



## The Dartmouth Entrepreneurial Network

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### G-Sport and TASTE winners of E-ship business plan competition

Forty-two second year MBA students recently finished a rigorous ten week Advanced Entrepreneurship Course at Tuck. The course, taught by Professors Gregg Fairbrothers and Phil Ferneau, exposed students to what entrepreneurship takes in a start-up context and how entrepreneurial execution can be successfully integrated into a variety of career and work contexts.

The course culminated with a competitive start-up presentation event. During the two day event, held November 19th and 20th, 21 panel members consisting of various entrepreneurs, angel investors, and venture capitalists, volunteered their time to critique 16 group presentations and business plans. Split into two tracks, Venture Capital and Non-Venture Capital, the first day of competition narrowed the competition to six team finalists who presented again on Saturday and two winners were selected.

#### Venture Capital Track: G-Sport



Tracy Sun (L) and Beth Jackson, Laurie Schrage missing

The winning concept for G-Sport grew out of changes in the athletic apparel market in the last few years, especially for female consumers. To define their market and validate their intuition the student team interviewed potential consumers and identified important attributes and frustrations in the shopping experience. "We found that our target consumer, whom we call the aspirational athlete, is required to shop at numerous locations in order to satisfy the needs of her active lifestyle. Further, very few brick-and-mortar athletic retailers tailor their retail environment to women and have failed to act on the importance of providing emotional support to this segment of consumers" says team member Tracy Sun TU'05. Industry experts agreed. The team discussed the concept with suppliers, including Pearl Izumi and the former Director of Marketing at Reebok, as well as competitors. All reaffirmed the void in the women's active wear market and how G-Sport could fill that space.

G-Sport aims to stand out among other athletic retailers that are highly geared towards men by earn-

ing their customers trust and creating a community of loyal G-Sport customers.

Team members felt the Advanced Entrepreneurship course was a great learning opportunity. "To be able to explore a new idea in a safe environment took the fear out of the entrepreneurial process" according to Tracy.

Currently the G-Sport team is refining their business plan and exploring their options for moving forward.

#### Non-Venture Capital Track: TASTE



Allan Chou, Andy Chun, Jerry O'Conner

Before entering Tuck, San Francisco resident Andrew Chun TU'05 had frequent visits from friends and family who wanted to explore California's wine country. For a weekend visitor to San Francisco the logistics involved in planning a wine country trip can be prohibitive. Trip planners must set aside a full day, rent a car, fight traffic,

find a willing designated driver, and figure out where to go. What began as one of several things to do on a visit can end up taking the entire weekend. From this dilemma the idea for TASTE was born. TASTE seeks to eliminate all of these hassles by bringing California's wine country to a single, downtown San Francisco location. TASTE will provide an authentic tasting experience with premier California vintners in TASTE's convenient Union Square location.

For the purpose of the course Allan Chou TU'05 and Jerry O'Conner TU '05 joined with Andy to develop the TASTE business plan. According the Andy, "The class helped us to identify what was important and what was not. When you start a business there are a million things to get down on paper. The E-ship course really helped me prioritize." In addition, Andy felt that the opportunity to present to a group of investors and get their feedback was extremely valuable.

Andy and his business partner, Jan Wiginton, are working diligently through the holidays to move forward their plans to open TASTE. They are currently in California meeting with various vineyards, looking for the perfect location, and approaching investors familiar with the restaurant business. Their goal is to open TASTE's doors by November of 2005.

## The Entrepreneurial Undergrad



**Dartmouth '08 Michael Ordonez (Left) with his business partner, brother Christopher**

As young boys Michael Ordonez '08 and his brother Christopher had short birthday wish lists—money to invest in the NYSE. “I love the Stock Market” says the Dartmouth freshman. The entrepreneurial spirit that drove Michael to invest his birthday funds struck at a young age. “When I was 13 and my brother was 16 we borrowed our parent’s car and headed to the Miami Winter Music Conference.” Dozens of musicians with boxes of flyers needed someone for distribution and the Ordonez brothers were there with a solution. “They paid us \$10 an hour to hand out boxes and boxes of flyers. We turned around and hired a group of friends to hand them out for \$5 an hour.”

In 2003 another opportunity presented itself to the brothers. While playing soccer for a

semi-pro soccer team in Argentina, Michael became friends with a group of talented young designers who wanted to distribute their work in the United States. Not yet graduated from high school, Michael and his brother recognized an opportunity. With support from their parents, they opened Facha Design, a furniture store in Miami, the exclusive US distributor of work by nine of their Argentinean friends.

Michael and Christopher’s goal is to be the market leader in modern design furniture and home furnishings retailing in the Miami city centre. “Facha Design provides innovative products to equip flexible living space and enrich the entertaining space at home” say Michael. “We meet the needs of customers who are more design-conscious and demanding than ever. Our products are simple, functional, beautiful and affordable.”



Like many entrepreneurs, Michael and his brother experienced their share of challenges along the way. Their first shipment of furniture from Argentina was held at the Miami Port as their store sat empty. They paid for two months rent without merchandise to sell, a timing error not to be re-

peated.

Michael admits that time management has been the greatest challenge. In addition to being a student and entrepreneur, Michael is a member of the Dartmouth and the US National Soccer Teams. With Michael a freshman Dartmouth and Christopher a sophomore at Brown, the logical question is how do they run a retail store in Miami? A store manager and one other employee manage the daily operations. The brothers split monthly visits to Miami and quarterly buying trips to Argentina.

Currently, Michael and Christopher are refining the retail operation of Facha Designs and developing their brand as functional, fashionable and on the forefront of modern tastes. Advertisements in weekly papers and word of mouth drive traffic to the store. Sales have grown steadily to the point where they are already turning a profit. While opening more stores is not in the plan today, they are preparing to sell their modern furniture to high-end hotels in the Miami area. “Our aim is to create products that provide the qualities that our customers need and want. We embrace constant innovation and constructive change to stay ahead of trends in the market and to make sure we achieve these goals.” says Michael.

To learn more visit [www.fachadesign.com.ar](http://www.fachadesign.com.ar)

## Fall Entrepreneurship Workshop

On Thursday October 21st the DEN and the Tuck Center for Private Equity and Entrepreneurship hosted their Fall term entrepreneurship workshop, “Working With Strategic Investors”. Tremendous response to the event necessitated a room change from Stoneman classroom to Shapiro where Martin Doyle (D’76) spoke to a full house of more than 90 students, faculty, and alumni. Mr. Doyle explored the nature of working with strategic partners from the entrepreneurs point of view. Using many real-world examples, he covered what the entrepreneur should know about how the investor thinks, how to approach a strategic investor, and the pros and cons in working with a strategic investors

If you would like to view the video of Martin’s presentation please contact Carrie Newton

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**Martin Doyle '76 speaks with attendees after the Strategic Investors workshop**

## EVENTS

### Introductory Entrepreneurship Course begins January 6th

This winter the Tuck School of Business, the Dartmouth Medical School, and the Dartmouth Entrepreneurial Network program will again offer members of the Dartmouth community an evening mini-course designed to provide basic education in commercialization of technology, entrepreneurship and the starting of new business ventures. **Introductory Entrepreneurship** will be offered in two sections at the Tuck School of Business on Thursday evenings, 4:30-6:30 pm and 7:00-9:00 pm, January 6 to March 3, 2005. Tuck and Thayer students in the Masters of Engineering Management program will be eligible to earn credit for the course. The course is also open, at no cost, to anyone eligible for a

dartmouth.edu, hitchcock.org or dartmouth.alum.org email address, thereby including any student, faculty or staff member of the College, the DHMC or the Mary Hitchcock Hospital, or any alumni of the schools. The course will address fundamentals in major areas of conceptualizing and launching a successful new business, including:

- Concept development
- Market and competitive assessment
- Business plan development
- Team building
- Financing and investor presentations
- Execution

Students will be exposed to the startup process in detail. The course will combine lectures and visiting speakers, workshop sessions, and readings. Throughout the term participants will develop an executive summary of a business idea, which they will present to a panel of potential investors at the conclusion of the course.

Michael Zubkoff, Aaron Kaplan, Phil Ferneau and Gregg Fairbrothers are organizers of this class. There will be no tuition charge for students not taking the course for credit. Class size will be limited.

If you are interested in enrolling please contact Carrie Newton at 646-0295 or email: carrie.c.newton@dartmouth.edu

### Establishing Your First Sale by Norman Rice TH'99

So you want to do a bootstrap startup, and you're not a salesman. Or you're looking to build your story to raise your first money, and you know you need customers. How do you establish those all-important first sales? It's not a cakewalk for non-salesman founders, but it's easier than it probably seems. There are three basic hurdles you need to get over to close a sale: access, pitch, close.

#### ACCESS

**Don't be afraid to try.** The first thing to get over is an aversion to calling people. As in baseball, you have to swing to get a hit. Don't fear rejection. Cold calling is one way, and you can't be afraid to do it. Also consider the relationships you have, and the relationships those people have. Friends and potential customers all have their own ecosystem of relationships. While your product may not be relevant to one person, he or she may know someone for whom your product or idea is ideal. You never know, so don't be afraid to try. Ask everybody for leads and introductions. There's one thing worse than calling people and being told no – not calling people.

#### PITCH

**People are People** Implausible as it may sometimes seem, potential customers are a lot more like you than you think. They're busy people, have a job to do, and don't like distractions or pressure from pesky salespeople. But they do have needs, and often welcome an opportunity to solve a problem. Use talk about "pain points" and other high tech jargon only sparingly and with great care. But do try to define an area where you think you have a solution, and get to the point early. Leave them an opportunity to tell you the conversation is not going to go anywhere and disengage politely – that saves everyone time and leaves a good impression. It also gives you the opportunity to ask for referrals to other potential customers. Not everyone will help you with referrals, but some will.

**Talk about your products/ideas** A key element in gaining early customers is including them in the process of shaping your offering. Focus the conversation on your idea and product with the tone that you are looking for their thoughts and feedback. One start-up I worked with interviewed several potential customers to learn about the processes and real life aspects that their product would impact.

They gained valuable input that shaped their product. More importantly, they were able to establish trust and build a relationship with the potential customer that gave them an opening for follow-up conversations.

**Set Expectations** Once you have someone's interest, be honest and forthright about product, price and terms. If proof of concept is a factor, pin down how that needs to be done, and what will satisfy this customer. Be clear about what you can deliver and when; and take care on fudging the facts. Be sure to understand what the customer's real needs are – all of them – in terms of support and service. Define what support and service will be available and for how long. If you're prepared to negotiate (and a startup probably should be), find a way to telegraph that without inviting a barrage of chiseling. A good strategy is to tie price concessions to contingencies. Another is to seek a reference from the customer in exchange for a price break. It's a common practice to discount for early customers to gain some market traction. This can be an incentive to a prospective buyer to sign early.

#### CLOSE

**Always follow up** Never, never miss an opportunity to communicate within a reasonable timeframe after a meeting. It's just essential to follow-up. I've seen any number of smart people fail to close a sale purely because they didn't follow up in a reasonable timeframe. A good practice is to close a meeting with a query as to when you can follow up. And there's nothing desperate about sending a thank you email that sets up next steps and invites further communication.

**After the sale** Always look at the closing of a purchase as a beginning, not an end. Any number of successful software and systems companies will tell you one of the biggest competitive advantages is superior support and service. They'll also tell you that some of their best follow-on products came out of continuing relationships with customers, often through the service/support channel. Actively develop your relationships with customers and there's no end to the potential upsides that you might find and develop, if you keep your eyes open.

## DEN TEAM, HESPERIDES RESEARCH, LLC



**Michèle Ratté '77 (left) and Joan Morris**

for over 60 productions and has recently designed and fabricated textiles for "The Lion King" on Broadway and all of its international venues.

At Dartmouth, Michèle Ratté majored in Visual Studies with an emphasis on print-making. Following college she developed a proprietary method for printing textiles and produced hand-printed fabrics for the high-end fashion accessories market. Her work was featured at Neiman Marcus, Barneys NY, Barneys Japan, Takashimaya, and others. Their friendship and aesthetic common ground developed into a relationship of inquiry into ideas and concepts related to art and textiles.

Common to each of their artistic pursuits was discovering a way to permanently apply metals to flexible surfaces. Each was aware of the novelty of that idea: for thousands of years techniques for this have been sought in cultures worldwide. They joined efforts with a chemist friend and made a two-year investigation of chemical and electro-plating methods for coating cloth with gold. There was considerable progress, but nothing conclusive. Fortunately, the extensive experiments in electro-plating became a springboard for a new way of thinking about the problem, and Joan and Michèle have since developed their unique invention of metal bonding, which is now patent-pending.

Joan and Michèle have successfully prepared textile and leather materials coated with precious metals (gold, platinum, silver, copper, aluminum, etc.) that are, for the first time, durable in repeated laundering processes. The invention is an improved method for adhesion of metal leaves, foils and powders, onto substrates such as:

Joan Morris and Michèle Ratté '77 became reacquainted in 1997 after a hiatus of twenty years. They had known each other previously at Dartmouth College where Joan is the Master Dyer for the Theatre Department. She has dyed the textiles

textiles, leather, paper, wood, metal, glass and plastic, resulting in a durable, washable, flexible, shape-conforming, non-flaking, non-dissolving and conductive metal coating. The resulting coating can provide a continuous surface coverage or, alternatively, it can be patterned. The patterning can be detailed and highly intricate. The invention has many applications suited to the fields of art, textiles, fashion, interior design, theater and electronics, including interactive, wearable computing.

Joan and Michèle originally intended to use metal bonding in their artwork, however they soon realized their invention had the potential for commercial applications as well. In February, 2003 they sought advice at the DEN. Since that time several DEN members have been valuable participants in the process of commercializing their invention. DEN member and lawyer, Sean Gorman D'76, drafted a partnership agreement, and Joan and Michèle incorporated as Hesperides Research, LLC in August of 2003. In addition, by consulting with the DEN., a patent attorney group recommended by the DEN was selected and Hesperides filed a U.S. patent application in September 2003. The international application was filed in January 2004, in preparation for entering the national foreign filing stage in July of 2005.

Many knowledgeable and helpful DEN members have given Michèle and Joan feedback and guidance. Christopher Pearson TU'03 and his friend Chris Ciunci were the first to join the effort. With their help a plan of action began to take shape. More recently, Fabrice Daguette TU'04, Christopher Koegel TU'06, and Tracy Sun TU'05 have joined the Hesperides team. In November, 2004, Fabrice and Chris accompanied Joan and Michèle to a meeting in NYC with Jack Lenor Larsen, an internationally renowned textile designer, author, scholar and collector. At the meeting Larsen offered advice for commercialization, concentrated mainly on licensing potentials, and he was generous in sharing some contacts.

Joan and Michèle had several other meetings in New York City with key figures in the textile world. They met with a major international fashion house and an interiors textile house, as well as Florica Zaharia, Head Textile Conservator, and her colleagues, at the Metropolitan Mu-

seum of Art, and Lynne Felsher and Joanne Dolan of the Fashion Institute of Technology Museum. As a result of these meetings Joan and Michèle have become confident of the market potential of their invention.

From the start Hesperides, LLC has been a bootstrap operation. In order to raise capital Joan and Michèle have developed a line of unique 23 karat gold-coated bracelets. The bracelets are made by using the invention on hand-woven silk from Japan, backed with leather, some with gemstones. Each bracelet is one-of-a-kind. In August, 2004, the debut sale of the bracelets was held on Martha's Vineyard, Massachusetts. The second sale was held on December 4<sup>th</sup> and 5<sup>th</sup>, 2004, at the Hanover Inn. The bracelets have sold very well with almost a third of all attendees making purchases.



**23 karat gold-coated bracelets**

**Photo by Richard Morris, 2004**

At this time Hesperides is pursuing a two-pronged approach toward commercialization. The first approach targets licensing options. The metal-coating process could be licensed for use in various aspects of interiors and fashion textiles (yardage and products) and leather goods. The second possible approach is to start up a manufacturing company that would produce the textiles and leather products, in which case Joan and Michèle would partner with a business team interested in starting and running such an enterprise.

The next few months will be spent following up and making new contacts towards licensing, selling bracelets, foreign patenting, and continuing to search for business partners.

For more information contact

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Joan: [joan.m.morris@dartmouth.edu](mailto:joan.m.morris@dartmouth.edu)



## Dartmouth student organization is built on entrepreneurial spirit by David Gardner '05

BuzzFlood is a student organization founded in 2003 by Dartmouth students Jim Baehr '05, Brent Reidy '05, Nick Baum '05, David Gardner '05, and Kabir Sehgal '05. They felt that Dartmouth's communication effort wasn't as strong as it could be and dedicated their new organization to telling personal stories about special things people at Dartmouth are doing every day, especially Dartmouth students. "We founded BuzzFlood because we are excited about Dartmouth, and wanted to spread that excitement. Our service helps connect the greater Dartmouth community: students learn about cool things that happen on campus, alumni keep in touch with their Alma Mater, prospective students learn about the school, and parents hear about their kids" said Co-Founder Nick Baum '05.

The BuzzFlood website ([www.buzzflood.org](http://www.buzzflood.org)) is the center of BuzzFlood's service. The website tracks Dartmouth's many press hits, and BuzzFlood staffers write what they call "stories of excellence". Each Monday morning the BuzzLine, which contains the top 10 stories of the week, is emailed to students, prospective students, parents, alum, faculty and others who have joined the mailing list. BuzzLine stories often focus on community service topics related to the Tucker Foundation, many of

which are not covered by *The Dartmouth* or the Office of Public Relations. Recent BuzzLine stories feature David Hankins '05 who appeared on Jeopardy and the Tucker Foundation's work with Big Brother/Big Sisters. One of the group's first members Christian Weeks '05 says, "As a result of BuzzFlood, I've become aware of so many amazing things that people at Dartmouth, including many of my peers, are doing. It has been really fun reading about the many different things

**"We founded BuzzFlood because we are excited about Dartmouth, and wanted to spread that excitement. Our service helps connect the greater Dartmouth community: students learn about cool things that happen on campus, alumni keep in touch with their Alma Mater, prospective students learn about the school, and parents hear about their kids." Nick Baum '05**

people at Dartmouth do with their lives and it makes me proud to be a member of the Dartmouth community."

In addition to publishing stories on the website, BuzzFlood also sponsors programs and events to celebrate Dartmouth. These projects, called BuzzFlood Ventures, are unique ways of promoting Dartmouth. A recent Venture project created Dartmouth e-greeting cards that can be

send to parents at home or friends at other colleges and universities. BuzzFlood members also organized the Dartmouth Presidential Primary Poll as a Venture event.

The process of creating BuzzFlood was an entrepreneurial experience for the founders. During the initial phase, members of the group spent twenty to thirty hours a week defining their idea. There were endless flip charts, flow charts, meetings and phone calls, not to mention classes. In the beginning BuzzFlood founders met with numerous faculty and members of the administration. The DEN provided vital feedback and the group's presence was welcomed by administrators such as Dean Karl Furstenburg (who has used BuzzFlood as a recruiting tool on the Office of Admissions website) and Sylvia Racca, Executive Director of the College Fund.

The founders also wrote a few op-ed pieces in *The Dartmouth* and were amazed at the positive response. For example, Dr. Everett Koop '37 said "this is the most important thing Dartmouth could do." In addition, unofficial College Historian Jere Daniell stated "BuzzFlood couldn't come at a better time. Dartmouth's reputation nationally continues to soar. What better way to present a convincing portrait of what actually goes on here than students speaking out for themselves? It's easy to disparage positive reportage by the college as puffery, but stories directly from the college's most important consumers, its students, are something different. Happy, proud, and caring learners are the stuff of Dartmouth." Now, almost three million hits and hundreds of thousands of users later, BuzzFlood has cemented itself as part of the school.

Sign up for the BuzzLine and learn more at [www.buzzflood.org](http://www.buzzflood.org).



## By Jennifer Collins '99, EnerNOC Marketing Manager

EnerNOC proved again that it is a top industry player by over performing during ISO-New England's first full-scale Demand Response Program test in late summer. Within 15 minutes of event notification, EnerNOC had delivered more than 100% of its committed capacity to ISO-New England and maintained this level of response throughout the entire event. The surprise test was conducted to verify that participating customers can deliver either their promised generation capacity or reductions in energy use. In Southwest Connecticut - where the grid is particularly vulnerable due to high growth in electricity consumption and inadequate transmission infrastructure - EnerNOC delivered load reductions from its commercial, industrial, and municipal customers roughly equivalent to taking 90,000 households off of the grid.

EnerNOC co-founders David Brewster Tu'02 (President/COO)

and Tim Healy D'91, Tu'02 (CEO), and other management team members were invited to speak as demand response industry experts at many conferences including: Primen's Fall Distributed Energy Outlook 2004, Connecticut Power & Energy Society's Meeting, the Peak Load Management Alliance Fall Conference, Northeast Energy Efficiency Council's 2004 Conference, and Cleantech Venture Network and Center for Smart Energy's Discovery Showcase. The company also presented to the U.S. Demand Response Coordinating Committee as part of the International Energy Agency Demand-Side Management Programme.

EnerNOC has also recently expanded its geographic reach to California, where 70 sites aggregating 5 MW have been added to its customer network. EnerNOC now has over 100 MW under agreement in New England, New York, and California.

For more information visit [www.enernoc.com](http://www.enernoc.com)



## Dometechnics Secures Angel Financing and New CEO

By Steve Pierce '04

### Overview

Despite radical advances in graphics technology in recent years, music remains a critical problem in video games. In current games, the music is both repetitive and irrelevant to game play. Dometechnics provides the solution to this problem through its Dynamic Object Music Engine (DOME) software that enables interactive, real-time music in video games.

### The Technology

Using Dometechnics' DOME (patent pending) video game developers can enable their music to adapt dynamically in real-time and be synchronized with game play. This not only allows for seamless transitions between game events, it also provides maximum emotional relevance and non-repetitiveness. Tension, sadness, happiness, victory, defeat, love, anger—the full range of musical moods and cinematic drama—are capable of being generated by the DOME, based on a composer's original thematic content.

The end result is an enhanced end-user experience: in essence, each individual user will have a unique gaming experience whereby the musical accompaniment is dynamically custom-composed and the DOME Engine delivers this enhanced

game experience without higher production costs, longer development time or greater hardware requirements.

### History

Dometechnics was born out of the academic research of Steve Pierce (GR '04), initiated while a graduate student at the University of Leeds in the UK and continued at Dartmouth College. The focus of this work was computer-manipulated, adaptive music for film scoring applications in professional sound editing and home video production environments. Pierce has a background in film and music as well as computer programming.

In the fall of 2003, a fellow electro-acoustics researcher, Dr. Edward Childs (founder, Accentus, Inc., 2001) urged Steve to take advantage of strategy and networking resources in the DEN to determine if there was a business opportunity in his idea, and if so, how to go about exploring it. Market opportunity was defined and intellectual property protection was secured in the following months.

Upon graduation in June 2004, Pierce engaged the help of Don Tyler, an audio engineer and video game aficionado based in Los Angeles, and Kimo Johnson, a musician and computer science PhD candidate

at Dartmouth, who have helped to promote and develop the system. The company, now under the name Dometechnics, has created a prototype and develop business contacts.

In the fall of 2004, a team of second-year Tuck MBA students (Federico Robin TU'05, Emil Jattne TU'05, Scott Kendall TU'05, and Jesse Sherman TU'05) selected the project for the Advanced Entrepreneurship course, and conducted market validation and industry research that resulted in a business plan. At the end of term class presentation, Pierce was introduced to Steve Osman, a long-time e-ship evaluator and graduate of Dartmouth and Tuck. Osman provided angel investment and took on the role of CEO.

Currently, Dometechnics is refining a prototype, securing additional intellectual property, and introducing the technology to industry. The company is actively seeking beta test customers and industry partners to ultimately bring this exciting technology to market.

For more information visit [www.dometechnics.com](http://www.dometechnics.com)

## Sound Innovations, Inc.

by Chris Pearson TU'03

As reported in the Summer 2004 EntrepreNews, Sound Innovations, Inc. (SI) was founded in May 2004 by Professors Laura Ray and Robert Collier and Christopher Pearson TU'03, to commercialize the Dartmouth held patents on Active Noise Reduction (ANR) technology. This August, SI entered into an agreement with the David Clark Company to license and develop advanced ANR systems for the company's aviation communication headsets. In September, SI initiated the first stage of a planned one year development program and has completed a Proof-of-Concept (POC) system that has delivered outstanding lab results. In-flight testing and pilot evaluations of the POC system are planned for the first quarter of 2005.

In November, 2004, SI was awarded two grants under government funded SBIR/STTR programs, both of which are scheduled to start in January 2005. The first grant is a one year Phase I STTR with the National Science Foundation with the objective of developing

ANR systems for the control of noise sources and quieting of open spaces. Potential market applications include silencing of heating, ventilation and air conditioning (HVAC) systems; industrial power plant noise control, and quiet cabins for heavy construction, agriculture, and forestry equipment.

The second contract is a six month competitive Army Phase 1 grant to develop and demonstrate an ANR intra-aural (ear plug) hearing protector for helicopter crew and passengers. Four companies were awarded Phase 1 contracts, one of which will be selected for Phase 2 engineering development. SI's patented ANR technology places the company in a strong position to win Phase 2

The above three projects provide SI with a solid funding base for the coming year and will lay an excellent foundation for business expansion in 2006. For more information contact Chris Pearson via email, [cpearson@sound-innovations.net](mailto:cpearson@sound-innovations.net)

## Ask Mike

### QUESTION

"I've been asked to leave part of the purchase price of my company in escrow, to guarantee that my receivables are collectible. That seems reasonable in theory, but how do I know if the buyer will aggressively pursue slow accounts if he can just tap the escrow any time there are difficulties?"

### ANSWER

The basic test is whether both sides expect to keep doing business with each other. Start by contacting all the customers who owe significant amounts to make sure they're satisfied with your company's products and services. If not, there's a good chance they'll use the transition as an excuse to jump ship and leave behind some unpaid bills—exactly the reason that the acquirer wants you to guarantee your receivables.

You also need to explore the acquirer's own plans for your customer base. If the new owners plan to abandon products, close sales offices, or eliminate long-standing discounts—at least some of your customers will be ticked off enough to withhold payments. If the acquirer isn't committed to your customer base, then you should be very cautious about guaranteeing the company's receivables.

### QUESTION

"How can I safely delegate setting up a new business?"

### ANSWER

It's very common for entrepreneurs to feel that day-to-day administration of the business is a "waste" of their time—until there's a problem. In fact, you should be involved in the final decisions about setting up your office systems (yes, even the mail room). Investing a day or two of your time up front will help make sure that everything runs smoothly once the business is operating at full speed.

This is also a good chance to define your management style for your employees. Chances are, they haven't yet figured out what you want, so they're unsure where you'd draw the line with salespeople and leave too many decisions for you to make. For instance, have you clearly described what kind of office space you're looking for? If not, don't be surprised when the people you ask to check out possible space bring you bad choices. Use these startup decisions to shape your new company style, and pretty soon your employees will be eager to handle the day-to-day details for you.



Michael Gonnerman '65

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

### QUESTION

"Why should our income statement use 'standard' categories?"

### ANSWER

That's a fair question. Your financial statements should be set up so that they help management understand how the business is operating, but you also want costs grouped so that you can benchmark them against other companies in your industry. If you set up unusual categories, a lot of people—including investors, bankers, tax advisors, and eventually potential acquirers—won't be sure they can trust your numbers.

You'll also find that traditional financial reporting categories can be pretty flexible about reflecting your actual business operations. The toughest challenge, especially for companies with fewer than 20 or so employees, is to match up employees with cost centers. I've found it's usually best to allocate an individual's salary and related costs to a single cost center, even though he or she may work for several departments.

Splitting an employee's time among multiple cost centers may seem logical, but eventually the allocation formula becomes outdated and arbitrary.

Go to [www.gonnerman.com](http://www.gonnerman.com) to register to receive Mike's free monthly newsletter

## Changes at the DEN



On October 18th Carrie Newton joined the DEN as the new Program Administrator. Carrie is primarily responsible for building up the DEN educational resources, managing the network's marketing and general operations

Since graduating from UW Madison in 1997, Carrie has worn many hats working in small, entrepreneurial organizations. Her experience includes project and event management as well as sales, marketing, and the day-to-day operations of small business.

Carrie and her husband, a resident at DHMC, were married in May and moved to the Upper Valley from Madison, WI in June 2004. Prior to moving Carrie worked in several Madison based start-ups including Charlee Bear Farms, maker of Charlee Bear Dog Treats, Freedom Speakers & Trainers, a professional speaking and training organization and most recently Bikram Yoga Madison where she helped open the first Bikram Yoga College of India in Wisconsin.

Carrie can be reached at 603-646-0294 or via email [ccnewton@dartmouth.edu](mailto:ccnewton@dartmouth.edu)

## *Dartmouth Entrepreneurial Network*

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### DEN FELLOWS:

**Colin Blaydon**, Director, Tuck's Center for Private Equity and Entrepreneurship, Dean Emeritus, Tuck School of Business. William and Josephine Buchanan Professor of Management, Tuck School of Business

**Philip J. Ferneau '84**, TU'96, Adjunct Associate Professor of Business Administration, Tuck School of Business. Managing Director, Borealis Ventures

**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

**Fred Wainwright**, TU'02, Executive Director, Tuck's Center for Private Equity and Entrepreneurship. Adjunct Assistant Professor of Business Administration, Tuck School of Business

share  
learn  
connect

The logo for the Dartmouth Entrepreneurial Network (DEN) features the letters 'D', 'E', and 'N' stacked vertically in a large, white, sans-serif font. To the left of the letters, the words 'share', 'learn', and 'connect' are written vertically in a smaller, white, sans-serif font.

# CLASSIFIED

## Internship Sought

Thomas Kerbirou, A 25 year old European Masters Student in Computer Science is looking for a six month internship to begin March 1, 2005. Thomas seeks an internship in software engineering to perfect public relation skills and obtain a clearer insight into American business. Pay expected is minimal.

Please contact [Thomas@Kerbirou.net](mailto:Thomas@Kerbirou.net).

