



The Dartmouth Entrepreneurial Network

**** From the DEN ****

Currently, one of the most rapidly developing fields throughout technology and biomedical research is the area of research translation and commercialization. All Through the institutional research infrastructure, people are coming to realize the importance of completing the full cycle from basic research through commercialization of promising ideas. See, for example, an article in the November issue of INC. Magazine (66-72 -- "Universities: Your New Best Friend").

Not only is this seen as a fundamental underpinning of economic growth, but it is also the primary way in which the outcomes of important research are made available for the good of society. Not to mention, university participation in the fruits of commercialization is an increasingly important source of funding for cash-strapped universities.

One of the main reasons for creating the DEN was to assemble a systematic resource center which would deepen

Dartmouth's capabilities in this area. By focusing on teaching entrepreneurial skills, as well as supporting commercialization of promising ideas, we have the opportunity to both improve outcomes and change cultural attitudes. This not only better enables commercialization, but also enhances recruiting, retention, and even grant application. Grant-making agencies like the NIH are increasingly taking account of the translational infrastructure and philosophy of applicant institutions.

Given the currency of these issues, the next Greener Ventures entrepreneurial conference, scheduled for April 12, 2003, will include treatment of some issues surrounding research and technology commercialization, in addition to our past focus on entrepreneurial basics, networking, and highlighting current activity around campus. First details can be found inside, and more will appear in the next newsletter, which will be the last to issue before the event. Mark the date and plan to be there.

The Tuck-DEN course on entre-

preneurship ran successfully in September and October, with a good cross-section of participants from the various Dartmouth schools, and even some alumni. Plans are already underway to repeat and expand this offering.

Our fall workshop on market validation filled a classroom. Our winter workshop will treat team formation and dynamics.

A number of DEN projects are providing the basis for project-based learning in Tuck courses on health care and entrepreneurship, as well as the first-year entrepreneurship projects. We're actively canvassing for ideas for additional educational resources that will draw good interest and fill articulated needs. Anyone with an idea is encouraged to contact us.

There is never a shortage of new ideas, nor of people interested in helping and getting involved. The increasing levels of interest and activity are challenging, but at the same time a welcome sign that the Dartmouth environment is a great place to germinate and execute a promising idea.

Market Validation Workshop a success



An excellent turn out!!

Over 90 people filled Barclay Classroom, Murdough Center at Tuck on October 2nd to hear expert panelists give a practical guide to Market Validation.

The panelists were:

- Kelly O'Neill and Scott Sneath, principals in CSO Partners, Boston. CSO Partners is a Marketing and sales consulting firm dedicated to helping emerging companies assess market opportunities, target, position, and sell their products and services.

- Tom Cecere (D adv. 85) , a founding team member and VP Marketing & Business Development at Tally Systems, Lebanon. Tally Systems delivers IT asset tracking tools to control costs, reduce risk, and manage IT projects.

- Bette Snyder, Reference Librarian at the Feldberg Library
- J. Graham Brooks (Tu 02), entrepreneur and market researcher.

The workshop answered the

important questions of:

- What is Market Validation?
- Why you need to do it?
- And how to do it successfully?

The panelists were able to provide useful insights through their own experiences and shared many 'war stories'. There were many opportunities for the audience to have questions answered by the professionals.

This workshop ran in support of the E-Ship mini course.

Extra Extra—Introduction to Feldberg Library

Our Post-Workshop survey indicated that many of you would like more information about research resources. As a follow-up, Better Snyder has nicely agreed to present an 'Introduction to Feldberg' workshop. This workshop will be on **Thursday, November 21st at 2 pm**. This hour-long workshop will let you know exactly where to look for the business information you need.

Space is limited so please register via email to Dartmouth.Entrepreneurial.Net@Dartmouth.EDU and you will be advised of the meeting location by return

**E- Ship around campus... What's been going on?*

The **Club of Dartmouth Entrepreneurs (C.O.D.E)** had a successful kick off to the Fall term on October 16th. Collis 101 was filled with undergraduates who came to listen to a Venture Capital presentation from Jessica Duda (D'96, TH'97,'99) from Polaris Ventures. Jess discussed the current VC environment, what it takes to get into VC and the types of deals that are typical in the field.

For more information about the club email:

Club.of.Dartmouth.Entrepreneur@sDartmouth.EDU



Jessica Duda from Polaris Ventures

DEN on the first year Tuck Forum projects. Around 60 students attended to hear about the dozen real-life research assignment opportunities that are being offered by DEN start-ups.

For more information about the club email:

Collin.S.Anderson@Dartmouth.EDU

Dr. Michael **Zubkoff's Medical Care and Corporation class** at Tuck took advantage of several healthcare related projects offered by current DEN teams. This is an excellent win-win opportunity for students and the sponsors.

Interested in Venture Capital??

The DEN organizes **Shadow Days** with the Thayer school and CODE, whereby students can spend a day

with a VC. The feedback from the students has indicated that this an enjoyable and enlightening program.

If you are interested in participating email either:

Dartmouth_entrepreneurial_net@dartmouth.edu

or Club.of.Dartmouth.Entrepreneurs@Dartmouth.EDU

Please include your resume.

We would also like to take this opportunity to thank those VC companies that host the Shadow Days:

- Brook Venture Fund
- Megunticook
- Polaris Ventures
- Prism Ventures

We appreciate your support!

E-Ship Mini-Course Perspectives by Ginny Reed

This fall a group of aspiring entrepreneurs from around the Dartmouth community - Tuck students, Thayer MEM students, and Dartmouth faculty, staff, alumni, and students - participated in a six week mini-course offered by the Tuck School of Business in conjunction with the DEN. The course, Starting New Ventures, led by Professor Michael Horvath, was designed to focus on entrepreneurship, the taking of an idea and making it a reality. We were all there to learn basic start-up skills that we could apply to our own entrepreneurial ideas.

The course provided a combination of first-rate speakers, case studies, and hands-on opportunities to work in teams. Professor Horvath kicked off the series using his experience as a founder of Kana.com as a springboard for discussions about picking the right idea, building a core team, and creating infrastructure. The DEN's Gregg Fairbrothers provided nuts-and-bolts information about corporate structure, ownership issues, and intellectual property. Over the term, we learned about negotiations, written agreements, and quality sales and marketing. We heard from Phil Ferneau, a principal in Borealis Ventures, who talked with us about venture capital, including what VCs look for, the importance of doing our homework to decrease risk, and the elements of an effective presentation. We heard real presentations,

from real entrepreneurs, including a presentation that had been pitched to VCs but did not receive funding. We asked dozens of questions: Why do you think the idea didn't get funded? What would you do differently? What advice do you have for us?

Our speakers provided us with real-world information that isn't found in books. We heard memorable statements such as: "I'd go for excellent execution of a mediocre idea over mediocre execution of an excellent idea any day." "Success equals results minus expectations." "Customers are the true test of an idea." And, "It doesn't make any difference how new, innovative, cool, or interesting an idea is unless customers see it as solving a problem for them AND they are willing to pay for it."

As useful as the lectures were, much of the most effective learning in the course came from working together in small teams around a product idea. Early on, course participants with product ideas presented those ideas to the rest of the class. These ideas ran the gamut from consumer food services to internet-based businesses to highly-specialized medical instrumentation. We self-selected into teams to work together to begin to move

these ideas from dreams to reality. We created two-sentence mission statements for our companies, the proverbial 'elevator pitch.' We researched markets, talked to potential customers, created spreadsheets of financial needs, and developed milestones for accomplishment. The course culminated with each team presenting its 'pitch' to course faculty, a venture capitalist, and the class, who, in return asked questions and gave feedback.

Feedback from course participants was overwhelmingly positive. Some individuals identified potential team members with whom they might work in the future. There were suggestions for continuing informal group meetings, offering a more advanced course some time in the future, and organizing a reunion to see how many of us actually get our business ideas off the ground.

Thanks to all at Tuck and at the DEN who made the mini-course possible. It was a wonderful learning experience.

Virginia A. Reed is the Associate Director, Center for Educational Outcomes at Dartmouth; Research Associate Professor of Psychological & Brain Sciences; Adjunct Associate Professor of Community & Family Medicine.

"I enjoyed the course very much. First of all it has been quite some time since I attended a seminar or program that was not primarily health care based. Also, I had an opportunity to interact with other members in the Dartmouth community in different disciplines and share ideas. There is much to be gained by interacting with those from other disciplines and melding experiences. Problems are identified and analyzed through different perspectives and solutions become more novel and acceptable to a wider audience. Learning about the entrepreneurial network was also helpful. Mike and Gregg did an excellent job at distilling a complex set of financial and legal issues so that novices like myself could gain some insight into the financial world. I especially enjoyed listening to the presentations by the class members. They made it educational and enjoyable."

Rocco R. Addante
Oral and Maxillofacial Surgeon & Professor
Department of Surgery at DHMC

"Starting New Ventures presented the startup process in detail. The culmination of the course--presenting an executive summary to a panel of potential investors--was an invaluable experience. Whether seeking a \$10K loan from your parents, or \$2M from a venture capitalist, the relevant lesson was how to design a complete and convincing pitch of your business idea in order to get funding"

Erinrose.M.Handy@Dartmouth.EDU
Public Relations Coordinator, Tuck School of Business at Dartmouth

I thought that the e-ship mini course was a wonderful experience. It really got me excited about entrepreneurship. I met a lot of really great people that I would otherwise have never known at Dartmouth, and got a really solid background in entrepreneurship at the same time.

Gall E. Sweeney '03

Winter Workshop

We have already begun planning on our Winter workshop which will be held on Monday, January 27th, 2003. and 7-9 pm.

The workshop will address the important topic of

BUILDING THE TEAM

Many start-up businesses fail because they failed to build a strong, balanced team. Participants will learn;

- How to select a winning team
- Your founding team: to keep a team working together
- How to select employees

- Who to get as advisors

We will have a panel of seasoned entrepreneurs that will share their experiences.

This workshop is brought to you by:
The Foster Center for Private Equity &
The Dartmouth Entrepreneurial Network

****The Student Venture Fund by Brad Noblet ****



Student Venture Fund

"a truly exciting and unique opportunity for Dartmouth Students"

The **Peter Kiewit Computing Services Technology Venture Fund** was established through the generosity of a few Dartmouth alumni to foster exploration and development of computer technology in direct support of Dartmouth's faculty curriculum. The Fund encourages curricular projects based on their original and innovative concepts or on their wide range of scope and applicability. Venture Fund projects serve as explorations as well as a foundation for future directions in academic computing at Dartmouth.

Recently, a new dimension was added to the fund to encourage student entrepreneurship. Known as the **Student Venture Fund (SVF)**, it enables students with computing technology concepts or ideas (both software and hardware) the opportunity to turn those ideas into reality. Utilizing fund resources, faculty advisors and Computing Services personnel, students are afforded a unique opportunity to learn first hand what it takes to develop an idea.

The SVF works through a faculty oversight committee that solicits and evaluates fund proposals, much like raising funds for a real venture. Projects are selected based on the idea, its relevance to computing, and resources required for its implementation. In addition, the SVF is positioned as a stepping stone to potential DEN involvement. While limiting itself to a learning experience, that connection allows burgeoning ideas to be carried to the next level through the DEN.

Some of the SVF projects completed to date include:

- SA Web wake-up call system
- Tacos - stolen laptop tracker
- Wireless, personal alarm/emergency locator
- Automated baseball scoring system

The SVF is an exciting and unique opportunity for Dartmouth students.

****Tuck Entrepreneurial Internship Program (TEIP), 2003****

If you manage an early stage company that could benefit from an experienced MBA intern, the TEIP can help you finance part of the costs of employment. TEIP combines summer employment and a faculty workshop to provide MBA students the opportunity to contribute to the success of entrepreneurial ventures.

Designed to complement Tuck's classroom-based entre-

preneurship courses, TEIP targets the practical, experience-based learning that comes only from working with real startups to solve real strategic and operational challenges.

What kinds of companies are involved in TEIP?

Companies under consideration should be U.S. based and should have less than \$50 million annual revenue and/or fewer than 200 employees.

Each host company will receive \$4,500 toward the intern's base total stipend of \$9,000 for the ten-week summer period.

How do I apply to be a TEIP host company?

If you are interested, please contact Melissa Carlson at Tuck's Office of Career Services by phone or email [603.646.9223 or

melissa.carlson@dartmouth.edu].

****Building a team of advisors: with a little help from my friends... by Rohit Joshi—Demand Metrix****

The Dartmouth Entrepreneurial Network (DEN) was instrumental in helping the Demand Metrix team get off the ground. A key element of the DEN's participation was helping the Demand Metrix founders (Karim Motani '01, K.Jojo Adofomensah '01, Rohit (Ricky) Joshi '01, and Tikhon Bernstam '01) assemble a powerful and relevant advisory board consisting of Dartmouth and Tuck Alumni. Key Advisors to Demand Metrix are Deborah Richman Tu'84, Roger Glovsky '80, Th'82, Mike Gonnerman '65, and John Kirk'87.

Demand Metrix first encountered Deborah Richman as a potential customer for a software product while she was working at Overstock.com. Debby has an extensive background in online retail, software development, and analytics.

After Debby left Overstock, the Demand Metrix team contacted her again as a soundboard for a new product. Impressed by their understanding of the industry needs, she decided to join the company's board of directors. Debby has met with the Hanover-based team numerous times, sometimes flying from Utah to meet and work directly with the founders. Debby's insights, direction, and experience have helped the Demand Metrix team build a revolutionary software service.

Roger Glovsky joined the Demand Metrix team after a meeting in Hanover. Roger, a lawyer with an extensive background in technology and entrepreneurship, helped the company build its legal structure. Roger is also a vocal member at board meetings, and has helped connect the team to other influential

players in the industry.

Roger introduced the team to Mike Gonnerman at the Greener Ventures Business Plan Competition (DMX placed 3rd). Mike is a Financial Management professional who has been on the boards of numerous technology companies. He has served as the resident financial expert for the team.

Demand Metrix was introduced to John Kirk at the Greener Ventures event. Well known for his strong background in technology sales (John has been VP Sales for technology companies including Yantra and Profit Logic), John has helped the company build its sales strategy.

Demand Metrix is indebted to this team of advisors and directors.



Debby Richman Tu '84 at Greener Ventures

**** Greener Ventures II ****

Get your dairies out and mark in this date:

SATURDAY, APRIL 12th, 2003

for the bigger, better, brighter ...

GREENER VENTURES II.

This year we have a theme of **INNOVATION TO COMMERCIALIZATION**

Attendees will hear about:

1. The rapidly expanding relationship between basic research and commercialization

2. Ethical Issues in the institution –industry interface
3. Market Validation around Innovation
4. Learning from others' successes and failures
5. Financing alternatives.

Sherri Oberg D'82, TU '86 President & CEO, Acusphere Inc, will be the keynote speaker and will be joined by a great line-up of alums and industry veterans.

**You won't to miss this!
Watch this space...**





www.stratbridge.com

Stratbridge

Despite a dismal economic environment, **StratBridge**, Inc. has been fortunate to have grown rapidly over the past 18 months.

After working as a consultant, Matt Marolda (Tuck '02) identified the need for software that made the analytic process at consulting firms more efficient. So, in 1999 (prior to attending Tuck), he founded StratBridge. He funded the company on his own with personal savings, credit cards, etc., designed and developed the first tool, the Strategic Surveyor™, and began selling it to consultants.

Over time, consulting services were added (now accounting for half of the revenue), new markets were entered (leading to a more varied client set), and new products have been developed leading to a more diverse revenue stream.

Today, StratBridge designs and develops sophisticated software for strategic and risk analyses for corporations, consulting firms, and investment management firms. The firm's three primary software products are:

- **Strategic Surveyor™** - a tool that analyzes a variety of data and displays the results of the analysis in compelling visual output

- **Delta Identifier™** - a tool that monitors, identifies, and analyzes changes in performance for large sets of companies (up to 10,000) across dozens of variables.

- **Performance Translator™** - a tool that translates accounting performance into economic performance for thousands of companies at a time

The company has thousands of users at a variety of clients around the globe, including major consulting firms, Big Four accounting firms, large pharmaceutical and technology companies, as well as academic users at business schools.

Recently, StratBridge has expanded to provide accelerated strategic analysis services, using the company's software products. Strategic Analyses of industries and companies are provided to clients on a rapid turnaround basis. Clients request Detailed Benchmarking reports that compare the performance of a target company to a set of industry peers. These services have led to an extensive, CEO-level advisory relationship with a Big Four accounting firm.

StratBridge has grown dramatically since its inception. Revenues have doubled every year

since 1999 – reaching well into seven figures now – while profitability has been maintained at a high level. The company now has six full-time employees (including Matt Governali, another Tuck '02) and up to ten professional service contract employees. In September, StratBridge moved into new 2,000 square feet of office space – with plans to expand to additional space in the next few months. In October, a new website was launched to support new sales initiatives.

Although bumps have occurred along the way, StratBridge has learned a great deal from “doing,” such as trying a variety of sales approaches, applying different marketing techniques, expanding advertising, and so on.

A real key to StratBridge's success has been its close relationships with clients, which have led not only to significant up-selling opportunities, but also a collaborative connection with organizations in target markets.

After an exciting 18 months everyone at StratBridge is enthusiastic about what the future holds!

EnerNOC Update

There have been several developments with the EnerNOC team so we thought we'd update you.

EnerNOC has recently begun work with its first customers, including a data-center in Southeastern NH with a 1.5MW standby generator that it uses for backup power.

They have added considerable technical muscle to their team, including Bill Larkins, with 11 years of experience in embedded software design and two MIT advanced degrees.

They have added advisory support from Bill Hart, formerly of Technology Partners (a top west coast VC firm), who has extensive experience with a number of leading energy technology firms.

EnerNOC recently filed for additional IP protection following extensive work with their patent attorneys in Boston.

Their business model was cited as one of the most important enabling technologies in the new energy

technology market by one of the highest ranking executives at Federal Energy Regulatory Commission.

EnerNOC is evaluating a number of favorable funding options and will make more information about its financial partners available at a later time

EnerNOC was founded in 2001 and is led by David Brewster 31, and Tim Healy, 33, both of whom are Tuck grads.

Ask the Experts....*answers to the tough start-up questions*

** Ask Mike **

Question:

In the course of starting a company, the founders (or other participants) may want to transfer the IP they have generated to the corporation. Assuming the IP is sold to the company, what individual tax consequences are there for the founders (or others)? Are the proceeds treated as income, capital gains, or something else?



Michael Gonnerman D '65

There's a raging debate on this question. Tax expert Scott Goffstein, for example, says the IRS usually claims that there's a 'capital gain' on the difference between the selling price of intellectual property and the cost to develop it- which can be substantial. "Selling intellectual property to your corporation is like walking into a minefield," he told me. "Even if you know exactly what you're doing, one false step can be a disaster." One of the minefield issues that Goffstein points out, by the way, is the question of WHEN you actually developed the technology you're selling.

Obviously, I don't know specifically what transaction you are thinking about. But it seems unlikely you are selling your IP to the corporation just to earn a few bucks. If the corporation has this kind of money, why not

just declare a big dividend? The most likely scenario (I suspect) is that you want to raise venture funding and the VCs have discovered that the business doesn't own or control its own technology. That's a deal-killer, so they've told you, the founders, to "sell" the IP to the corporation. And you want to transfer the most cash you can from the VCs into your own pockets.

If that is the case, some possible points to consider in structuring the deal are:

- The best time to transfer IP is probably right at the beginning of the company -- that's what founders' stock represents. Minimal tax effect, and no problem with other investors.
- If there's a concern about losing control of the technology, then maybe you should license the technology to the company subject to certain requirements. Again, minimal tax consequence, and future investors don't

have to worry about ending up with a shell.

- If the goal is to extract an income stream for the founders, it's usually best to structure the deal on a royalty basis rather than one up-front payment. Less risk to the investors, and (probably) less tax impact. Cost of development can be expensed.
- Usually the worst approach is to sell the IP outright, and in fact this rarely happens.

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

Go to www.gonnerman.com to register to receive Mike's free monthly newsletter by email.

**Free Classified Advertising!! **

Calling all DEN teams and Dartmouth Community Members... We are designing a new website and will be including a 'classified's section'

WE NEED CONTENT!

If you have anything to **buy, sell or exchange** we would like to hear from you!

Maybe you are a retired executive who would be interested in becoming a mentor for a start-up?

Or you are a start-up that needs second hand computers?

Whatever, you have we'd like to hear from you!

For classifieds or updates email: Dartmouth_entrepreneurial_net@dartmouth.edu

Also a message to all DEN Teams...

Make sure your website information is completely up-to-date!

<http://www.dartmouth.edu/~denet/teams/index.html>

Dartmouth Entrepreneurial Network

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Peter T. Glenshaw, Managing Director, Dartmouth Venture Initiatives

Mark Israel, Director, Norris Cotton Cancer Center

Fred Wainwright, Tu'02, Executive Director, Foster Center for Private Equity

Dartmouth's History of Entrepreneurship: The Ant Farm

In the darkest days of the Depression, Frank Austin (D 1895), a retired Thayer professor, found himself broke. Literally following the advice of Proverbs 6:6, "Go to the ant, thou sluggard. Consider her ways and be wise," Austin invented the Ant Farm.

It was a huge success. At the peak of ant-farm fever in the mid-thirties, Austin and

his staff of five shipped more than 400 houses a day from his Hanover workshop. Local school-children rounded up an estimated 3.6 million ants as inhabitants. The New York Times called Hanover "the center of the new ant industry".

Austin branched out and built cricket houses, observational bee hives, and



Frank Austin with his Ant Farm

*Photo courtesy of the
Dartmouth College Library*