "attractions" likewise feature distinct personalities.

Our original store in Waltham evokes an early 20th century downtown storefront, whereas, in nearby Natick, the building sports a towering glass entryway with the "Jordan's" name in bold and bright relief. In Nashua, New Hampshire, the look is slim, spare, and geometric; at our headquarters in Avon, Massachusetts, it is graceful, with round pillars and a curving façade.

The Disney inspiration extends to the stores' interiors as well. We've chosen to inject entertainment into the commercial theatre that is a furniture showroom. In the Natick store, customers walk into a re-creation of the famed Bourbon Street in New Orleans, complete with a nine-minute Mardi Gras. In Avon, the centerpiece is a ride on our Motion Odyssey Movie, ►

Continued on page 7

Exit strategies

Continued from front page

Case presenter

Farsounder, Inc.

James H. Miller, PhD (WPI '79), founder and chairman

David Wood, CEO

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Established in 2001, Farsounder, Inc. is focused on taking sophisticated, forward-looking sonar technology to market. Farsounder is a spin-off of Pyrcon, LLC, a company James H. Miller, PhD founded in 1998 with assistance from the Slater Center for Ocean Technology to develop the technology to address the problem of marine groundings and collisions. Such disasters cost the industry up to \$3 billion annually in United States' waters alone. This technology has wide-ranging industrial applications and is positioned to serve as an enormously positive environmental force since one of the obstacles it detects is the endangered right whale, rendered nearly extinct by fatal collisions with large vessels. Farsounder's potential global market is in the \$20 billion range.

Miller began to develop the concept after the 1989 groundings of the Exxon Valdez oil tanker and the QE2 - disasters that could have been averted with the use of the kind of equipment produced by Farsounder. In 2000, after intensive research and development, Miller teamed with Matt Zimmerman, a talented and technically proficient University of Rhode Island graduate to launch Farsounder. Venture capitalist and serial entrepreneur David Wood joined the Farsounder team as CEO in late 2001.

Farsounder has been testing its technology through collaboration and communication with mariners, environmental groups and other companies worldwide. The Naval Undersea Warfare Center Newport, recently signed a Cooperative Research and Development Agreement with Farsounder, to develop a line of high frequency, forward-looking, obstacle avoidance and bot-

tom-mapping phased-array sonars for commercial and recreational vessels.

Farsounder has also sold a system to the National Oceanic & Atmospheric Administration for a vessel out of Woods Hole, MA and has used the technology in collaboration with environmental groups seeking to reduce the number of whales killed in collisions with large vessels. The U.S. Navy has used the system aboard its research vessels R/V Knorr, M/V Northern Horizon, and R/V Ewing during advanced acoustic tests in the North Atlantic and the Mediterranean Sea. The company's current focus is on producing smaller, affordable units for a wide range of customers, from recreational boaters to fishing vessels.

Last fall, Farsounder received validation and recognition when it won the Westchester Venture Capital competition in New York. Since that time the company has been on a rapid growth trajectory, meeting with potential investors and marketing its first product.

"Farsounder's forward-looking sonar technology has the capability to revolutionize the way people navigate on water, just as GPS and radar have done," said Miller. "Every vessel that is large enough to need a radar system cannot

afford to be without a Farsounder system."

Miller received his BS in electrical engineering from WPI in 1979, his MS in electrical engineering from Stanford University in 1981, and his Doctor of Science in oceanographic engineering from the Massachusetts Institute of Technology (MIT) and Woods Hole Oceanographic Institution in 1987. He served on the faculty of the department of electrical and computer engineering at the Naval Postgraduate School from 1987 to 1995. Since 1995, Miller has been on the faculty of the department of Ocean Engineering at the University of Rhode Island and was promoted to professor in 2000. He is a member of the Marine Technology Society, IEEE, Acoustical Society of America, American Geophysical Union, and served as associate editor of the Journal of the Acoustical Society of America from 1992-1996.

Entrepreneurs are encouraged to come prepared to give a one-minute elevator pitch before the networking break. Following the case presentation, a panel of experts including, Tyson, Brian Johnson (WPI grad) of Zero Stage Capital and an industry specialist will critique Farsounder's written business plan as well as its oral address. **VF**

A look at February's meeting

Getting started on Uncle Sam's SBIR money

by Jerrold M. Shapiro, Ph.D., principal and founder of Laser Surgery Solutions

Natalie S. Rudolph, Ph.D. of Rudolph Biomedical Consulting in Boylston, Mass. introduced Venture Forum attendees to her strategy for using government-funded research and development (R&D) to help start a company. Ten federal agencies must set aside a small fraction of their external R&D budget for high risk, high return technology (not product) development, according to Rudolph. By following each agency's rules, small, for-profit companies can tap into this \$1.2 billion pool and may win one of 4,300 awards ranging from \$100,000 to \$700,000. If your company is built around a new technology, Rudolph says, federal money can fund the core technology and its use in developing a new business opportunity. Winning a Small Business Innovation Research (SBIR) award provides recognition, credibility, validation and visibility to potential investors.

Before applying, Rudolph recommends you ask yourself these questions:

- 1) Is your idea really innovative?
- 2) Does it solve a real problem?
- 3) Will your work serve as a foundation for other work?

Your answers are critical to winning, as is the technical and management experience of the

principal investigator, or PI. To win a contract from the Department of Defense (DOD), the PI should approach them in the months preceding their January and August deadlines to find out



Networking at the monthly Venture Forum meeting.

how your work fits one of their research topics. {See www.acq.osd.mil/sadbu/sbir/} The National Institutes of Health (NIH) primarily funds grants and is more open to topics suggested by the PI. {See <http://grants.nih.gov/grants/funding/sbir.htm>}

Jerrold M. Shapiro, Ph.D., is principal and founder of Laser Surgery Solutions in Framingham, MA, a company that creates patentable products for the medical device industry. Shapiro also co-chairs the WPI Venture Forum Program Committee. VF



Mac Banks presents Gina Betti with a birthday cake at the March meeting.

Member-Get-A-Member Campaign

At the June 11th meeting of the WPI Venture Forum, the winners of the Business Plan Contest will be announced. What better time to invite someone you think might be interested in the all the Forum has to offer? Attendees will learn about the development of the top Forum business plans and hear feedback — what makes these plans viable and what are their shortcomings. Entrepreneurs always benefit from the experience of their business peers.

What is the Member-Get-A-Member Campaign? The Campaign is focused on expanding the Forum membership using the power of our own networks. There are people in our everyday business dealings that will find value in attending the Forum's meetings. The more people who join the Forum, the richer the experience for all members. And isn't that the reason that we attend the meetings — for the opportunity to talk, share, and learn from other entrepreneurs?

The direct benefit to you?

If you bring a member to the June meeting and they register for the coming year, your membership renewal will be waived. That's right, your 2002-2003 membership renewal fee is free...a \$30 savings! So everyone wins. New members receive all the benefits of a organization rich in resources and valuable business information; the Forum expands its membership with fresh faces and new ideas, and YOU get a free renewal.

The Business Plan Contest meeting is the perfect time to introduce a new member...and get a FREE membership renewal!

So, pull out your PDA, check your day planner, review your list of business associates, and invite one or more to the June 11th meeting of the Venture Forum. They'll get a great taste of what we're all about. VF

Breaking up is hard — without an agreement

By Jean D. Siffleet, Esq., CPA

Like marriage, business relationships usually start off in a glow of euphoria and the future seems rich with possibilities. No matter how great your business relationship is however, it's inevitable that at some point in time, you will need to manage a transition of ownership.

The possible reasons for a business "divorce" are many:

- disagreement about the direction of the business;
- desire to live in another climate;
- desire to pursue other interests;
- changed circumstances such as death, disability, divorce, insolvency, loss of professional license, conviction of a crime and/or,
- retirement.

Sometimes the relationship sours or the parties just need to move on to pursue other interests. If the foundation for a buy-out is put in place when everyone is calm and friendly, an orderly transition is much more probable.

Paradoxically, the process of pulling together an agreement for how to part company actually helps to build a stronger working relationship, reducing the potential for conflict. The process helps to clarify roles and expectations about how money will be spent, decisions made and priorities set.

The agreement is really an opportunity to mutually and explicitly agree about how the business will operate. It's also an opportunity for minority shareholders to protect themselves and to make sure that major decisions, such as sale of the business, issuance of additional stock and borrowing money, require more than majority approval. The agreement can specify that certain decisions require a two-thirds, three-quarters or unanimous approval.

I've been a "partner" (really 50 percent shareholder) in three separate businesses. Each business and relationship was different and yet worked well because roles and expectations were

clearly stated. In each case, we successfully managed an ownership transition and I'm still friends today with my former "partners." I credit that to having great "partners" and to having a clear agreement.

A buy/sell agreement is a contract to buy out the other owners under certain conditions (e.g., death, disability, divorce, retirement, disagreement) on certain terms.

The benefits of a buy/sell agreement include:

- preventing unwanted shareholders (e.g., heirs of a deceased shareholder, or creditors),
- establishing the terms of sales (price or valuation methodology, means of funding), and
- providing for an orderly transition.

A buy/sell agreement can take many forms, including the following:

1. the company can buy back the stock of departing shareholder (redemption);
2. the shareholders can buy from each other (cross-purchase);
3. a mix of company first, shareholders second (hybrid), or
4. a third party, such as a key employee, can purchase.

Since transferring ownership in your business is as inevitable as death and taxes, a buy/sell agreement should be as basic as a will. More

extensive succession and estate planning is beneficial, but covering the basics is essential.

The absence of such a buy/sell agreement can leave you with a nasty dispute, the resolution of which can be lengthy, costly and exhausting.

A buy/sell agreement can save you a lot of time and trouble in this lifetime as well as for your survivors at death. So, don't wait for a special moment of stress before you address the inevitable issue of business ownership transition.

Smart Fast® is a distinctive approach to business and legal issues developed by Jean Siffleet, based on her experiences as an entrepreneur and from working with companies, large and small. She is the author of Smart Fast – The desktop reference guide for running your business from Infinity Publishing. Siffleet can be reached at 978-368-6104 or jean@smartfast.com. VF

Address correction

Last month's article "The value-added consultant" by John Haas, PhD, provided an inaccurate address for the author. The correct address is 365 Boston Post Road, #200, Sudbury, MA 01776-3003, 508-877-9255 phone, 508-877-4562 fax, jahaas@gis.net.

You can't take that away from us

Continued from page 3

which occurs in a 48-seat theatre with a four-story movie screen.

And don't, please, forget the food. In Avon, customers get free hotdogs; in Nashua, it's chocolate chip cookies. Natick features a Kelly's where customers can indulge in that eatery's famous roast beef sandwich.

Carrying on

While Eliot and I conceived and set into motion the culture that is Jordan's Furniture, it is up to our employees to take it from there. And they do, serving the company with enthusiasm, hard work and dedication. I'm amazed at how often I hear comments such as, "What do you put into the water? Why are your people always smiling?"

If I were to answer that question, I would say that it is because a culture of respect has taken hold at Jordan's Furniture. And because of that,

word gets around. When we opened our Natick store, during an extremely tight labor market, for instance, we were able to hire the number of workers that we needed.

Respect is a two-way street, as Eliot and I know only too well, and we try to show our appreciation to the people who have picked up where we leave off in sustaining our culture. In a step that recently grabbed press headlines, we flew our entire staff – all 1,200 employees – to Bermuda for a day off, filling four airplanes. There on the beach, amid music and good food, we were able to extend our personal gratitude.

In a more traditional vein, when we sold the company in 1999, we paid each of our employees a bonus of 50 cents for every hour he or she had worked for Jordan's Furniture.

And, oh yes, about that sale. Although our company is now a part of Berkshire Hathaway,

Eliot and I are still here, and our J-team remains on board and as dedicated as ever. That is because we founders and employees alike are at the center of the culture that is Jordan's Furniture.

And culture is a wonderful thing. It becomes embedded in an enterprise. Warren Buffett notwithstanding, you can't take that away from us.

Although Jordan's Furniture was bought by Berkshire Hathaway Inc. in 1999, the Tatelmans remain actively involved and are indeed the embodiment of what is a unique entrepreneurial culture. Barry graduated in 1972 from the School of Public Communication at Boston University. In a very real sense, he has been communicating ever since – with Jordan Furniture's customers, employees and investors. Reprinted with permission from EntreWorld.org. VF

SPONSOR'S BUSINESS HIGHLIGHT

EDWARDS & ANGELL, LLP Life Sciences Group

For decades, lawyers at Edwards & Angell, LLP have been assisting life sciences clients in the patenting, licensing, protection, commercialization and financing of their technologies. For example, lawyers of E&A have assisted clients in obtaining patent protection for such pharmaceutical products as blood Factor VIII, cytokines, AZT and acyclovir.

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Risk management for emerging technology companies

by John Diercks, A.R.M., C.I.C., and John M. Brisbois, CPCU, principals, Sullivan Group & Risk Management

Risk management and insurance are typically not high on the priority list for entrepreneurs. However, by addressing these issues in a thoughtful manner, entrepreneurs will avoid excessive insurance costs, reduce risk and save time. Investors, employees and clients expect companies to carry appropriate insurance coverage; it is important to live up to those expectations. Companies who use a careful, well-planned approach will find the risk management process to be efficient and cost-effective.

As an introduction to a series of articles on risk management for emerging technology companies, the chart represents some typical insurance needs, why you should purchase coverage and when, as well as the relative cost involved.

For more information, contact John Diercks or John M. Brisbois, Principals, Sullivan Group & Risk Management, One Chestnut Place, Worcester, MA 01608, 800-649-1553, phone, 508-797-3689, fax, email: jdiercks@sullivangroup.com, email: jbrisbois@sullivangroup.com. **VF**

Coverage	Why Typically Purchased	When Typically Purchased	Relative Cost
WORKERS COMPENSATION: Provides medical and income benefits to employees injured on job	Mandated by state law	Immediately	Inexpensive
GENERAL LIABILITY: Covers company for lawsuits resulting from bodily injury or property damage due to business operations	Required by landlord Prudent business practice	Immediately *Almost always purchased in conjunction with property insurance	Inexpensive – moderate
PROPERTY: Covers losses to equipment, inventory, computers, furniture, fixture, leasehold improvements, etc. resulting from fire, windstorm, theft & other insurable perils	Required by equipment lessor Required by bank Prudent business practice	Immediately *Part of general liability “package”	Inexpensive – moderate
ENERGY SYSTEMS/BOILER & MACHINERY: Covers property losses as well as the vessel itself due to failure of boilers, machinery & electrical equipment	Required by some landlords Required by equipment lessor Prudent business practice	Immediately *Often purchased with property insurance	Inexpensive
HIREN/D/NON-OWNED AUTOMOBILE LIABILITY: Covers company for lawsuits resulting from bodily injury or property damage due to use of rented or employee-owned vehicles	Prudent business practice	Immediately	Very inexpensive
“KEY MAN” & DISABILITY:	Required by investors Prudent business practice	Within first 2 years	Inexpensive – moderate
EMPLOYEE BENEFITS: Provides employees with health, life & disability insurance. Many add-ons available.	Needed to attract & retain employees	During first year	Moderate – expensive
FOREIGN LIABILITY: Provides general liability, automobile liability, workers compensation for overseas exposures	Extend liability insurance to cover overseas exposures Prudent business practice	When foreign sales are generated	Inexpensive
RESEARCH & DEVELOPMENT RESTORATION: Covers cost of restoring projects in process when damaged or destroyed by covered peril	Prudent business practice	Within first 2 years	Inexpensive
VALUABLE PAPERS: Covers cost to reproduce data/documents damaged or destroyed by covered peril	Prudent business practice	Within first 2 years	Inexpensive
CRIME: Covers loss of money or property due to employee(s) theft	Prudent business practice	Within first 3 years	Inexpensive
UMBRELLA LIABILITY: Provides excess liability limits over general liability, auto liability and employers liability	Required by some landlords Prudent business practice	Within first 3 years	Inexpensive
EXTRA EXPENSE/BUSINESS INTERRUPTION: Covers continuing expenses, including payroll (optional), after a property loss	Prudent business practice	Within first 2 years	Inexpensive – moderate
CLINICAL TRIALS/PRODUCTS LIABILITY: Covers company for lawsuits resulting from bodily injury or property damage due to products being tested and/or sold commercially	Required by test sites Prudent business practice	Commencement of human clinical trials and/or commercial sales	Expensive (\$10,000+)
DIRECTORS & OFFICERS LIABILITY: Covers lawsuits arising from actual or alleged wrongful acts or management by the board of directors and/or executive officers	Required by outside directors Required by investors, underwriters Needed to attract and retain outside directors & corporate officers Prudent business practice	When forming a board with outside directors When preparing for an IPO	Expensive (\$15,000+)
ENVIRONMENTAL IMPAIRMENT LIABILITY: Covers lawsuits arising from damage to the environment resulting from business operations	Required by some landlords Required by some lenders	When required by an outside entity	Expensive

Cocktails and Conversation: A networking opportunity

Date: June 7, 2002
Time: 6:00-8:00 p.m.
Place: WPI's Campus Center Odeum
Sponsors: WPI's Alumni Association and the
Venture Forum

Join us as Jeff Brooks of Kobrand Corp. conducts a wine tasting session. Munch on hors d'oeuvres and light fare as you enjoy the music of classical guitarist Carl Kamp. Take this opportunity to mix and mingle with WPI alumni, Venture Forum members, sponsors, committee members and their guests. And don't forget to bring your business cards - door prizes of Kobrand wines and spirits will be awarded!

Please reply by May 24, 2002. Cost is \$15 per person. To register, complete the following form and return it to:

WPI Alumni Association, 100 Institute Road,
Worcester, MA 01609
Tel.: 508-831-5600, Fax: 508-831-5791, or
email: alumni-office @wpi.edu

In the February Entrepreneurial spotlight...

Mike Patel, Xyleco, Inc., Woburn, MA makes wood-substitute products.

Carolyn Joyce, who currently sells high-end gifts for Greco Amalthia in Marlborough, Mass., has a concept for an auto accessory she plans to patent and take to market. She can be reached via e-mail at GrecoAmalthiaUSA@cs.com or by phone at (508) 481-6657.

Rick Stanunis developed a fiber optic light guide whose outer surface is designed to carry electrical signals. **VF**

Cocktails and Conversation: A networking opportunity

Name/Company (as it will appear on nametag) _____

Address _____

City _____

State _____ Zip _____

Phone _____

Email _____

Add my email address to your distribution list for future WPI Venture Forum or Alumni Association announcements (as applicable).

Enclosed is my check (\$15 per person, payable to WPI).

To make payment via credit card, please FAX the following information:

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Recognition of entrepreneurs*

Last season the Venture Forum instituted a new event intended to give entrepreneurs an opportunity for a "60-second commercial." We are pleased to announce the return of this much-anticipated event.

After the keynote speaker and before the break, seven or eight entrepreneurs (first come, first served) will be invited to give a one-minute presentation from the podium. Our goal is to recognize entrepreneurs.

The one-minute rule will be strictly enforced and there will be no questions allowed. Each entrepreneur will be allowed to show one overhead slide, which you can bring with you or prepare on site with materials provided by the Venture Forum.

Each entrepreneur will be allowed only one opportunity to do this per each new business venture. Your main objective is to generate investments and/or advice through this opportunity, rather than sales.

**Definition of an Entrepreneur - One who organizes, manages and assumes the risk of a business or enterprise. This can include pre-startups.*

Communicating with your venture capital investor

By Jamie F. Rice

An enormous, often unrecognized challenge that CEOs of venture-backed companies and their venture capital investors face is how to communicate with one another. Like any partnership, the CEO/investor partnership is a two-way street. On the one hand, an investor must recognize that employees, customers, vendors, partners, attorneys and accountants all vie for the CEO's time. Overburdening him with general questions is unproductive; after all, time with an investor is time spent away from a customer. However, pointing out business risks and opportunities in a timely fashion is highly productive. On the other hand, the CEO must regularly apprise his investors of business progress and less fortunate news. Speaking only at board meetings is a recipe for disaster.

Here are five suggested practices that will help newly funded CEOs cement their investor relationship with investors:

Be proactive. You aggressively pursued investors to invest in your company. Now that they have, don't stop calling. As your company grows, you will require the advice and creativity of problem solvers to help you manage the business. Successful venture capital investors typically are tremendous problem solvers because they've seen similar problems before and understand the level of creativity one needs to mitigate risk. In light of this, don't be bashful.

Minimize surprises. Few things scare or anger an investor more than hearing bad news for the first time at a board meeting. Indicate to your investor what the tone and direction of the board agenda will be well in advance. This not only prepares him or her psychologically but also is a professional courtesy you owe all board members. A buffer period will enable your investor to help address a problem before the



Jamie F. Rice is a principal at Zero Stage Capital

board meeting. Nothing diminishes your investor's confidence in you faster than an emergency capital request or a drastic reduction in your cash flow forecasts.

Emulate the "Best Practices" of public companies. Public companies work hand-in-hand with Wall Street analysts and buy-side investors to meet their informational needs. They produce and distribute financial statements

— punctually — on a quarterly and annual basis and disclose all material facts that may affect their business. In addition, they project their expected financial performance and create forums for the investor community to discuss these projections. While such reporting requirements are less stringent for private companies, it behooves a CEO to share pertinent business information with his investors. While this strengthens the CEO/investor relationship, it also prepares young companies for the more rigorous SEC-mandated demands post-IPO.

Include investors on selected mailing lists. When press releases, new product announcements, new pricing schedules, trade show dates and email broadcasts go out the door, be sure your investor's name is on the distribution list. If this is done, subsequent meetings with your investor will focus less on general operations and more on strategic initiatives and company-building brainstorming sessions.

Initiate face-to-face dialogue. This is just plain common sense. Invite your investor to your office, plant, R&D lab, or just for lunch. Emails and phone calls, as pervasive as they are, are not substitutes for face-to-face dialogue. Nurture both the professional and personal relationship that's evolving. This will pay back in spades, of course, when you start your second venture and seek venture capital.

Jamie F. Rice is a principal at Zero Stage Capital, a leading venture capital firm based in Cambridge, MA. Before joining the company he was a top-ranked equity research analyst with SG Cowen Securities Corporation and Oppenheimer & Company, Inc. Earlier he served as a Peace Corps volunteer in Paraguay. He earned an A.B. in English from Harvard College and is a CFA Charterholder. **VF**

Networking event draws record crowd

The Mass Biomedical Initiatives (MBI) Center is used to drawing attention because of the plethora of interesting start-up companies under its roof. But everyone was quite surprised when more than 150 people turned out for the WPI Venture Forum networking event hosted by MBI on February 28.

The third in a new series sponsored by the WPI Venture Forum, these “networking-only” events focus on helping technology entrepreneurs develop new relationships and strengthen existing ones. The program provides two hours in which attendees meet and talk with other attendees, without the distraction of formal presentations or exhibitions.

“It’s business networking, pure and simple,” said Shari Worthington, WPI Venture Forum board member and chair of the marketing committee. “Our goal is to help people make the connections they need to strengthen their businesses. They can find potential partners or new employees, meet investors and bankers, search out professionals who can provide much-needed business advice, such as patent registration or marketing.”

The MBI-hosted event was the largest of the three, attracting more than 150 professionals. Host Kevin O’Sullivan, vice president of development, MBI, organized tours of the MBI facilities, including laboratory resources and conference rooms. He also provided door prizes, including Ice Cats tickets. Previous events were held at Wachusett Brewery (Westminster) and the Center for Advanced Fiber Optic Applications (Southbridge).

The next WPI Venture Forum networking event will be held on May 2, 2002, at NYPRO in Clinton. Next season the series will continue with regular events held in the Central Massachusetts region. Check for listings of event times and locations at www.wpiventureforum.org. If your organization is interesting in hosting an event, contact Shari Worthington at sharilee@telesian.com. **VF**

WPI Venture Forum Radio Show

Join fellow entrepreneurs every Saturday evening from 5 to 7 for the WPI Venture Forum radio show, broadcast on WTAG AM 580. Executive producer Bob Hokanson brings more than 20 years of broadcast expertise to the show as he interviews a variety of business professionals each week.

Topics might include how to write a business plan, raise capital, create a benefits package or the best way to structure management. Weekly guests offer expert opinion and advice to rising business stars. If you’d like to participate in this lively, entertaining and informative radio talk show, call **508-755-0058** with your questions regarding entrepreneurship and managing technology-based corporations.

Please note that sports events or late-breaking news stories may occasionally pre-empt the regularly scheduled program.

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WPI Venture Forum Calendar of Events

May 14 - Exit strategies

June 11 - Business plan contest

Directions to WPI Campus, Salisbury Labs; Kinnicutt Hall

From The East:

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

From The North:

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

From The South And West:

Take Mass. Turnpike I-90 to Exit 10 - Auburn. Proceed east on I-290 into Worcester. Take Exit 17, turn left at end of ramp, follow Route 9 west through Lincoln Square, straight onto Highland St. then right at light onto West St., through first intersection of West and Institute Rd. Visitor parking is on the left after footbridge. Additional parking on Boynton St. behind Gordon Library.

