

THIS MONTH'S MEETING

TUESDAY,
OCTOBER 10, 2006

WPI, WORCESTER
Campus Center Odeum

\$15.00 members
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Writing a Winning Business Plan

Venture capitalists know how to critique business plans. But not all VCs know where to start creating one. How can entrepreneurs build a business plan that can win VC funding? The WPI Venture Forum brings to its October 10 meeting venture capitalist Dina Routhier, Principal, Massachusetts Technology Development Corporation (MTDC), who will discuss the nuances of building a successful business plan.



**DINA ROUTHIER,
 PRINCIPAL, MTDC**

Although both traditional and winning business plans have the same sections — financials, marketing, competitive advantage and technology — successful plans are much more condensed and concise strategic plan documents. Routhier's keynote address will help entrepreneurs get their strategic plan in top shape for their next investment round, whether seed-stage or private investment in public equity (PIPE) financing. With more than 10 years' experience working with venture capital, Routhier understands emerging trends and hot new business opportunities. Her presentation will also offer critical advice to keep business plans out of VCs' "circular file" trash container.

Routhier has spent more than a decade financing and investing in technology companies. She joined MTDC in 1999, and as a Principal, spends her time evaluating new business opportunities and working closely with MTDC portfolio

companies. She currently serves as a board member of SiteScape, geoVue, Polnox, and Spectra Analysis. She also manages MTDC's investments in Medelle and Tomophase.

Prior to joining MTDC, Routhier managed a \$400 million portfolio of loan commitments at Fleet Bank (now Bank of America). As part of the bank's High Technology Specialty

Lending Division, she prospected, structured and originated debt facilities to companies operating in the technology and biotechnology industries. She received her Bachelor of Science in Management from Boston College and her MBA from Boston University.

Case Presenter

Panacea Discovery LLC

Panacea Discovery LLC is an early stage drug discovery company that is focused on the diagnosis, prevention and treatment of cancer. Located in Worcester, Mass., the company has world-wide patents pending on a novel class of small molecules that target both precancerous (aged) and cancerous cells. The first product in preclinical development is a peptide that specifically targets breast carcinoma. The scientists at Panacea Discovery LLC have demonstrated in culture that this molecule specifically targets breast cancer cells but does not bind to normal

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LETTER FROM THE CHAIR

A Plan for Success

This month, the WPI Venture Forum tackles business plans. A concise, well-formulated business plan is crucial to putting your company's best foot forward. Entrepreneurs who forego a business plan miss out on the myriad of benefits gained from the plan's preparation and ultimately place obstacles in their way to success.



on who you are, what your product is, what its market is, how you will sell it, how big the company can get, and how much you are looking to raise. Investors are as interested in avoiding risk (especially now) as they are in looking for upside. Make sure you provide a concise document that will give them a reason to want to learn more

about your business.

The business plan allows you to test your concept by reviewing with a critical eye your proposed business model and the relevant market. Companies often go through several iterations of their plan. Use the exercise to find weaknesses to your approach – if you identify them early on, you may be able to find a work-around ahead of time. Moreover, if formulated properly, a business plan can help you anticipate challenges from investors or customers.

Once completed, an effective plan will demonstrate to potential investors that you have dared to look beneath the surface. The business plan should firmly ground the reader

While business plan formats vary, the fundamentals remain the same. Reach out to your advisers for help and guidance. Thorough business plan preparation can improve your idea and, with hard work and perhaps a bit of luck, position your company for success.

I look forward to seeing you at our October meeting.

Sincerely,

Patrick Jones

Chair, WPI Venture Forum

Attorney at Law, Gesmer Updegrave, LLP

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New subscribers welcome.

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Choice of Business Entity: Understanding the Alphabet Soup of Business Formation

A lot of entrepreneurs wonder, “What type of entity should I choose for my new business?” In this article, I hope to shed some light on the various choices an entrepreneur has when it comes to entity choice.

The choice of business form involves selecting among five options:

- Sole proprietorship,
- Partnership (general, limited, or limited liability partnership),
- S-Corporation,
- C-Corporation, and
- Limited liability company (LLC).

Where a separate legal entity is created, the partnership and the LLC afford the most favorable tax consequences to most business organizers. If taxes were the only concern, almost all businesses would be operated in these forms.

What trade-offs should I consider when forming a new business entity?

Entrepreneurs should consider the trade-offs between legal relationships and tax consequences. As examples, the choice of...

- General or limited partnership versus a C-Corporation affects both legal and tax consequences,
- S-Corporation versus C-Corporation affects only taxes, and
- General partnership versus a limited partnership or an LLC affects only the legal and business relationships among partners and between the partnership and third parties.

How do I compare forming an S-Corporation to an LLC?

As compared with an S-Corporation, LLCs that are taxed as partnerships have the advantage of providing significant flexibility in the economic and tax allocations of financial interests. Moreover, the ability to pass through tax losses and distribute proceeds of refinancings without immediate tax consequences is enhanced for LLCs, largely because of the rules regarding debt. In addition, a corporation may encounter formidable hurdles regarding qualification as an S-Corporation and maintaining S-Corporation status. Although there are cases in which an S-Corporation or a C-Corporation might provide tax advantages over an LLC, these circumstances are relatively rare.

Should I consider a C-Corporation to operate my business?

The C-Corporation usually should be selected only if there are significant advantages that cannot be achieved through a pass-through entity (S-Corporation, partnership, or LLC treated as a partnership), such as positioning a company for future rounds of venture financing. Additionally, the C-Corporation allows a business to build working capital at minimum tax rates, preserving scarce cash necessary for business growth.

However, in most cases, the tax burden of operating a business through a C-Corporation is significantly greater than if a pass-through entity is used. The income of a C-Corporation faces double taxation, because the corporation’s after-tax income, passed on to its shareholders in the form of dividends, is

by
ANDREW S. GOLOBOY, CPA
Goloboy CPA LLC

taxed again to the shareholders. However, in most cases, dividends are now taxed similar to capital gains at rates lower than ordinary income tax rates. Income of an S-Corporation does not encounter double taxation because the corporate income is passed-through and taxed solely at the individual level.

Best entity choice maximizes cash flow and income.

In most instances, the best entity choice is the one that provides optimal cash flow and the greatest overall amount of long-term, after-tax income. In a high-growth company, the entrepreneur should look to create a favorable tax and business foundation for future rounds of financing. Entity choice is a group effort among the entrepreneur with the vision, the CPA with the tax strategy, and the incorporating attorney with the corporate structuring experience.

Andrew Goloboy, CPA, founding partner of Goloboy CPA LLC, received his CPA while working as a financial consultant and auditor in the high-growth company practice at Price Waterhouse and Ernst & Young. Goloboy CPA serves early stage angel- and venture-backed companies, assisting high growth businesses and their entrepreneurial founders with business formation, tax planning, and financial strategies. ✓

A LOOK AT SEPTEMBER'S MEETING

by

ANDREW GOLOBOY, CPA

10 Myths about



Meeting attendees networked during the program break.

At the September kick-off for the WPI Venture Forum's 2006-7 season, Michael Olivieri, publisher of the *Boston Business Journal* and *Mass High Tech*, *The Journal of New England Technology*, discussed what's hot in technology and markets and where the new opportunities lie. Sharing his perspective on the regional technology markets, Olivieri covered both the economy at large and innovation in Massachusetts and surrounding states. He also noted he has personally survived three failed start-ups, giving him a valuable context for reporting on start-ups.

Olivieri explained his publications' editorial mission is to write to a common denominator of business owners and managers. The



Mike Olivieri's debunking of Massachusetts myths captivated his audience at the WPI Venture Forum.

mainstream media writes to stockholders or the public, but Olivieri believes businesses are the key drivers of economic prosperity. Mainstream media considers "real" business to be big business, rather than smaller-company entrepreneurship which drives innovation.

He debunked "10 Myths about Massachusetts Businesses" David Letterman-style:

10. Myth: Big businesses dominate the local economy.
Reality: Companies under 500 employees employ 77 percent of the Mass. workforce.

9. Myth: Mass. tech companies are easy prey in the global economy.

Reality: Mass. technology companies were acquirers 60 percent of the time between 2003 and 2005.

8. Myth: Mass. is so expensive because we are a high tax state.

Reality: Mass. ranks 32nd in taxes by the National Taxpayer Foundation. Mass. does have relatively high costs for energy, labor, and housing, however.



Michael Olivieri



Moderator, Dick O'Brien

7. Myth: Technology companies don't give back to the community.
Reality: 10 of the 46 most philanthropic companies in Mass. honored by BBJ were from technology, life sciences, or defense.

6. Myth: Massachusetts' future is exclusively in biotechnology.
Reality: Software jobs exceed biotech jobs 4 to 1 — 120,000 to 30,000 in Mass. Medical devices also employ 37,000. Future job growth lies with innovation: IT storage, IT security, wireless and RFID, nanotechnology and material sciences, robotics, emerging energy, and wealth management.

5. Myth: Manufacturing is dead in Mass.

Reality: 10 percent of jobs in Mass. are in manufacturing, no longer textiles or shoes, but defense, medical devices, and semiconductors.

4. Myth: New England is losing its place as the number two region for venture capital (VC).

Reality: Similar percentages of VC money invested in New England from 2000 to 2006 ranged from 11 percent to 16 percent over the 7-year period. Unfortunately, there is also more competition for VC money from overseas.

3. Myth: Big, West Coast and national technology companies aren't in or don't have a significant presence in Mass.

Reality: Cisco, Intel, HP, Sun, IBM, Motorola, Nortel and TI, among others, all have more than 1,000 employees in Mass.

2. Myth: Higher education will always be stable.

Massachusetts Business



Panelists (from left) Stephen May, Kurt Geist and Welles Hatch offered praise and advice to case presenter Richard Burt.

Reality: Increasingly more sophisticated global competition is driving innovation and evolution of higher education.

1. Myth: Mass. is no longer a headquarters state.

Reality: We are, but often only to the headquarters office.

Olivieri noted with concern that the state is losing young families who want affordable housing. We need to expand the rail system and change permitting rules to promote affordable housing.

CASE: NOMIR MEDICAL TECHNOLOGIES

Focused light can eliminate toe fungus, explained September case presenter Richard Burt, CEO and President of Nomir Medical Technologies. Nomir is harnessing light and energy for bacterial and fungal elimination at low energies without harmful effects. Its technology is applicable to aesthetic treatments as well as infectious diseases. Founded in 2003 by dentist Dr. Eric Bornstein, Nomir has filed 31 patents since June 2004.

Nomir's major market opportunity is to develop a powerful clinical tool to eliminate toenail fungus — the only light-based device treating bacterial and fungal diseases. This is a

\$2 billion market, but Nomir plans to expand beyond this market with its platform technology in treating microbial infections.

Competition lies with large pharmaceutical companies entrenched in the market, Burt explained, such as Novartis which makes Lamisil, an oral therapy with some serious side effects. Nomir's three laser treatments, each of which takes 20 minutes, will cost about \$1,000 per patient. The laser treatment will offer a profound difference from current



Richard Burt, CEO and President of Nomir Medical Technologies

drugs on the market. A major challenge to sales of Nomir's treatments will be their required self-funding, at least initially, as they are not currently reimbursable from health insurers. Nomir has a solid medical and business advisory board, and has raised \$5 million in Series A funding for clinical research, management, research & development, general and administrative costs and a contingency fund. Burt expects human clinical trials to begin in late 2006 or early 2007. If he raises \$10 million in Series B

financing by June 2007, Nomir can go to market later that year.

Burt asked the panelists: How do we attract early adopters? What is the most effective marketing to dermatologists and podiatrists? And where is the upside in the revenue model?

Panelist Kurt Geist, director of research & development for Boston Scientific Endoscopy, found Nomir attractive because of the large, existing market. He recommended using dermatologists as advocates. Aesthetics are a great entry market as these are self-pay procedures. Reimbursement codes for therapies may take up to three years for approval.

This was the most innovative use of laser technology seen in many years, according to panelist Stephen May, Senior Vice President, Global Marketing, Cynosure. He suggested attracting early adopters with effective, repeatable procedures which produce high revenue. The treatment has no side effects, making it a very attractive alternative for dermatologists and an easy market to get into. He found the pricing model to be relatively complicated, but that pricing will be driven by channel dynamics eventually.

Panelist Welles Hatch, Executive-in-Residence at Analytic Capital, suggested balancing the technology and market opportunity against the founders' judgment on how to run the business. Nomir should look at the costs of the business model and the risks associated with technology development. Welles applauded Nomir's reasoned and rational approach to business development, particularly the need for a relatively small sum of \$17 million of capital to get to positive revenue.

A lively Q&A followed with broad-based appreciation for the business' potential for success.

Andrew Goloboy, CPA, is a founding partner of Goloboy CPA LLC, which serves early stage angel- and venture-backed companies. The firm specializes in assisting high growth businesses and their entrepreneurial founders with business formation, tax planning, and financial strategies. He can be reached at andrew.goloboy@g-cpa.com or by visiting www.g-cpa.com.

Spotlight on Entrepreneurs

SMART SIGNS

Bob Waite

Product: Solar powered, battery-operated pedestrian-controlled crosswalk signs with low-maintenance LED lighting. Target market is cities who want to make money and save lives. Potential market size of \$500 million. Provisional patent covers several critical aspects of technology.

Seeking: \$400,000 for development, IP protection and marketing of signs.

Phone: 978.857.6995

Email: kinsman951@aol.com

IMMERSION LEARNING SYSTEMS, INC.

Alexander Kesler

Product: Technology to provide e-learning on cell phones. Market of 210 million people looking to make corporate training and other e-learning content available through cell phones. Contract signed with Princeton Review.

Seeking: \$1.75 million in angel funding for technology build-out, IP protection, payroll and overhead.

Phone: 617.966.1900

Email: kesler@kesler.net

Web: <http://ilearningsystems.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:

<http://www.wpiventureforum.org/Programs/spotlight.html>

WPI Venture Forum Marketing Study Underway

The WPI Venture Forum's program format has seen few changes since its formation fifteen years ago. To find out what improvements could be made, the executive committee selected a group of four WPI seniors to conduct a comprehensive study of the WPI Venture Forum, and suggest ways to update its offerings.

The project will look at the demographics of current and potential members, and suggest specific marketing approaches required to reach those target markets with information on the WPI Venture Forum. While their report will take several months, the students' ideas will include improving marketing efforts through better use of the Internet, creating additional member benefits, revamping the website and tracking Internet visits to the site.

These students will conduct interviews, gather data, and prepare databases through September and October. They will compare the WPI Venture Forum with similar programs in surrounding areas to identify where see programs succeed or fail and why.

They will analyze and assess the information during November and December, submitting a written report by December 14, 2006 for completion of the project.

The four students undertaking this study are Kevin Barrett '07, Matt Fiore '07, Mark Thomas '07, and Caitlin Wood '07. All four students are management engineering seniors working under the supervision of Professor Chickery Kasouf. The completion of this project will give them credit for their Major Qualifying Project, a WPI graduation requirement. √



Students putting the WPI Venture Forum under the marketing microscope are (from left) Seniors Mark Thomas, Matt Fiore, Kevin Barrett, and Caitlin Wood.

October's Case Continued...

CONTINUED FROM FRONT PAGE

cells and tissues.

Panacea's management team is led by Drs. Shayne Squires, MD and Suresh Gupta, PhD. Dr. Squires is a clinician at UMass Medical School with a wealth of experience in imaging and radiotherapies, and Dr. Gupta has more



Dr. Shayne Squires

than 20 years of experience in the screening and development of novel therapeutics to prevent cancer. Panacea Discovery LLC has an exciting future ahead, and we look forward to learning more about the company at the October meeting. √

Gateway Park Incubator Underway

As an important new step in the continuing growth and development of the life sciences-based economy in Central Massachusetts, Worcester Polytechnic Institute (WPI) and Massachusetts Biomedical Initiatives (MBI) have established the Gateway Park Incubator in Worcester. This new venture, scheduled to be completed in the first quarter of 2007, will identify and capture academic research discoveries in the life sciences and translate them into viable companies and jobs. It will include laboratories, shared equipment, and offices for up to six start-up biomedical companies, and will be located on the ground floor of the WPI Life Sciences and Bioengineering Center, under construction at Gateway Park.

MBI Chair Abraham W. Haddad and WPI President Dennis D. Berkey participated in a symbolic lease signing at the Gateway Park site on July 5.

The facility will be adjacent to the university's Bioengineering Institute, which will play a central role in the incubator program. The start-up companies housed by the incubator are expected to generate about 25 new jobs during the facility's first three to five years.

MBI will build out and operate the incubator, as it has a proven history in promoting the successful statewide economic development strategy of life science business incubation. By providing cost-effective, high-quality laboratory space and support services, MBI has lowered barriers to success for emerging companies. Further technology growth is also envisioned within Gateway Park as "graduate" companies grow and require more space, generating additional employment opportunities within the burgeoning regional biomedical industry.

The WPI Life Sciences and Bioengineering Center is a four-story, 124,600-square-foot

facility that will house modern laboratories and support facilities, offices, and other amenities. When the building opens in early 2007, WPI's life sciences-related research programs and the WPI Bioengineering Institute will occupy about 75% of the space. The remainder is being leased to businesses and commercial entities.

The center is the first building in the Gateway Park project, an 11-acre, master-planned redevelopment of a former Worcester brownfield. At build-out, the development will feature between 500,000 and one million square feet of mixed-use space to attract academic and corporate collaborators, and make a significant impact on the economic development of the region. Gateway Park is part of the larger 55-acre Gateway redevelopment district that is currently home to numerous businesses, offices, restaurants and business services, and a hotel. ✓

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.



Member News

AIMTEK WINS GOLD MEDAL

Aimtek Inc., headed by WPI Venture Forum chairman emeritus Amar V. Kapur, received a gold medal award from the Department of Defense Supply Center in Richmond, VA. The welding supplier to the aviation industry was honored for valued performance.

WORTHINGTON NAMED TO INDUSTRY POSITION

Shari L.S. Worthington, president of marketing firm Telesian Technology Inc., has been appointed director-elect of the Management Division of the Instrument Society of America, which focuses on the process manufacturing industries. She founded her company in 1987 to serve high technology and manufacturing markets.

NIMBIT PARTNERS WITH iTUNES

Winner of the 2005 WPI Venture Forum Business Plan contest and provider of online management solutions for music professionals, Nimbit has joined forces with online music provider iTunes to increase opportunities for musicians and independent labels to sell their music on the Web. In a new agreement, artists who sell mp3s with Nimbit can have those same tracks appear on iTunes. Today, artists use Nimbit to sell music directly from their own websites and on other independent retail sites. Nimbit said it will pass along 100 percent of the iTunes profits directly to the artists and labels it serves. ✓



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