WPI Venture Forum
To inspire and facilitate technology-based entrepreneurship

Vantage

NOVEMBER 2007
VOLUME 17 • NO. 3

THIS MONTH'S MEETING

TUESDAY, NOVEMBER 13, 2007

WPI, WORCESTER
Campus Center Odeum

NETWORKING BEGINS AT 5:30 P.M.
MEETING: 6:30 – 9:00 PM

$15.00 members
$25.00 non-members

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Directions to WPI at
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contents

WPI

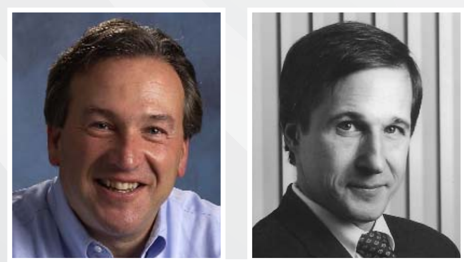
Finalists Vie for $15,000 Business Plan Prize

Announcement of Winner: November 13, 2007

The WPI Venture Forum's Business Plan Contest – developed to honor and reward technology companies that provide innovative products and services – accepted business plan submissions for the 2007 contest. After the finalists present their full plans at the November 13 meeting, the winning business/entrepreneur will take home a prize of $15,000 to $20,000 in cash and professional services.

The 14th Annual WPI Venture Forum Business Plan Contest was open to any and all technology-based pre-start, startup, and on-going businesses located in the Northeast, and students could apply as well. The ventures involve the development of a new product, a new application or process in an existing business, or the start-up of a new business.

Contestants were required to submit applications and executive summaries by October 15. In the first round of judging, all qualified entrants made a presentation to a judging panel selected from professional service and advisory groups in one of three industry tracks: IT/Telecomm, Healthcare, and other industries. The first round was held October 27. Finalists then move on to the November 13 WPI Venture Forum presentation.



Judges ELLIOT KATZMAN *and* STEVE RUBIN

The winner will be selected by a panel of venture capitalists at the conclusion of the meeting. Judges this year include Elliot Katzman, general partner at Commonwealth Capital Ventures, which focuses on early-stage companies in software, communications and instrumentation, and Steve Rubin from the Boynton Angels, a newly established angel group focused on investing in seed and expansion stage technology companies located within two hours of Worcester. Additional contest information can be found at www.wpiventureforum.org/Contest/.

Due to the unique nature of the Business Plan Contest presentations, the next case for the WPI Venture Forum will be presented at the December meeting.

WPI VENTURE FORUM

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A monthly publication of The WPI Venture Forum
100 INSTITUTE ROAD, WORCESTER, MA 01609
VOLUME 17, NO. 3, NOVEMBER 2007

Letter from a Committee Chair

High Energy Programs from Committed Committee

As you read this message, the Programming Committee team is in a state of high energy with final preparations for the upcoming November event. Our planning began months ago with arrangement of theme and focus, followed by identification and invitation of select presenters.

Richard O'Brien

It's challenging work, but we are blessed with many resources. The 18 WPI Venture Forum members of the Program Committee are organized so no individual member carries an excessive load. We are dedicated entrepreneurial people who understand we have an opportunity to stimulate and educate fellow entrepreneurs who attend Forum events.

Collaboration with respect is the modus operandi of the Program Committee. We are a colorful and diverse bunch – a corporate business development director, a lawyer, a potential author, an accountant, an IP licensor, a part-time CFO, a professional services director, an executive searcher, a human resources executive, a biotech consultant, an educator, several entrepreneurs – all owners and employees of enterprises. We thrive on the group's collegiality.

The Program Committee has come to appreciate the outstanding facilities of WPI, including a first-class presentation space, the excellent support and direction from WPI's Management Department, the WPI Venture Forum Board, and fellow committees.

Need an outlet for your energy? We're in expansion mode, and I invite you to connect with us. Volunteering promises to be an interesting and rewarding experience for us all. Look for us at the November meeting with our blue committee ribbons.

Cordially,

Richard O'Brien, Chair
WPI Venture Forum Program Committee
Nagog Hill Partners

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Don’t Bet the House in Family Disputes

by PATRICIA DAVIDSON, ESQ.

90 YEARS
1916-2006
MIRICK O'CONNELL
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Real estate is often a person’s most valuable asset and can be the source of start-up funds for entrepreneurs. So protecting their property should be a high priority, especially when it comes to family.

Because every parcel is one of a kind, conflicts between family members involving real estate can present challenges beyond the usual squabbles over money. When family members cannot resolve the conflicts on their own, litigation is often necessary to achieve a resolution, as described in the following scenarios.

COMPLAINT TO SET ASIDE A CONVEYANCE

A fairly common family dispute occurs when an elderly or infirm person conveys real estate shortly before his or her death.

For example, Mom is a widow with two adult children, Ann and Tom. Mom is experiencing the early stages of Alzheimer’s Disease. She has “good days and bad days.” During this time, Mom signs a deed that conveys her house to Ann.

Mom dies without a will. If Mom had not conveyed the house to Ann, the house would pass to Ann and Tom equally. But since Ann has a deed, she claims the house is hers.

Tom may file a complaint to set aside a conveyance against Ann which alleges that Mom did not have the mental capacity to understand the transaction. Tom would need facts, likely through expert medical testimony, to support his claim that Mom did not understand what she was doing.

If a court finds that Mom did not have the legal capacity to convey the property, the court may set aside the conveyance. The property would then pass through the intestacy law to Mom’s heirs. Under this scenario, Ann would still inherit half the property. If a court finds that Mom understood the consequences of the conveyance, Tom may be out of luck and Ann would get to keep the property.

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A Look at October's Meeting

Incubating Innovation for

Co-moderator Jerry Shapiro

Biogen Idec's Dr. Rainer Fuchs drew a crowd to the October 9 meeting.

Co-moderator Paul Danis

On Tuesday, October 9, the WPI Venture Forum audience appreciated the keynote address by Dr. Rainer Fuchs, Executive Director, Biogen Idec Innovation Incubator (Bi^3), "Cooperation as the Key to BioPharma Growth." A molecular biologist by training, Fuchs has a PhD in biochemistry and a master's degree in microbiology, thus Dr. Fuchs is uniquely qualified to address biotech start-ups. In addition to his academic background, he has held senior management roles at Biogen Idec, Aventis Pharma, Ariad Pharmaceuticals, and Glaxo Wellcome.

What are the characteristics of a successful biotech start-up? As Fuchs explained, sometimes the unexpected happens, or more likely Murphy's Law comes into play. Accordingly, there has been a lack of productivity in early development and slower investing in pharmaceuticals. To address this vacuum, Biogen Idec started an incubator, Bi^3, to help jump-start innovation in specific future target areas.

Traditionally, the pharmaceutical industry has taken a three-pronged approach to addressing the productivity crisis that plagues it:

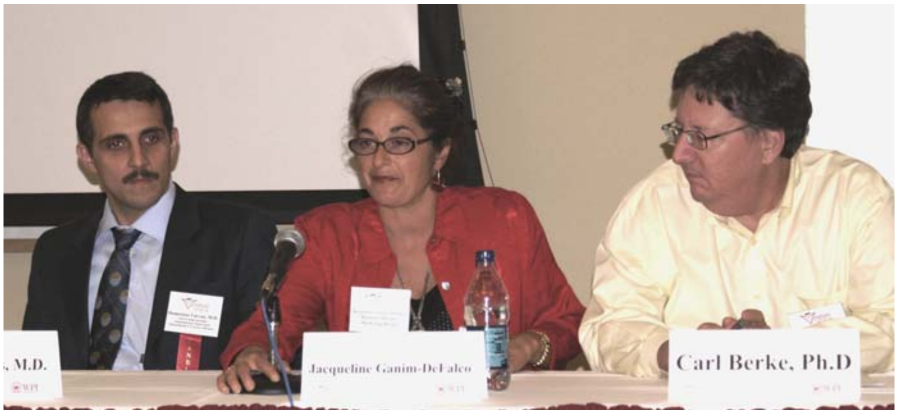
- Technology - largely unfulfilled promises (so far)
- Process re-engineering - the jury is still out
- Licensing, partnering, and M&A

Biogen Idec partnerships work toward a network model for drug discovery and development. Vertical integration is not required to be successful. Risk mitigation through aggressive partnering drives the need to evolve alternative models for drug R&D that focus on partners' strengths.

Fuchs believes that there are great opportunities for new ideas in pharma, but a significant funding gap exists. Angel funding is moving away from early stage partnerships. Venture capital activity is also diminishing in early-stage deals and pushing toward later stage companies, with greater returns. Even the companies that have secured funding have challenges. The preferred exit is still through a merger or acquisition.

Fuchs proposed a novel approach to partnering. Biogen Idec wants to tap into external innovation and address the funding gap by targeting innovative, lead-stage product candidates with clear paths from R

Life Science Success



Panelists who shared their wisdom with Joe Straight of Synscia, Inc. were (from left) Dr. Demitrios Vavvas, Jacqueline Ganim-DeFalco and Carl Berke.

to D. These high-powered innovators will quickly transition to a rapid proof-of-concept in the clinic.

The Bi^3 model is similar to an economic development incubator, combined with VC investment. Key elements of the model are:

1. Funding up to $10 million, based on a R&D driven plan, where Biogen Idec takes an equity position and requires a pre-negotiated option for product rights
2. Space and business services in a Cambridge building, with private, access-controlled space, and utilization of Bi^3 business support services
3. Scientific/drug discovery expertise, with ad hoc access to Bi^3 scientists and R&D management; state-of-the-art technologies and experienced operators plus basic services.

Case Presenter:

Synscia Incorporated

Joe Straight, President & CEO, Synscia, Inc. presented Synscia as an ophthalmic company developing new treatments to prevent abnormal blood vessel growth associated with two major diseases: age-related macular degeneration (AMD) and proliferative diabetic retinopathy (PDR). Synscia is a virtual company, a tapestry of remote functions woven to drive the growth of the company.

Its first drug under development, Syn-1, inhibits new blood vessel growth on the retina and the associated leakage out of the new blood vessels. Straight explained that new blood vessels tend to leak, clouding the eye. Syn-1's dual-pronged approach is revolutionary. It is the only drug specifically designed to affect multiple points in the course of these diseases: preventing inflammation, blocking new vessel growth and simultaneously targeting and destroying newly formed blood vessels. Each treatment of the drug, injected into the eye, is active in the eye for a week or two. After the first treatment, Syn-1 may be reapplied several months later.

Straight mentioned that conservative valuation models indicated valuations of $50 million post first study (phase I/IIa) and

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Don't Bet the House in Family Disputes

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PETITION TO PARTITION

Another common problem results when a testator bequeaths real estate to more than one person.

Let's say Mom bequeaths her house to Tom and Ann. Tom lives in the house for several years after Mom's death. Eventually, Ann wants her share. What happens if Tom refuses to buy out Ann's fair market interest or refuses to sell the house and split the proceeds?

Ann may file a petition to partition. Such a petition asks the court to appoint a commissioner to sell the property through a private sale, a public sale or an auction. The commissioner pays the expenses of the sale, including his fee, from the sale proceeds and then distributes the net sale proceeds proportionately to the record owners.

Tom may seek an upward adjustment to his net share for expenses he has paid to maintain the house. Ann may counter that she is owed additional sums for her fair market share of rent for the time Tom lived rent-free in the property as well as half of the fees and expenses associated with bringing the petition.

The best way to avoid these types of disputes is to convey real property very carefully, in consultation with an experienced attorney. In any dispute, one must assess not only the financial consequences, but also any longterm and possibly irreparable family consequences.

Patricia Davidson is a partner with Mirick O'Connell in the Worcester office. She can be reached at pldavidson@modl.com.

(This is the first in a two-part series.)

Spotlight on Entrepreneurs

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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

A Look at October's Meeting

CONTINUED FROM PAGE 5

$125 million post Phase II. Large pharmaceutical companies and investors are excited about new treatments capable of restoring lost vision to sufferers of AMD and PDR. The drug has already shown dramatic effects on rats' retinas based on a single injection of Syn-1. The dual effects of preventing new blood vessel growth and the associated leakage have helped to strongly differentiate Syn-1 from the competition.

Panelist Jacqueline Ganim-DeFalco, Business Advisor and Founder, Marketing Recon, spoke about the trials and tribulations of operating a virtual company. Access to specialized knowledge, increased flexibility and speed to market, less investment in assets and low operating leverage are positives, offset by disclosure of confidential information, dependence on suppliers, and additional management tasks. Most importantly, outsourced vendors may not have a vested interest in the outcome, so there is a need to keep the project in front of the consultants to maximize their attention. She recommended close scrutiny of contracts and keen oversight of anything involving regulatory compliance, even considering a CEO coordinator to track deliverables.

Second panelist Demitrios Vavvas MD, PhD, of Massachusetts Eye and Ear, has deep clinical knowledge of retinal conditions and therapies. He sees technology development improving recently, not just slowing down degeneration in the eye but actually improving vision. He stressed that clinical studies and well-controlled clinical trials are the key. Dr. Vavvas was very excited about the variety of opportunities for Synscia technology.

Carl Berke, Associate Director, Center for Innovative Ventures, Partners Healthcare was the third panelist. He recommended emphasizing science in the financing pitch, including bringing the primary investigator to VC meetings. He would like to see much more background on the drug chemistry and the mechanisms for the dual-action blood vessel growth inhibitor and targeted cell killer. He emphasized that a platform technology would be far more valuable than a single product drug.

Andrew S. Goloboy, CPA, is managing partner of Goloboy CPA LLC, a second-generation accounting firm celebrating its 30th anniversary in 2008. He helps high-growth businesses and their entrepreneurial founders to build strong tax and accounting foundations. For more information please visit www.g-cpa.com.

Mistakes in Approaching Angel Investors

Ed. Note: This is the first of a two-part series. Next month will outline mistakes number 6 through 10.

by **Bill Warner,**
Triangle Accredited Capital Forum

Much is written about how to successfully approach angel investors, but do you know what the major mistakes are? I mean the ones that will spell instant rejection if you make them? You can blow an attractive business opportunity if you make one of these killer mistakes. Angel investors run in packs and the word about your mistakes will rapidly reach them all, eliminating your chances of getting any further consideration. You only get one good chance with any angel investor or angel-investor organization. Make the best of it by avoiding the following mistakes:

1. Not Knowing Your Market and Buyer. The foundation of your entire business proposition is based on a large and growing market in which a compelling problem exists that a buyer will spend money to fix. You must know everything about your market opportunity and what drives it. You need to know all about what constitutes your market: market size, market growth rate, market drivers, competition, competitive market share, buyer's problem, buyer's purchasing preferences, key alliances, sales and distribution channels, and many more things about your market landscape. If you are not able to explain these and answer the hundreds of questions you will get, the investor will conclude you don't have a business and your chances of getting any further interest is near zero percent.

2. Not Considering Your Competition. It's going to be a bad day when your investor knows more about your competition than you do or identifies competitors that you have not considered. Even worse is saying that you do not have competitors because you are in a new market or nobody has a product or service like yours. Your potential investor will conclude that you have not done much research and not considered the various alternatives that your potential buyer has to solve the problem that your product or service solves. After all, your primary competitor is the status quo; which is however your buyer solves the problem today. If you show that you don't know your competition, your potential investor will have little regard for your understanding of how to win in your marketplace.

3. Overstating Business Progress. If you say that you have made certain progress in product or service readiness, customer traction, strategic partner interest or investor interest, and it is later discovered not to be true, the investor relationship will be over. You will have shown a lack of integrity and precision in your communications which will be extrapolated to everything you have previously said. This is a breach in trust from which it can be impossible to recover. Avoid this mistake by always telling the truth about the status of your business; and, by doing it as objectively as possible using straightforward facts.

4. Being Resistant To Additional Management. As Dirty Harry once said, "A man has to know his limitations." Well, so do entrepreneurs. Investors are going to make sure that the right management team is in place. Sometimes that means bringing additional people into the company to fill necessary roles, including the CEO. If you resist this by unrealistically insisting that you can play a role that you are not really qualified for and it's apparent that you are not acting in the best interests of the company, investors will not work with you. You will be showing a level of immaturity that indicates that the investors' money is not going to be managed well, so they will not be willing to take the risk.

5. Insisting That You Are Right. Chances are that your potential investors know more about starting and running businesses than you do. Their accumulated wealth is proof that they are good business people. If you come across as arrogant and not willing to listen and be coached, your potential investors will conclude you will not be a good business partner. I know this is common sense, but sometimes entrepreneurs get totally wrapped up in their perspective of the business and are not able see other points of view. If your mind is closed to other perspectives, the door to investor money will be closed as well.

Bill Warner is the Managing Partner of Paladin and Associates (www.paladinandassociates.com), a business consulting firm in the Research Triangle Park area of central North Carolina, and is Chairman of the Triangle Accredited Capital Forum (www.capital-forum.com), an angel investor network with more than 100 members throughout the southeast.

WPI Venture Forum™

Calendar of Events

NOVEMBER 13
Business Plan Contest

DECEMBER 11
Build Business by Networking

JANUARY 8
Going Green, Growing Green

FEBRUARY 12
Valuation, Funding, Scaling Up and Exit

FEBRUARY 27
Networking at MBI, WPI Gateway Park

MARCH 11
Manufacturing Goes High Tech

APRIL 8
Marketing a High Tech Enterprise

APRIL 18
Networking Event, Worcester Art Museum

MAY 13
Profits Come from People

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