



Dartmouth Entrepreneurial Network

ALUMS TAKE DEN BEYOND DARTMOUTH

DEN BEYOND DARTMOUTH	1-4
HOW GREEN IS YOUR BAG?	5
FOUNDER'S FORUM	6
PORTMAN LECTURE SERIES	7
DEN CHANGES	8
CLUB OF DARTMOUTH ENTREPRENEURS (CODE)	9
ASK MIKE	10
DEN FELLOWS	11

Introduction by Gregg Fairbrothers '76

Articles by Meagan Nichols TU'06 (Boston), Keith White '82 and Lisa Birzen '03 (New York)

It's sometimes said the two great drivers of business success are relationships and timing. We're not sure what we can do to help with timing, but some new activities among Dartmouth alumni are definitely taking on the challenge of helping with the networking. Growing out of the original Hanover entrepreneurship conference, Greener Ventures, enterprising alumni in Boston and New York have organized entrepreneurship networks in their own cities, offering various events and support resources to local alums. They hope to be an inspiration to groups of alumni in other cities to create their own centers of entrepreneurial networking and mutual support, and eventually serve as clearinghouses for networking among entrepreneurial alums between cities across the country.



Boston



New York

Last November, as Andrew Blackwell ('94) looked around Merrill Lynch's conference room high above the Boston skyline and watched his fellow Dartmouth alums fervently chatting and networking with one another, he knew he was onto something. The alums, not only from Dartmouth, but also from Tuck and Thayer, weren't there for the light refreshments or even for the lively panel discussion. Rather, they were there to connect with other members of the Dartmouth community who shared their common passion: entrepreneurship.

A few months earlier, Blackwell was chatting with Gregg Fairbrothers ('76), Founding Director of the Dartmouth Entrepreneurial Network (DEN), and the pair launched the idea of taking Greener Ventures on the road. They realized that many Boston-based alums were only connecting with one another during the annual trek to Hanover for the Dartmouth

For the past three years, Dartmouth alumni in New York City with budding or undeveloped business plans have had the chance to present and analyze their ideas with fellow alumni participants, including attorneys, seasoned entrepreneurs, tax accountants and leaders in the private equity and venture capital spaces all while in the supportive and safe setting of the Dartmouth Entrepreneur Workshops.

The latest workshop, held last Spring, featured guest speaker Charles Allison '78, a principal in the business development and consulting firm, Vision Consulting Associates LLC. He also shared stories of his adventures with Umbono Investments, an early stage venture capital firm in Johannesburg, South Africa where he was Managing Director and Chief Investment Officer prior to forming VCA. He obtained his AB from Dartmouth and received his MBA in from Harvard Business School.

To learn about future DEN workshops and courses, or to suggest an idea for a workshop email

denet@dartmouth.edu

Visit DEN's website

www.den.dartmouth.edu



Dartmouth Entrepreneurial Network

B O S T O N

Entrepreneurial Network's flagship event. Then they pondered—why not bring the event to Boston and beyond? The gathering in November was a way of dipping a toe in the water, to test the alumni base's receptivity. What they got was a solid turnout and an even more solid roster of fellow alums willing to roll up their sleeves and help.

Fast forward seven months. The Dartmouth Entrepreneurial Network of Boston, or DEN Boston for short, officially introduced itself with a sold out event at Boston's Union Club on June 7th. EnerNOC Founder, Chairman, and CEO Tim Healy ('91, TU'02) was on hand as keynote speaker and shared his personal entrepreneurship journey from EnerNOC's conception in a Tuck conference room on a cold snowy night to its blockbuster IPO earlier this year. Over 110 Dartmouth, Tuck, and Thayer alums and students turned out to officially launch a local alumni community focused on fostering innovation, education, and networking among entrepreneurs, aspiring entrepreneurs, venture capitalists, and service providers with ties to Dartmouth. Sponsored by Highland Capital and long-time DEN friend Mike Gonnerman, the kick-off event was a tremendous success and left attendees looking forward to the next DEN Boston soiree. (See Peter Glenshaw's article for more information on the launch event.)

The hugely successful event was the first of many coming from the DEN Boston Steering Committee and was the result of the hard work, determination, and vision of a group of dedicated alums. The leadership team formed during the winter of 2007 and in addition to Blackwell and Fairbrothers, the Steering Committee includes: Theresa Ellis ('97), Jason Gracilieri ('99, TH'00), Steve Hallowell('01, TH'02), Ken Lehman('82), Meagan Nichols (TU'06), and Mike Putnam (TU'04). During the group's first meeting in February, it became apparent that they wanted to be about something bigger than a single event. They wanted to form a community based on the trust and comradery that are characteristic of Dartmouth and a place where fellow alums could feel comfortable sharing and getting feedback on their ideas for new companies. The plan morphed from putting on a one-off Greener Ventures Boston event into the creation of a forum for education, tools, networking, and idea sharing. According

to the Steering Committee, "The launch event was just a way of announcing ourselves. We are now focused on institution building and creating on-going programming that both benefits and connects entrepreneurs, VCs, and service providers."

The focus on aspiring entrepreneurs was important to Fairbrothers from the start. He believed that if the group targeted alums who harbored dreams of launching their own companies, they would "come out of the woodwork." Gregg clearly knew the audience well—almost 30% of DEN Boston members classified themselves as "aspiring entrepreneurs."

Since the June 7th event, DEN Boston has officially started a membership campaign and is fostering connections through its new LinkedIn group. The team is also already back to work planning and executing on a series of "tracks" which target their various constituents. The DEN Boston Steering Committee felt that while it is important to get entrepreneurs, VCs, and service providers in the same room, it is also im-



DEN Boston inaugural event at The Union Club in Boston, June 7, 2007

Photo by Ken Lehman '82

portant to provide more directed programming to meet each group's unique needs. In the coming few months, the DEN Boston team is planning to officially launch a CEO roundtable, a VC forum, a roving board of advisors, a fireside chat with an entrepreneur series, and a learn at lunch group. The team will also host less formal networking events open to the entire community and plans to host one or two marquee events each year similar to the June launch event.

In addition to program planning, the Steering Committee is in the process of formalizing the organization. Although DEN Boston will remain closely affiliated with the original DEN in Hanover, the ultimate goal is to become a fully functional 501c3 run primarily on the blood, sweat, and tears of the founding members and other volunteers.

The group welcomes anyone who is interested in becoming a DEN Boston member and invites Dartmouth, Tuck, Thayer, or Med School alums to visit their website www.denboston.org. The group is also looking for interested sponsors and volunteers to get involved in programming initiatives. If you are a Dartmouth, Tuck, Thayer, or Med School alum interested in becoming a DEN Boston member, please visit www.denboston.org and sign up.

Nurturing the Alumni Entrepreneurial Spirit in New York

The theme for the evening—*Laying the Groundwork: What Constitutes A Good Business Plan?*—was explored through hands-on exercises, presentations, and reference materials. Among other alumni present were Zachary Greenhill, the principal of Law Offices of Zachary R. Greenhill '75, P.C., and President of the Dartmouth Association of New York who advised on funding and intellectual property rights, as well as Evan Azriliant '87—a principal with S&E Azriliant, a senior tax accountant, President of the Dartmouth Association of New York, and a seasoned entrepreneur—who fielded questions about strategies for achieving tax efficiencies. At the end of the evening, participants couldn't be discouraged from trying their hand at the elevator pitch competition—New York Dartmouth entrepreneurs love a good challenge!

Dartmouth Entrepreneur Workshops take place several times a year at the Dartmouth Club on Vanderbilt Avenue, across the street from Grand Central Station in midtown Manhattan and provide the perfect atmosphere to share business ideas, exchange best practices, and learn about sources of funding to help put entrepreneurial plans into motion.

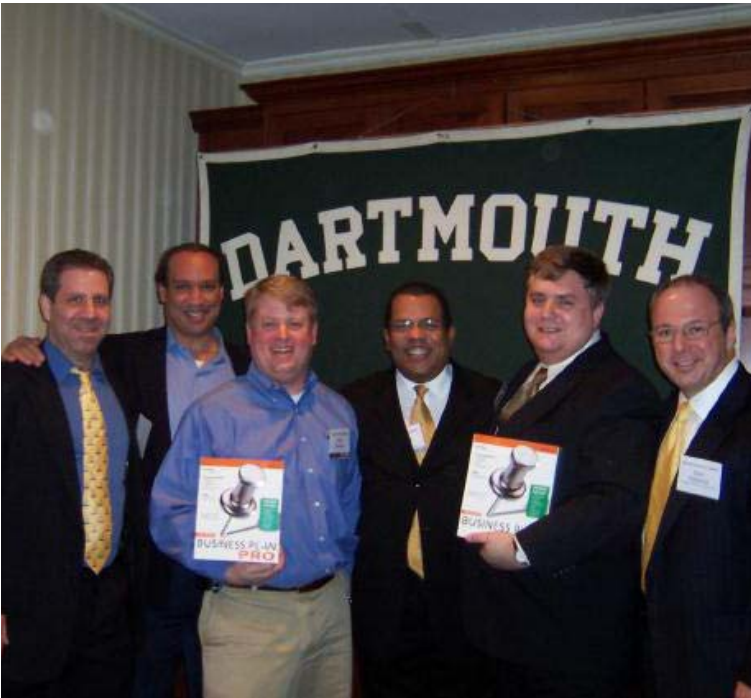


Photo by Barry Weeks '72

DEN New York

Spring workshop in mid-town Manhattan, April 25, 2007

Evan Azriliant '87, Treasurer, Dartmouth Alumni Association of NYC (DAANYC); Keith White '82, Chair, DAANYC; Philip Gillespie TU'92 (competition winner); Charles Allison '78, featured speaker; Jack Davis UVa '84 (competition winner); Zachary Greenhill '75, President, DAANYC

Dartmouth Entrepreneurial Network

Alumni Notes

—By Charles Allison '78

After returning to the U.S. from a 5-year stint in Johannesburg, South Africa where I co-founded and managed an early stage venture firm supporting economic empowerment in post-Apartheid South Africa, I founded Vision Consulting Associates LLC. I had always enjoyed performing due diligence and making recommendations on potential investment opportunities, but the nature of the South African experience forced me not only to focus on delivering above-average returns to my investors, but to take a more hands-on approach to assisting entrepreneurs achieve their goals. I learned a great deal more about entrepreneurship from taking that perspective, and I formed Vision Consulting to provide a different level of value-added advisory service. Most all entrepreneurs need some form of assistance and mentorship and generally speaking, the earlier they seek help, the higher the probability that they will have that little extra edge that may better position them to realize their objectives. In the April Dartmouth Entrepreneur's Workshop we used several approaches to discuss how to best lay the groundwork for writing a winning business plan. Besides helping entrepreneurs achieve their aspirations, this gives me a chance to grow my knowledge of a variety of interesting businesses and to reflect on how different circumstances may affect the success or failure of any give entrepreneurial venture.

If you are a Dartmouth, Tuck, Thayer, or Med School alum interested in becoming a DEN New York member, please visit

www.dartmouthclub.org

DEN Boston Launch

The Arc of a Home Run

by Peter Glenshaw

OK, it's time for a confession. I'm a bit of a control freak. Not a total control freak, mind you -- meaning the kind of person who JUST....CAN'T...LET...GO... But if an event is occurring, and my name is associated with it, I like to know what is happening ahead of time. And I mean everything. Name tags, food, microphone checks, cleanup, etc. I even get embarrassed when I see snafus occur at events run by other people.

The good news is, if I attend more events like the June 7th launch of DEN Boston, I think my compulsion may start to go away. DEN Boston on June 7th was a real home run from a variety of perspectives.

First, the event sold out in terms of attendance a week before (110 people), and my guess is that an additional 30 or so people came that night as standing-room-only attendees.

Second, the event logistics ran smoothly. The founders, Andrew Blackwell '94, Theresa Ellis '97, Jason Gracileri '99, TH'00, Steve Hallowell '01, Ken Lehman '82, Meagan Nichols TU'06, and Mike Putnam TU'04, did a great job of organizing everything such as nametags, AV, crowd traffic, and even giveaways.

Third, the program was great. The networking went very well and the keynote by Tim Healy (co-founder and CEO of EnerNOC) was excellent. More on that in a minute.

Fourth, and finally, I was impressed with how DEN Boston expressed their mission. Andrew Blackwell '93 welcomed everyone at the opening of the program, and used that opportunity to lay down the rules of the game. DEN Boston, he said, is meant to be a trusted network for Boston-area members of the Dartmouth family who want advice and education about entrepreneurship. It's not a place for solicitation. Great stuff.

For obvious reasons, I also liked the last bullet in his slidedeck: "Remember Dartmouth when you capitalize your company." Philanthropy is much harder than most entrepreneurs or individuals realize, and it was great to see DEN Boston putting out the message to get started on the practice sooner rather than later.

As I mentioned, Tim Healy gave a great presentation, filled with both anecdotes and data about EnerNOC's growth. I particularly liked seeing the early company pictures. At the time of an IPO or acquisition, it's very easy to present a linear narrative about a company's success. These pictures and Tim's stories reminded everyone that success was far from certain for EnerNOC.

But what I will really take away from the event is the bond that existed among so many of the attendees after the formal program. I might be putting words in their mouths, but my sense was that people realized they were part of something larger and more important than themselves. That, somehow being a part of Dartmouth and also being an entrepreneur was to be in a special group of people who could care for each other and celebrate success.

Oh, and one more thing. When we started Greener Ventures more than five years ago, the first person to put money on the table as a sponsor was Mike Gonnerman '85 (see the Ask Mike column on page 10). Gregg Fairbrothers '76 and I were discussing and discussing whether to proceed, when Mike came in, put a \$1,000 check on the table and said, "just do it." And guess who was the first sponsor of DEN Boston? Mike Gonnerman. Also a special thanks to Matt Nichols TU'04 for bringing Highland Capital in as the lead sponsor of DEN Boston.

Look here for updates about future meetings of DEN Boston. And believe me, I know they are going to be great events.



Photo by Ken Lehman '82

Tim Healy '91, TU'02 shared anecdotes and data about EnerNOC's growth: from day one to EnerNOC's IPO

How Green is Your Bag?

Dartmouth Professor Helps to Develop Popular Eco-friendly Shopping Bag

by Marjorie B. Rose

The Upper Valley is seeing a lot more green in recent months thanks to an innovative environmental project started by a group of local high school students with the support and advice of the Dartmouth faculty, staff and students. The group, called "Kids for a Cooler Planet," initiated a program to introduce reusable green bags into local stores to mitigate environmental problems

with paper and plastic disposable bags. The project started as a result of a sabbatical in Australia by the family of Hanover High school student Ellen Irwin, the daughter of two Dartmouth Economics faculty members. "We noticed that everyone used these green bags for their shopping everywhere in Australia," Irwin explained. "I'm very interested in

environmental issues, so when we came back, I got a group of friends together to figure out a way to get the bags here in the U.S."

The next step was to find a business-oriented, consumer-friendly way to get retailers to sell the re-usable bags and consumers to buy and use them. Marjorie Rose, a senior lecturer in the Economics Department explained: "As an economist, I wanted the kids to figure out how to use market incentives to get both green and non-green people to sell and use a well-designed, inexpensive reusable shopping bag. Business and consumers need to see it's to their advantage to use these bags—an added benefit is that they can feel good about helping the environment at the same time."



"Kids for a Cooler Planet"

Jennifer Helble, , Kyle van Leer, Ellen Irwin, Brian Kispert, Katie Gougelet

With some great advice from Gregg Fairbrothers from the Dartmouth Entrepreneurial Network and Tuck marketing professor Gail Taylor, the group devised a business plan which entailed recruiting local sponsors to finance the budget for the publicity campaign, getting a town endorsement of the project, and successfully pitching the concept and product to the local

retailers to sell the bags. Sandra Hoeh, Dartmouth's community relations director connected the group to undergraduates in Sustainable Dartmouth who sponsored the program and provided some key publicity for the project. Media attention heightened the community's awareness of the project and resulted in an initial order of 8,000 bags, which sold out in just 10 days. A number of other towns and cities have contacted the group

to help start similar programs elsewhere in the U.S. The next phase of the project will encourage more widespread use of the bags locally and introduce the bags in several of the larger retail chains around the region. The kids are now looking forward to tackling national chains, such as Wal-Mart, in their efforts to spread Green Bags around the nation.

Photo by Ann Marie French

VISIT DEN'S WEBSITE AT

www.den.dartmouth.edu

Spring Founder's Forums Featuring Kayak.com and Prism VentureWorks

Steve Hafner '91, Co-founder and CEO, Kayak.com



Photo by Evy Huppert

On Monday, April 30th, Steve Hafner '91, Co-Founder and CEO of Kayak.com, visited Tuck as the featured guest for the April Founder's Forum. Steve shared his story and took questions from the packed audience. It was standing room only in Barclay classroom at Tuck and after the events many students commented that Steve was one of the best speakers they have seen at Tuck this year. In his role as CEO Steve is responsible for driving the company strategy and commercialization efforts. Steve is often seen studying daily performance reports or giving detailed feedback on Kayak.com's evolving product designs. A seasoned executive, Steve brings extensive knowledge of marketing, e-commerce and online travel to his position at Kayak.com. Steve helped found Orbitz, Inc., the online travel agency site, in November 1999. As a member of the original start-up team, Steve helped develop and implement the company's business strategy. During his four-year stint with the company, he was EVP of Consumer Travel, among other roles, and led the Company's business development, advertising sales, marketing, and product marketing activities. Steve obtained his BA in Economics from Dartmouth College in 1991 and an received his MBA from the Kellogg School at Northwestern University.



Photo by Evy Huppert

Bob Fleming '78, Founder, Prism VentureWorks



Photo by Evy Huppert

On Monday, May 14th Bob Fleming, Founder of Prism VentureWorks, a Boston-area venture capital firm managing \$1.25 Billion visited Tuck as the featured guest speaker for the May Founder's Forum. Bob founded Prism in 1995 and built the firm into a major Boston-based venture partnership. Prism is noted for the depth of industry and "hands-on" entrepreneurial experience among the partners and investment management team. He served as Managing Partner until 2006. Prism invests in Communications, Software, Digital Living, and Healthcare. Prior to founding Prism, Bob was a General Partner with two venture capital firms, Norwest Venture Capital and the Vista Group. Earlier in his career, Mr. Fleming joined Gartner Group when it was a sub-\$10 million company. At Gartner, he founded and ran the Local-Area Communications research service. He began his career as a design engineer of data communications equipment at Dataproducts New England, designing early packet switching (X.25) equipment, time-division multiplexers, and network test equipment. Bob holds an undergraduate degree in Engineering Sciences from Dartmouth College and an MBA from the Wharton School. He currently serves on the Executive Committee of the Board of Directors of Big Brother Big Sisters of Massachusetts Bay, the Board of Overseers of the Newton-Wellesley Hospital, and the Board of Directors of Music and Youth, a program to introduce underprivileged youth to music education.

Bob's Favorite Quip

"Vision without execution
is a hallucination"

Portman Lecture in the Spirit of Entrepreneurship JetBlue Executive Stresses Airline Customer Relations

Reprinted with permission of *The Dartmouth*

By Victoria Boggiano, *The Dartmouth Staff*

Ann Rhoades, founding executive vice president of people at JetBlue Airways and founder and president of consulting firm People Ink, spoke to an attentive audience about the leadership values that make companies successful in Cook Auditorium Thursday. The focus of Rhoades' work has been in improving personal relations in a variety of service-based industries including Southwest Airlines and JetBlue. Throughout her speech, titled "People-Centric Cultures Pay Big Dividends: Lessons from Great Companies," Rhoades stressed three qualities that make entrepreneurs successful.

"Great entrepreneurs get people to follow them," Rhoades said in an interview. "They have to be passionate, they have to be driven to succeed, and they have to be able to transfer that passion to all the people that follow them."

Rhoades said one of the most successful entrepreneurs that she worked with was JetBlue Chairman David Nealman, whose belief in having a passionate staff has contributed to the company's success.

"At JetBlue we only hire people that are A players," Rhoades said. "We hire people with a sense of humor, and we hire people that enjoy coming to work." While serving as the vice president of the People Department of Southwest Airlines, Rhoades also worked with co-founder, Chairman and former CEO of Southwest Herb Kelleher, who she said has played an integral role in the company's recent growth.

To emphasize Kelleher's employee-oriented leadership, Rhoades noted that after 9/11, Kelleher vowed to take a one-dollar salary until the company returned to its former profit levels, in lieu of reducing his employees' salaries. She also feels that he engages employees in the decisions the airline makes.

"In Southwest, everyone knows what it takes to be successful," Rhoades said. "They over-communicate — they make sure that everyone participates on a continual basis, and when they have a problem that is not solved in corporate headquarters, it is solved on the field and solved by all the players."

In addition to internal organization, both Southwest and JetBlue have compiled a "do not fly" list of customers that are no longer allowed to fly with the airlines due to past incidents, a policy Rhoades feels improves the companies' morale and makes employees feel more involved.

Rhoades also commended Howard Schultz, chairman of Starbucks, who she said makes sure to interact frequently with his employees by visiting at least 25 stores every week. According to Rhoades, Schultz has said visiting the stores and working with the employees has been tremendously educational. "It's something so basic but so many times as we grow we forget," Rhoades said.

Rhoades went on to describe the successful leadership styles of eBay President and CEO Meg Whitman and head of the United States Olympic Committee Peter Ueberroth, and culminated by stating that each of the leaders she referred to transfers their values to their employees.

"Great leaders absolutely know where they're going and how they're going to get there," Rhoades said. "Values are at the heartbeat of the organization."

Presented by the Rockefeller Center, Rhoades' speech was also made possible by the Tuck School of Business, the Tuck Center for Private Equity and Entrepreneurship, the Dartmouth Entrepreneurial Network, and Dartmouth's Office of Corporate and Venture Initiatives and paid for by William C. Portman '45.

DEN Changes

Carrie Newton Built up a Reservoir of Goodwill and Affection

In October, 2004, when Carrie Newton first came to the DEN, she had some big shoes to fill. Sian Muir had been with the DEN since its founding in 2001 and her unexpected departure to St. Olaf's College in Northfield, MN left a mountain of pending work, and many disappointed DEN friends. Maybe it was the years of intensive yoga training, but if the challenge intimidated Carrie Newton, it never showed. Bringing a background in communications, startup business management, and, yes, yoga instruction, Carrie proved from the first day she was up to the task of keeping the DEN organized and running smoothly.

For almost three years, and two Greener Ventures Conferences, Carrie built up a reservoir of goodwill and affection from those she encountered. When the time came for her to deliver the same unwelcomed news – a husband moving her back to the north country of Wisconsin – she left behind as big a fan club of disappointed friends as her predecessor. We understand she's already involved in her next startup in Madison, not to mention expecting to deliver her first little Newton in November. Everyone in the DEN network wishes her the best in all she does. Her patience, organizational focus, and boundless energy will be sorely missed.



Photo by Evy Huppert

Carrie Newton June 8, 2007

More Changes at the DEN



Stepping into Carrie's role at the DEN is Sandy Rozyla. Sandy moved to the Upper Valley from Flint, Michigan in 1989 and she has held several positions at Dartmouth during the past 18 years. Prior to joining DEN, Sandy was part of the founding team of the Center for Private Equity and Entrepreneurship at Tuck where she worked as the Project Coordinator from 1999 to 2007, including key roles in Greener Ventures and other DEN activities. Sandy enjoys entrepreneurial pursuits of all shapes and sizes and is excited to join the DEN team.

Club of Dartmouth Entrepreneurs Business Plan Competition

“For Those Who Jog at Night, A Ray of Light”

Excerpt Reprinted with permission of *The Dartmouth*
By Michael Coburn, *The Dartmouth Staff*


The Nightrunner team won the Club of Dartmouth Entrepreneurs (CODE) Business Plan Competition at Dartmouth on May 24th. Thanks to a group of four Dartmouth students, runners who prefer to jog at night no longer need to worry about the dangers of limited visibility. The Nightrunner team believes the product will replace cumbersome head-lamps and flashlights that are now the only option for nocturnal athletes. Team members include Abe Clayman '07, Middlebury junior Dan Harburg, Sandy Hull '09, and Michal Jablonski '09.

Nightrunner is a high-powered light-emitting diode worn around a lightweight belt that creates a broad swath of light in front of the runner. The group believes that its product is superior to the head-lamps that apparel companies currently market, both because it uses a more powerful light source and because it can be worn comfortably around the waist. The invention originated as a group project for a fall engineering sciences class. The Nightrunner team also won the Jackson Award for best project at the end of the term, and Dartmouth's Big Green Competition, which encourages and aids Dartmouth students who start up their companies. Since then, the four students continued to work on the project as an independent study and are now trying to sell their creation.

According to Sander Duncan '09, President of CODE, “While the innovation of Nightrunner may seem obvious, innovation turn ideas, obvious or products.” Clayman said, improving our product and that professors from Schools have offered ad-product and marketing it. competition.” Clayman prevent others from copy-team hopes to eventually Nightrunner to a larger three years.

Problem Statement

Running at night is unappealing and dangerous because of the limitations of portable light.



Solution

A lighting device mounted on a foam-padded Cordura belt with a mesh interior enclosing 13 LEDs on a circuit board mounted in foam core, a watertight battery pack, and a safety light.

relies on entrepreneurs to otherwise, into viable “The team is working on while pursuing a patent, both Thayer and Tuck vice on developing the Our biggest obstacle is believes the patent will ing their product and the sell the rights to the corporation within two to

ASK MIKE

QUESTION

How can I get job security at a startup?

"A startup just offered me a job as CFO. It's an attractive opportunity, but I'm worried about what happens if the company runs out of cash. How can I protect myself?"

ANSWER

Well, you can sign a standard employment contract, but that won't do you much good if the company goes bust. As a practical matter, the CFO is rarely caught by surprise when a company has financial problems. You'll know exactly where the risks are, and you'll be working closely with the founders and board to raise money to keep the business alive.

And if the company does fail, the investors are likely to keep your paycheck coming until the very last moment. The CFO is the person who manages the liquidation process, and investors know this job is really hard to fill.

However--if you're frightened by the question of job security, you probably don't belong in a startup, no matter how "attractive" it seems. Besides the risk of company failure, you'll be in a high-stress position almost constantly. Everyone from the receptionist to the board of directors will expect you to know how the company is doing, how much cash is coming in every day, how many scarce dollars can be spent on critical projects. You'll also spend a lot of time trying to stretch payables (also known as

"involuntary vendor financing"), which is certainly not fun. There's a lot of upside to this kind of company, especially if you have an equity position, but the pressure level is not for the faint-hearted

QUESTION

Are payments in stock taxable as revenue?

"We pay our advisory board members \$5,000 each quarter in company stock. Even though they can't sell the stock, are they expected to pay taxes on it as current income? If so, what's the point of working for stock?"

ANSWER

Yes, the \$5,000 in stock is definitely taxable revenue--and taxable in the year when it's received. To help minimize the tax impact of these grants, you should talk to your accountant about offering options or restricted stock. But don't expect to find a loophole that will avoid a tax bill for board services.

So why do board members often prefer stock instead of cash? The short answer is that they believe the stock will grow substantially in value. The board's job is to increase the company's valuation, so a successful board will accumulate stock at today's prices and will eventually be able to sell it at a much higher price.



Mike Gonnerman '65 is a finance expert and a trusted advisor to technology CEO's and investors.

To register to receive Mike's free monthly newsletter by email please visit his website: <http://www.gonnerman.com>

Dartmouth Entrepreneurial Network (DEN)

Dartmouth College
1 Rope Ferry Road
Rooms 101 and 102
Hanover, NH 03755
Hinman Box 6248

Phone: 603-646-0295

Fax: 603-646-0291

Email: denet@dartmouth.edu

Website: <http://www.den.dartmouth.edu>

DEN Staff

Gregg Fairbrothers '76

Director, DEN

Adjunct Professor of Business Administration

Tuck School of Business

Chair, Dartmouth Regional Technology Center

Dartmouth College

gregg.fairbrothers@dartmouth.edu

Sandy Rozyla

Program Administrator, DEN

DEN Fellows

Colin C. Blaydon

Director, Tuck Center for Private Equity and Entrepreneurship; Buchanan

Professor of Management; Tuck School of Business

Philip J. Ferneau '84, TU'96

Managing Director, Borealis Ventures

Adjunct Associate Professor of Business Administration

Tuck School of Business

Peter T. Glenshaw

Managing Director, Dartmouth Venture Initiatives

Mark Israel

Director, Norris Cotton Cancer Center

Aaron Kaplan

Associate Professor of Medicine & Director

Device Development Lab, DHMC

Roger Sloboda

Professor of Biological Sciences, Dartmouth College

Fred Wainwright TU'02

Executive Director, Tuck Center for Private Equity and Entrepreneurship;

Adjunct Associate Professor of Business Administration

Tuck School of Business

share learn connect
DEN