

THIS MONTH'S MEETING

TUESDAY,
DECEMBER 11, 2007

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MEETING: 6:30 – 9:00 PM

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Attract VCs through Networking

Does networking really work? What role in strategic marketing should it play? Do entrepreneurs ever get funded through networking? On Tuesday, December 11, Laura Ring of Castile Ventures will answer these and many other questions about marketing plans that attract venture capitalists. Ring will also share her views on how to market your plan to VCs and network to reach the right VC for your company.



LAURA RING,
Castile Ventures

If you're an entrepreneur looking for funding, an executive looking for a new opportunity, or an expert looking for a client to share your expertise with, this evening is for you. You will learn how networking can work for you to help achieve your goal. Ring, a seasoned executive with a track record of increasing recognition of organizations, will give an informative and thought-provoking presentation.

Laura Ring is the Vice President of Strategic Relations for Castile Ventures, a company that provides both capital and strategic direction to its entrepreneurial portfolio companies. She primarily focuses on the entrepreneurial business and investment community, managing public relations initiatives and assisting portfolio companies with marketing and outreach. Before joining Castile Ventures, she co-founded the first online broker of services to growing companies. She also launched and served as Director of the

High Tech Services Group of Coopers & Lybrand, among other achievements.

Ring holds an MS (MBA) in Management with a concentration in operations and finance from the Massachusetts Institute of Technology Sloan School of Management and a BS in Business Administration from the University of New Hampshire.

Case Presentation:

KO Instruments, Inc.

While 15- and 20-amp circuit breakers have been installed in homes and buildings for the past 50 years, more than 40,000 fires each year are caused by a circuit breaker that failed to do its job, according to the U.S. Consumer Product Safety Commission. A product that trips and tests installed circuit breakers is now in beta testing and ready to solve this problem. Trademarked as "Triple Test," the world's first plug-in short-circuit response tester was introduced by KO Instruments, Inc. in 2003.

Founder and engineer Paul Keleher holds a patent with broad concept protection on the product, which has sold some 350 units since its introduction. An improved design is patent pending, and a demonstrator prototype with the revised technology is available, drawing on

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LETTER FROM A COMMITTEE CHAIR

Accomplishments and Fun

Our 14th annual WPI Venture Forum Business Plan Contest was both exciting and a great success. Congratulations to John Lai of DataPacT for winning, and to Alan Kivnik of Corum Medical, Inc. and Kevin Mulvey of Vipcort for being selected as finalists and as final round presenters.



Jim Fee

Although the focused effort of several members of the program committee make each monthly program possible, the Business Plan Contest involves the largest number of people in program preparations. Certainly Business Plan committee co-chairs Brian Dingman and Will Cowen and their committee members deserve many thanks for organizing an excellent program, but many others play important roles in making the program possible.

For example, on a recent rainy Saturday, 15 WPI Venture Forum members, sponsors and others sat on five panels that evaluated the executive summaries and first round presentations of 20 companies. Together, they selected the three finalists. The contest's prizes are only possible through the 16 event sponsor organizations. When you add it all up, some 40 to 50 people were directly involved in making the November WPI

Venture Forum meeting the great success that it was.

I know as one of the first-round judges, I look forward to being a part of this event every year. Ask people why they do it, those who volunteer anywhere from a few hours to many more, supporting many of the programs or committees that make up the WPI Venture

Forum's annual calendar. Typical answers are "I always learn something," "the connections with the other people are invaluable," and "I get a sense of accomplishment and have fun at the same time."

As chair of the Marketing and Membership Committee, I would like to invite you not only to become a WPI Venture Forum member but also to join one of our many committees – Monthly Programs, Sponsorship, Business Plan Contest, Marketing/Membership or Radio Program — so that someday in this newsletter we can quote your comments on how you have benefited from your involvement with the WPI Venture Forum.

Sincerely,

Jim Fee '65

Chair, Marketing and Membership Committee
Principal, Adhva

The WPI Venture Forum
wishes everyone a happy, healthy
and prosperous New Year.

Don't Bet the House in Family Disputes, PART II

[Ed. note: This is the second in a two-part series, which began in the November 2007 issue. See wpiventureforum.org/newsletter/archive.html.]

Real estate is often a person's most valuable asset. Entrepreneurs seeking start-up funds must always be concerned about properly protecting their property, especially when it comes to family. Conflicts between family members involving real estate can present challenges beyond the usual squabbles over money. Litigation is often necessary to achieve a resolution, as described in these additional scenarios.

ADVERSE POSSESSION

Sometimes even the owner of record can unwittingly lose ownership of a parcel of property.

Consider that Mom has lived in her house for forty years. She has paid the taxes, utilities and maintenance costs. She has acted in all respects as the owner. At some point, Mom

discovers that the deed to the house has been in Uncle Joe's name for over forty years.

Even though Uncle Joe may be the record owner of the house, Mom could bring a claim to quiet title against Uncle Joe under a theory of adverse possession. In order to prevail, Mom would have to prove that she occupied the property in an open, exclusive, notorious and non-permissive manner for more than twenty years. If Mom can prove these elements, a court may award title to Mom, to the exclusion of Uncle Joe, through the doctrine of adverse possession.

RESULTING TRUST/PURCHASE MONEY CONVEYANCE

Problems can also occur when someone pays for a house, but lets someone else take title.

What if Mom plans to buy a house? Using a power of attorney, Ann attends the closing on Mom's behalf and uses Mom's money to

by
PATRICIA DAVIDSON, ESQ.



buy the house. At the closing, the deed is put in Ann's name. Mom and Ann both live in the house and contribute to expenses.

When Mom dies, Tom maintains that the house should be included in Mom's estate. Ann argues that the house was a gift to her. Tom argues that the acquisition was really a purchase money conveyance, i.e., one party paid the entire purchase price even though

CONTINUED ON PAGE 6

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A LOOK AT NOVEMBER'S MEETING

DataPacT Tapped as



We have a winner! From left, moderator Brian Dingman, Alan Kivnik of Corum Medical, Inc., judges Elliot Katzman and Steve Rubin '74, winner John Lai of DataPacT, sponsor Will Cowen of Long River Ventures, and Kevin Mulvey of Vipcort.

RYAN P. McDERMOTT, CLTC
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&

CHRISTINA O'NEILL

DataPacT Systems LLC of Milford, NH won the WPI Venture Forum's 2007 Business Plan Contest. The victory came over two other finalist companies at the monthly meeting held on November 13. The prize, worth \$15,000 in cash and professional services, will help DataPacT move forward with their business plan they presented to the WPI Venture Forum audience as part of the competition.

DataPacT has a business concept familiar to many – the need to compress large image files into smaller ones for easier sharing among users, without compromising image quality. John Lai, CEO of DataPacT, claims that his system can compress data and images to be transmitted hundreds of times faster

than current compression modes. His company uses compression techniques approved by DICOM, a medical industry standard. With plans to tap into subscription-based revenues the company's five-year projections predict \$28 million in revenues. The company is seeking Series A funding.

Judges questioned the long-term need for the company's product in light of the plunging cost of computer memory. Judge Steve Rubin '74 mentioned that one terabyte currently costs \$400 and that it's not unreasonable to expect similar low costs for a "petabyte" some day. Lai replied, "The industry is suffering and we can deliver the solution." He went on to say that the crux of the problem is the federal requirement to keep data for seven years. An MRI image averaged 500 megabytes in 2004, he noted. "The cost is not just about hardware. It's the human cost of managing all those files," Lai said. And with the advent of medical outsourcing, technology is needed to allow data readers in Sri Lanka to create a file that U.S.-based workers can open. At present, he said, a 15 megabyte file has to be burned

onto a CD because it takes too much bandwidth to transmit.

The two other competitors were two Massachusetts companies — Corum Medical Inc., based in Sudbury, and Vipcort, based in Falmouth. Each of them had a defined market; Corum in health care and Vipcort in telecommunications.

Corum's Lumen1 product diagnoses anemia with an imaging system that reads hemoglobin intensity in the lower under-eyelid. The Lumen1 product analyzes blood vessels, which according to Corum, replaces the need for a CBC blood test, which is both invasive and costly. It projects five-year net revenue figures of \$3,950 per unit for a device that's on a 510K FDA approval path. Corum's competitors are devices that perform finger stick or vein stick procedures as well as visual exams. The company is seeking \$3.5 million to launch Lumen1 and create a for profit business, leveraging patent pending technology exclusively licensed from Brown University and Rhode Island Hospital. Alan Kivnik, Founder and CEO, expects the company to be cash-flow positive before the end of the fourth year. Corum is Kivnik's fourth start-up company.

In response to judges' questions about the strength of its patent portfolio, Kivnik said there's no way to know how viable it is unless, if challenged, the company has to defend the patent. He also explained that while the emergency room market would use the new device as part of the normal triage system, this market is historically slow to adopt change, so the product would have to launch in the general hospital market first. In response to questions on the product's pricing, Kivnik noted that the first pulse oximeters, which measure hypoxia, came on the market at \$10,000 – and are now down to \$200. "Not

\$15K Biz Plan Winner

until we become a de facto standard in health markets [would] we see price erosion," he said.

Kevin Mulvey, CEO of Vipcort, presented a strategy where they would bundle PBX-quality telecommunication services for home-based workers of large corporations, giving them communication parity with their office-based peers. Mulvey says Vipcort's plan is to acquire IP Bridges LLC, a small technology company that currently has 15,000 lines under management, and which is developing leading edge integrated VoIP platforms. Vipcort is an integrator of VoIP wireless & wire line applications, services and hardware currently disseminated across hundreds of

companies focused on niche products and services for the VoIP (Voice over Internet Protocol) market. Vipcort provides a collaborative managed-service for wireless and wire line; developers, service providers, resellers, interconnects and enterprises.

Mulvey said there's no single resource to provide services for the small to medium-sized business. He said CLECs and ILECS don't develop new products because they don't have the capital to do so. He sees his company as a packager for the systems that would be needed to bring outside offices into the PBX system. The company seeks \$5 million in funding to accomplish its strategy.

Ryan McDermott is Managing Director of benefits advisor McDermott & Thomas Associates in Boston. He can be reached at 617-861-2049, or by email at rmcdermott@mthassoc.com. ✓

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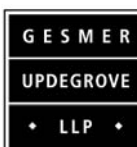
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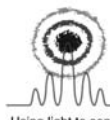
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Good Practices Make Perfect

by
CHRISTINA P. O'NEILL

Bose Corp., a \$2 billion private company, adopts its “best practices” from the automotive industry, such as Toyota, and applies them to all its business divisions. The WPI Venture Forum group got the opportunity on October 18 to tour Bose’s Park Place manufacturing facility in Framingham, which also serves as a testing site for products before they are transferred to other manufacturing locations.

Bose employs about 8,000 people worldwide. The company reinvests all profits,

and customer demand drives product development. While Bose is known for its home audio systems, its other products and technologies include noise-cancellation headgear for military as well as civilian use, and an automotive suspension system based on an electromagnetic transducer.

Visitors learned much about Bose, including:

- **Simpler-is-better approach** to management of manufacturing. Bose doesn’t use unnecessary technical systems.
- **Strong emphasis on lean manufacturing**, particularly for custom products.
- **Conservation extends to person-hours** spent on the job. Time on paperwork and extra parts inventory before they’re needed is considered “waste.”

- **Marketing:** Invited performers to product demonstrations for its independent musician sound system rather than conducting a retail or online push. Word of mouth produced sales.

- **Quality control:** Inspectors weigh packages rather than opening them, as weight tolerances determine if all proper parts are included.

Bose standards and practices could be embraced and adopted by companies across virtually all industry and service sectors.

Christina P. O'Neill is a former Editor/Managing Editor for the Worcester Business Journal and currently a freelance writer and artist, specializing in niche magazines and custom publications. She can be reached at chrisonell@msn.com or at 508-753-3026. ✓

Attract VCs through Networking

CONTINUED FROM FRONT PAGE

customer feedback from the initial version. The sales plan includes targeting several national franchise and membership organizations that represent hundreds of contractors and service organizations through direct online sales. As regulations tend to move this

market, work is underway toward establishment of NEC/UL standards to require testing for installed circuit breakers.

A 1969 graduate of Bowdoin College, Keleher obtained his Master Electrician’s license in 1976 and has been an independent electrical

contractor in central Massachusetts since 1984. He is seeking initial financing and a business partner with strong sales and marketing skills in the electrical/construction industry to develop and launch the product. ✓

Don't Bet the House in Family Disputes, part II

CONTINUED FROM PAGE 3

another party acquired title. Tom would argue that the court should impose a resulting trust for the benefit of Mom’s estate because there is a general presumption that one who pays for property does so for their own benefit.

BREACH OF FIDUCIARY DUTY/CONSTRUCTIVE TRUST

Disputes between adult children and step-parents are a big source of probate litigation.

For example, Mom owns a house. Step-Dad is Mom’s second husband. Step-Dad and Mom hold power of attorney for each other. Step-

Dad improperly uses his power of attorney for Mom to convey title in the property from Mom to Mom and Step-Dad. When Mom dies, Step-Dad claims the house is his.

Tom and Ann might sue Step-Dad to set aside the conveyance based on Step-Dad’s misuse of the power of attorney for his own self-interest. Tom and Ann might argue that a constructive trust for the benefit of Mom’s heirs should be established, despite the fact that it is in Step-Dad’s name, because of the breach of fiduciary duty and Step-Dad’s unjust enrichment.

CONCLUSION

The best way to avoid these types of disputes is to convey real property very carefully, in consultation with an experienced attorney. Entrepreneurs must always be concerned about effectively protecting their property, and must assess not only the financial consequences, but also any long-term and possibly irreparable consequences for family relations.

Patricia Davidson is a partner in the business and general litigation department with Mirick O'Connell. She can be reached at pldavidson@modl.com. ✓

Mistakes in Approaching Angel Investors

[Ed. note: This is the second in a two-part series. Tips 1-5 appeared in the November 2007 issue, available at www.wpiventureforum.org/newsletter/archive.html.]

You only get one good chance with any angel investor or angel-investor organization. Make the best of it by avoiding the following mistakes:

6. Being Disrespectful and Pushy. Most of the time the process of raising angel investor funds is an exercise in patience. Investors don't know as much about your business as you do so they ask a lot of questions that may seem obvious to you. Investors have certain perspectives of how business models work that will have to be reconciled. They have a lot to do and often don't get the due diligence done in a very timely manner. Some angel organizations have rather bureaucratic procedures that take a lot of time.

Complaining about the process and trying to push it faster than it will go will only frustrate you and more importantly it will anger the investors. If you complain too much and push too hard, you will lose them.

7. Not Knowing What You Will Do with the Funds. Not knowing exactly how much money you will need is usually forgiven, especially if the amount has been determined by a cooperative discussion with the potential investor. But, not knowing specifically what you need the money for is a mistake. It indicates that you have not thought about what you have to do next to launch your business and that you don't have a clue what your next few milestones are. The investor has to feel comfortable that money is going to be spent wisely and on the right things. If you don't show that you know where the money needs to be spent, you will not get funded.

8. Unrealistically Insisting on Ownership Control. Too many entrepreneurs underestimate the importance of the investor's role. In order to be successful, an entrepreneur

needs a good business proposition and the money to finance it. Both are equally important in every respect. Some entrepreneurs think that the investor's role is much less significant than the entrepreneur's. After all, the entrepreneur had the idea and is doing all the heavy lifting. The investor is only writing a check. This attitude is both insulting and demeaning to an investor. The entrepreneur is forgetting that the investor has already done a lot of heavy lifting to gain the money with which an investment is to be made. If the entrepreneur does not show fairness in sharing ownership of the company commensurate with the risk that the investor is taking, then the deal will not happen.

9. Misrepresenting Financial Status. A sure death blow to an investor opportunity is to lie about your current financial status. If you misrepresent how much money has gone into the company, your debt position, your financial obligations, the promises you have made to others concerning their financial interest in the company, your revenue, your payables, and other financial-related factors, your potential investor will conclude you do not know how to manage money. Therefore, they will not let you manage theirs.

10. Not Disclosing Material Facts. The intent of the due diligence process is to discover all the material facts about the company. Upon beginning this process, the entrepreneur must disclose all information that represents a material risk to the business. If you hid these facts and the investor finds them without your help, the deal is blown. This is another breach of trust that is nearly unrecoverable. Make sure you are accurately disclosing intellectual property status, all business obligations, contractual arrangements, customer relationships, alliance negotiations, personnel commitments, and all other material facts about your business.

Good business judgment coupled with straightforward integrity will avoid all these

by
BILL WARNER
Triangle Accredited Capital Forum

mistakes and many more. Your investor is your partner and has to be treated as such. Bringing your potential investor into the business, in full disclosure and in the spirit of creating a long term respectful relationship, will keep you on track for getting the financing you need. Good hunting.

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.

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Member News

RAINEY'S A STAR – AGAIN

For the third time, the Association of Small Business Development Centers awarded the Massachusetts Star Performer to WPI Venture Forum Executive Board member John Rainey, CMA. Rainey has been an advisor and financial specialist with Clark University's Business Development Center since 1995. According to the *Worcester Business Journal*, he secured more than \$18 million in client financing in 2007 and has assisted more than 3,000 Worcester-area businesses during his career.



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