entrepreneurs explain the lean & mean approach to financing

coming in January 2004
RUNNING ON EMPTY: OPERATING AT A MINIMUM CASH BURN RATE

NO MONEY DOWN: RAISING CAPITAL FROM UNCONVENTIONAL SOURCES

SEPTEMBER 18
It used to be so simple, or at least it seemed that way. You had a great idea, raised lots of venture capital and were on your way to building a great company. But today, you hear a different story. Lots of entrepreneurs, or would-be entrepreneurs, are complaining of having more problems raising money than they anticipated. Sure, there are still people who manage to make it look easy and raise money. Generally, they’ve started companies before so their track records make them stand out from the pack. But for others, particularly first time entrepreneurs, the current environment, at least in terms of fund raising, is a disappointment.

Having a difficult time with getting venture capital does not mean that you don’t have other prospects. Of all the alternatives, getting an investment from angel investors is the most like getting venture capital. That is, it has the potential to be significant enough in size to cover your fund raising needs. Historically, angel investing has been a hit or miss situation based on the people you knew or your networking skills. However, today there are organized networks of angel investors including the Enterprise Forum’s own subsidiary, the Technology Capital Network (www.tcnmit.org).

Another route which many entrepreneurs find helpful is the use of SBIRs (Small Business Innovation Research). Generally people use this government program to develop prototypes or demonstrate feasibility while they are trying tojump start a company and develop commercial interest. A commonly heard complaint is that you spend so much time meeting formal milestones in the SBIR that it is tough to work on building a company. Nothing, including government money, comes for free. Another concern I have heard investors voice is that they would much rather see the CEO meeting with potential customers than writing proposals for government funded research.

Having given perhaps too much mention of potential problems with SBIRs, I do have to mention that there are lots of people who find them useful and are able to transition from writers of SBIR proposals to real companies.

One more route which applies to lots of firms in the MIT Enterprise Forum network is the use of consulting as the springboard to developing a company which sells product. There have been some outstanding examples of this approach. In our last broadcast, Helen Greiner explained how much of her work had been as a consultant in defense applications with the robotic vacuum cleaner being a recent development. That firm, iRobot, is successfully making the transition from a consulting firm to a product manufacturer. Another example from our Satellite Broadcast Series is that of Kenan Systems. Kenan Sahin explained how that firm developed general capabilities which they grew into products while working as consultants for banks. Again they were able to make the transition from being consultants to a company which offers a product.

Finally, I have to mention the four letter word of bootstrap financing, debt. This can be a useful part of an early-stage company’s financing strategy or it can be a killer problem. First, let me say that my own view is that debt is a critical part of an early-stage company’s finances. The company should have a receivables line and should take a close look at lease-purchase options for major pieces of equipment. So, what’s the problem?

Debt can also be at the center of a set of events which leads to bankruptcy. In this case, step one is to borrow lots of money to staff up, buy equipment, etc. based on business which you believe will materialize. Step two is to be extremely surprised when that business takes longer to develop than planned. Step three is to struggle with the debt service. I am amazed that people continue to be surprised by this process, but one of our main roles at the MIT Enterprise Forum is to ensure that experience is shared and that the next generation of entrepreneurs benefits from it.

That brings me to our next program. We have put together a panel which will speak about how they have put together companies with financial strategies other than just raising venture capital. I hope you will join us and benefit from our panelists’ experience.

Former venture capitalist and early stage CEO
Edmund M. Dunn ML ’73 joined the MIT Enterprise Forum in 1997.
The MIT Enterprise Forum presents *No Money Down: Raising Capital From Unconventional Sources*, the next program in the Enterprise Forum’s ongoing Satellite Broadcast Series. Scheduled to take place on Thursday, September 18, 2003 at 7:00 p.m. from MIT’s Kresge Auditorium, the broadcast will provide attendees with the lean and mean approach to financing companies without the help of venture capital or angel investors.

Edmund M. Dunn, CEO of the MIT Enterprise Forum, Inc. says, “Having a difficult time getting venture capital does not mean you don’t have other prospects. Beyond angel investors, there are other methods, including Small Business Innovation Research [SBIR] grants, using consulting as a springboard to developing a company with actual products, and a variety of means of customer financing. The Enterprise Forum has put together a panel that will speak about their real-world experiences of using these methods to build successful companies.”

**Vic Petri** is the Global Leader of the Software and Internet Sector for PricewaterhouseCoopers. Petri is also a Business Assurance Partner within the firm’s Technology Group, dealing with everything from startups to multinational companies, including closely and publicly held, high-growth companies.

Petri has been involved in numerous mergers and acquisitions and initial public offerings, working with clients such as Akamai Technologies, The Learning Company, Brix Networks, Cambridge Technology Partners, Achievement Technology Partners, HarvardNet, eRoom, Sitara Networks, Boston Technology, Individual, CCBN, Applix, Silknet, Tripod, and FairMarket.

Petri received an MS in Accounting and a BS in Economics from the State University of New York at Albany. He is a Board member of The Massachusetts Interactive Multimedia Council (MIMC) and the Boston Chapter of the March of Dimes. He is also a member of the American Institute and Massachusetts Society of Certified Public Accountants.

**Jake Karrfalt** is President and CEO of Alternative System Concepts (ASC), a developer of effective system design tools and technologies. Karrfalt founded ASC in 1990 to develop easy-to-use electronic design automation (EDA) tools to support industry standards in the widest range of semiconductor design environments.

The notion to start ASC came to him after working for many years in industry for companies like Sanders Associates and Lockheed, as Karrfalt was constantly looking for ways to automate system level design to make engineers more productive. He has written many SBIR proposals that led to contracts to develop new EDA tools. The most promising of the resulting research prototypes have been turned into successful commercial products - with no additional investment capital.

Karrfalt holds a BS in Electrical Engineering from MIT and an MS in Electrical Engineering from the University of Massachusetts, Lowell. He is a Senior Member of IEEE, a member of the Association for Computing Machinery and has published several articles on standards and new design methodologies.

CONTINUED ON PAGE 8
When you are serious about growth, you need Serious Money -- the kind of capital that can dramatically fuel your growth plans. But where do you find that kind of money in this day and age?

First of all, recognize that your capital options depend on what kind of company you are growing. How well have you managed the company? What are your assets? Who are your customers? What's your plan for growth, and what kind of potential does your company have? Many entrepreneurs have wasted a lot of time and energy chasing investors who would never invest in their kind of company. So be sure to look for the right kind of Serious Money.

**Steps to Take Before You Look**

First, determine how much money you need for growth. Base your capital needs on your strategic plan, and be as specific as you can about how the money will be used (e.g., people, equipment, marketing, additional offices). After you have figured out how much money you need, ask yourself:

1. Can I fund the business with my own money?
2. Do I have collateral to cover a loan?
3. How much debt am I willing to assume?
4. How much equity am I willing to share?

If the answer to Questions 1 or 2 is “No,” you will need to raise money from outside sources. But don’t try to raise any money before you have put in some of your own - real money, not just sweat equity. Funding sources now are insisting that business owners have some “skin in the game.” They expect you to share the risks.

If the answer to Questions 3 or 4 is “Very little,” then recognize that you will have to grow more slowly. You can try and run “lean and mean,” but very few companies are able to fund their growth out of cash flow. If you’re going to grow a company, you need to take some risks, convince others that you can deliver on your promises, and get access to other people’s money.

**Sources of Funding**

After you have determined your financial requirements, decide whether you want to pursue debt financing, equity financing, grants - or some combination. Consider the risks and rewards involved in each type of funding and make your choices carefully. The decisions you make about financing will set you on a road to growth, and once you’ve started down that path, it may be difficult to turn back, or cross over to another path.

Debt is the classic form of Serious Money, basically a loan, plus interest, which must be repaid within a finite period of time. Loans can be cancelled and the amount due immediately if you fail to meet certain terms and conditions. Banks aren’t the only source. You may want to look at debt financing from individuals and from companies.

If you have a strong balance sheet and good sales prospects, this may be a good time to borrow money. Interest rates are low and banks are always happy to loan money to companies with good prospects for repayment.

Strategic partners such as suppliers, vendors, and customers may also be sources of debt financing. For example, a new piece of equipment in your company could increase the number of products you make using a supplier’s materials. If a loan will enable you to ramp up the speed or volume of production, that supplier may loan you the money for the machinery. As your sales increase, you purchase more of the supplier’s materials. The partner now receives two sources of income from you: increased revenue from sales and interest income from the loan. This win-win scenario makes you a better customer and everyone profits.

Growing businesses have a voracious appetite for capital. In the short-term, you may want to structure the deal so that you only pay interest now, with a balloon payment of principal and interest at the end of the loan. Your debt financing options will depend on the strength of your balance sheet, your growth prospects, and the lender’s belief that you will deliver on your promises. Unlike equity, you have to repay the money loaned, plus interest -- but you do not have to give up control of the company.

With equity financing, individuals, venture capitalists, and corporations provide money -- with lots of strings attached -- in exchange for shares of ownership and some control in your company. Your quest for Serious Money from equity investors will be difficult because the numbers of individuals and funds making investments in companies has plummeted in recent years.

There are three types of equity investors: individual angel investors (high net worth individuals) or bands of angels who invest together, traditional venture capital funds, and corporations who invest in companies they think might be useful as “strategic partners,” with the possibility of acquiring them at a later date. Publicly selling shares in your company is also an equity source.

Angels typically seek an equity stake in the companies they fund and are the least risky. These individuals often have a common bond with you and your company -- many were entrepreneurs and CEOs themselves. In addition, they do not expect as high a ROI as venture funds.

Because they often aren’t high profile investors, angels have been the most difficult funding source to find. Lawyers, bankers, and accountants often know who they are -- because they are their clients. Over the past five years, angels have begun to get organized and are more accessible. Unfortunately, the declining stock market has affected the personal fortunes of many angels, and they now have fewer resources (if any) available to invest in companies.

Venture capital firms are another source of Serious Money, with many benefits. You can access substantial amounts of money that does not have to be repaid. In addition, venture capitalists have great contacts. They can help with recruiting, and link you up with good advisors.
But there are lots of strings attached. Venture capitalists will want a seat on the board. Sometimes they require you to step aside as a condition of investment. Their ROI requirements drive them. And venture capital investors will pull the plug on you and your company in a heartbeat if they lose confidence in you.

A third source of equity investments is large corporations that continually scout for small companies to help fill out their value chain. Some companies need more R&D and new products. Others need specialized manufacturing and don’t want to do it themselves. Still others want access to certain customers who happen to be your customers. These sources typically are looking for a window into new technologies and a chance for a high ROI. As with VCs, prepare to hand over control of the company. In all likelihood, they are making strategic investment in your company today for possible later acquisition.

If you are intimidated by the risks and costs of debt and equity funding, there is one more source to consider: grants. Typically, grants are available from government sources, often on a competitive basis. You may not be able to obtain all of the funding you need from grants, but they have one distinct advantage: they do not have to be repaid and there are no interest charges. Small Business Innovation Research (SBIR) grants, for example, are an option for some companies trying to commercialize an innovation or a technology.

A few state governments have special programs, which provide funds or subsidies if you are trying to export or go global. Check the Web site of your state government and look for those involved in economic development or international trade.

The Bottom Line

Before you spend a lot of time looking for Serious Money, first spend some time looking at your business and determining how much money you really need to grow. Scrutinize your budget, outsource whatever you can, and pare down to the essentials. Take a hard look at your business plan, make sure it’s feasible, and collaborate with others to fill out your value chain if you don’t have the money to do it all yourself.

With less investment capital available, you’ll have to spend a lot more time finding it. Decisions will not be made quickly. Equity investments will come at a high price. But if you have products that customers are buying -- and will continue to buy -- you have a chance at equity funding. If not, you will have to look elsewhere for money, or ramp back, focus on basics, and grow more slowly for a while.

In the meantime, make friends with your banker and get to know two or three other bankers. You never know when you’ll need more sources of debt financing. Get to know some angels, and investigate corporations that might be looking for strategic partners. Make a connection now for the future.

And re-consider what personal funds you can make available. Although it means more personal risk, maybe you need to borrow even more against your home equity, dip into your retirement funds, borrow against life insurance policies, or draw down on your credit cards. As another entrepreneur once said to me, “Why not draw down on your personal resources? You certainly know more about your company and its potential than any of the companies on the stock market. If you believe in yourself and think you can do it, why not invest in yourself?”

MIT
Succeeding Without Investors: 9 Rules for Bootstrapping Success

by Peter Longini, TechyVent

You might expect a serial entrepreneur like Innovate E-Commerce co-founder Bill Claire, with a resume that includes DEC, H-P, and Republic Steel, would know how to start big and grow even bigger next time around. After all, using other people’s money - friends, family, angels, and VCs - to finance your company’s growth and leverage your own prosperity is the way the game is played, isn’t it?

Not necessarily, according to Claire. In fact, among Inc Magazine’s 500 fastest-growing private companies, very few started out with big bucks. Of all the companies in the Inc 500 list for 2002, 41 percent started with $10,000 or less, and one-third of those began with less than $1,000 in seed capital. Only 22 percent started with more than $100K.

Innovate E-Commerce, a b2b service firm who help clients expedite transaction-related electronic business information, fits right into that pattern. As number 111 on the current list, the company began in 1997 with just Bill Claire, co-founder Karen Puchalsky, and less than $10,000 in capital from a strategic investor.

Today, with more than 40 employees, satellite operations in Ohio and Virginia, and annual sales approaching $4 million, the company has turned a profit every year and seen growth averaging 300 percent a year. Yet it has not taken in another dime of outside capital to finance that growth. Instead, Innovate E-Commerce has become a poster child for the merits of business bootstrapping, and Claire has become its most outspoken proponent.

1. Use Customers’ Cash Without the luxury of investors’ money to burn through until revenues start coming through, a bootstrapping company has to look at financing its operations in a different way, Claire said. Of all the ways of looking, none is more important than seeing its customers as a primary source of cash. Part of that involves selling to the right customers -- companies with good credit histories. Blue Chip companies, for the most part, are preferred. And securing initial upfront payments from customers for work yet to be performed is even better.

2. Bill, Bill, Bill Frequent billing is an integral part of securing customer cash, Claire noted -- weekly and bi-weekly as well as monthly. It can mean payment terms of 15 days from the date of invoice; a portion of the contracts paid in advance; a focus on developing recurring revenues; fixed price contracts with small increments for individual deliverables and, where necessary, it can also mean hiring a collections professional to keep the cash lifeline flowing.

3. Stay Loose; Flexibility Counts Claire, like many entrepreneurs, acknowledges the importance of maintaining focus. But this must be tempered with a recognition that flexibility is essential. New opportunities, which could not reasonably have been anticipated when a company was founded, continue to surface. Failing to recognize changes in the market and the opportunities they create can be fatal.

4. Make Marketing Matter A thoughtful approach to marketing and public relations is also important to a bootstrapping company. Effective marketing drives awareness, builds sales, and helps to close contracts. Look for strategic opportunities to position the company, its products and services, Claire advised. Generate intelligent collateral materials, but only print small batches as needed so that changes can be made quickly and without undue waste.

5. Seek Sound Advice Advisers -- both professional service providers and members of your business advisory board -- can also be critical to the success of a bootstrapping business. It’s best to seek highly skilled professionals with experience in large firms who may be willing to charge less than their peers because, for example, they may be starting their own independent practice or willing to work in exchange for equity in the company rather than for cash. In either case, Claire said, it is critical to do your homework before meeting with an individual. When you do, you should try to ascertain their willingness to leverage their own contacts on your behalf.

6. Minimize People Costs Your company’s employees may be your most valuable asset, but in most businesses, they are also the most expensive one. A survey of Inc 500 CEOs found that of all the business expenses that gave them headaches, 77 percent identified wages and benefits. On top of that, people spend company money on such business necessities as office space, computers, prices, and travel. As a result, keeping wages and benefits low is a key to conserving cash. Among the strategies Claire suggests: tie salary incentives to revenue generating activities; pay in company stock instead of a base cash salary; provide overtime incentives to postpone adding to staff; and look to management team cost reductions first in a business downturn. In addition, retain the best sales people you can possibly afford, and always hire the best people for each position, but avoid hiring your personal friends.

7. Use Your Own Money Maintaining control over your company is important, and in the case of people creating lifestyle companies -- businesses created to support the founders but without being obsessed by the growth imperative -- it is essential. In fact, many entrepreneurs who plan on bootstrapping rather than seeking professional investment fall in that category. As a result, the most
Our Last Broadcast: June 5, 2003

What Equity Investors are Looking for Today: Money Available, but Investment Criteria Has Changed

by Daniel Bates, TechyVent

If you’re an entrepreneur looking for venture capital, there’s good news and bad news. The good news, according to Paul Ferri, founding partner of Boston-based venture capital firm Matrix Partners, is that venture capitalists are awash in money.

“There was $80 billion in uninvested money last year,” says this veteran venture capitalist, who in 2001 was named one of the top 20 venture investors of all time by Forbes magazine. “This period is one of the easiest that entrepreneurs have faced…If you can’t find a firm to fund you today, there’s probably an error in your judgment."

But before you get your hopes too high about the available capital, consider the bad news: “It’s my belief that there are too many companies being started, and that’s bad,” Ferri says, noting that an estimated 87 start-ups received venture funding in 1980, while in 2002, venture capitalists invested in 892 ventures.

The result, he contends, is that the current environment is creating “intense” competition for start-up companies, as well as insurmountable pricing pressure, leading to trouble for “a lot of companies” in the past few years.

Says Ferri: “It’s a very good time to be starting companies, but it’s a very difficult time to start companies that are going to be successful.”

So it goes for a venture capital environment that is still recovering from the sting of the New Economy frenzy that spurred a huge rise in venture capital investment and ultimately pushed start-up valuations beyond reason. That period temporarily turned the VC tradition on its head.

“The [venture capital] industry itself is undergoing tremendous turmoil and upheaval,” said panelist Noubar Afeyan, a senior managing director and CEO of Flagship Ventures. “Tradition was replaced by momentum investment. Timeframes [5- to 8-year] were replaced by 1- to 2-year timeframes. It caused a lot of strain in the current environment.”

That, of course, is changing, the panelists say, as venture capitalists get back to the more traditional fundamentals of venture investing, perhaps more focused than before on targeted areas of interest and potential sustainability, and less focused on 18-month exponential returns.

“What are investors looking for? I haven’t the slightest idea,” says Allan Wallack, a long-time technology company CEO who now serves on numerous technology company boards of directors. The bottom line, he suggests: “You’re trying to build a great business opportunity, and they’re trying to build a great investment.”

That said, Wallack goes on to suggest that you generally need to determine what makes your venture a great business opportunity for potential investors and focus on that to prepare your pitch. And pay particular attention to each firm’s “internal” environment, including individual investment criteria, industry focus and other idiosyncrasies. But whatever you do, maintain the integrity of your idea. Don’t too quickly adapt the basis of your idea to meet the requirements of a given investor.

“Don’t ever change the essence of your plan – or you won’t have a business,” he warns.

Ferri, who says he has been a venture capitalist for 33 years, makes his criteria clear and specific for would-be entrepreneurs. He says his fund is technology-only and start-up-only, and he expects his firm to serve as the largest investor of a given deal, giving him a seat at the board of directors of the venture as well.

“If we invest in your start-up company, we’re the best partners for you to help make you successful,” he says. Later, he adds, “You should want to be involved with successful venture capitalists.”

The problem, Ferri notes, is that entrepreneurs often put too much importance and emphasis on the valuation of their start-ups when raising capital.

“My view is, first, who can best help you be successful because the monies are the same, and second, valuation is less important.”

Afeyan, meanwhile, says his venture firm has changed its focus to look more at what he calls “essential” technologies instead of the 1990s buzzword, “enabling.”

“I identify not sectors, but emerging themes before others and build companies that are early leaders with barriers to entry,” he says.

In general, he says he looks for ventures that offer a potential 35 percent to 50 percent return on investment, with a five- to 10-times multiple on the invested capital. He also wants opportunities that offer multiple liquidity, or exit, options.

The five elements of success that he strives for are sustainable competitive advantage, a large growing market, perfect execution, persistence and patience, and good luck.

As far as entrepreneurial temperament, Afeyan says he sees entrepreneurs as paranoid optimists, which in his view, are “an important combination of traits.” Investors, meanwhile, tend to be skeptical optimists. Together for the past several years, he says, the two have tended to become “paranoid skeptics – something that needs to change if both investors and entrepreneurs are to find success.

Says Afeyan: Once you lose your optimism -- and you can be as cautious as you want -- then you should stop.”
Forum Focus™ Fall 2003 8

Pamela Lipson is CEO and President of Imagen Incorporated, a maker of computer vision software packages that allow computers to recognize objects and perform some of the same analytical object validation assessments that human vision systems do naturally. Imagen’s product concept was borne out of work done by Lipson and several colleagues at MIT’s Artificial Intelligence Laboratory, and the company was launched after winning the MIT $50K competition in 1997.

Imagen has been working with Teradyne, the world’s largest supplier of Automatic Test Equipment, to embed the Imagen technology in a family of machine vision systems to inspect assembled printed circuit boards. One key target market for the systems are leading edge personal electronic modules -- smart phones, handheld computers and hand held game consoles -- which consume large amounts of components nearly invisible to the naked eye.

Recently, Lipson developed a technology for encoding alphanumeric and graphical information with high density on crystalline substrates. This technology was demonstrated by writing the entire text of the King James version of the New Testament of the bible on a crystal just 5mm by 5mm, landing Lipson in the latest edition of the Guinness Book of World Records.

Lipson received her BA from Harvard University and an MS and PhD from the MIT Artificial Intelligence Laboratory. She has been recognized by Technology Review and the World Economic Forum as a top young innovator and technology pioneer.

Bernd Schoner is Managing Partner of ThingMagic LLC, a Cambridge, MA-based research and development firm. Since co-founding ThingMagic in 2000, Schoner has co-lead and managed the firm from a general engineering consulting firm to an established development and IP house focusing on Radio Frequency Identification (RFID) technology and embedded computing. ThingMagic has become a leader in RFID reader design offering some of the most innovative and forward-looking devices in the emerging RFID industry.

CONTINUED ON PAGE 10

We take it personally.

Goodwin Procter’s Technology & Emerging Companies Practice focuses on helping entrepreneurs achieve their goals and realize their vision. With a service model tailored specifically to the needs of start up companies, we provide dedicated, personalized counsel, as well as strategic business advice. And, backed by the resources of one of the nation’s leading law firms, we are able to grow with you at every stage of your company’s life cycle.

Services for start up companies include:

- Founder exits from existing employers
- Business formation/form
- Business plan review
- Basic IP protection
- Equity incentive plans
- Seed capital financings

For more information about start up (and emerging growth) company services, contact Mike Kendall, Partner, 617.570.1765 or mkendall@goodwinprocter.com
EXECUTIVE BOARD
Matthew K. Haggerty ’83, Chair
Noubar B. Afeyan CH ’87
Bruce N. Anderson ’69
John H. Chory
Alexander L. Dingee ’52
Edmund M. Dunn ML ’73
Elizabeth A. Garvin HM
Dianne M. Goldin
Joseph G. Hadzima, Jr. ’73
Mark Hansen ’91
Oscar Jazdowski
Anita Karcz
Frank J. H. Liu ’66
Peter S. Miller ’64
Kenneth P. Morse ’68
Patrick O’Brien
Paula Jean Olsiewski CM ’79
Barton W. Stuck ’68
Deborah A. Thomas

WORLDWIDE ENTERPRISE FORUM CHAPTERS
Atlanta - James H. Black, Jr., Chair
atlforum@mit.edu (770) 739-6388
Austin - Michael A. Davis, Jr. ’86
ausforum@mit.edu (512) 342-0010
Bay Area (CA) - Bill Tobin
bayforum@mit.edu (408) 323-2246
CalTech - James L. Brown ’70
calforum@mit.edu (626) 395-4041
Cambridge - Ameeta Soni
mitefcm@mit.edu (617) 253-8240
Central Coast (CA) - Gregory Njoes
cenforum@mit.edu (888) 550-2500
Chicago - Joel M. Berez ’76
chiforum@mit.edu (847) 835-8985
Connecticut - Dr. Leslie S. Cutler
conforum@mit.edu (860) 679-1115
Dallas/Ft. Worth - Neil Kaden ’76
dfwforum@mit.edu (972) 377-4554
Great Lakes (MI) - Dennis Nash ’82
dettforum@mit.edu (248) 737-3395
New Hampshire: Jim Cook, Nick Soloway’62
manforum@mit.edu (603) 924-8324
New York City - Bryan Finkel ’85
nycforum@mit.edu (212) 681-1112
Northwest (WA) - Michelle Gonzalez
seaforum@mit.edu (206) 232-2536
Oregon - Derek Riddle
oreforum@mit.edu (503) 222-2270
Pittsburgh - Virginia Flavin Pribanic
pitforum@mit.edu (412) 915-2631
San Diego - Amy Romaker
sdnforum@mit.edu (619) 236-9400
Texas (Houston) - Craig M. Jarchow
houforum@mit.edu (713) 839-1757
Washington/Baltimore - Roy L. Morris ’78
dcbforum@mit.edu (866) 201-0254 x1257
Israel - Dr. A. I. Mlavsky
isrforum@mit.edu 011-972-3-731-3525
Japan - Shinji Ayao ’71
jpnforum@mit.edu 011-972-3-731-3525
Mexico - Dr. Jorge Diaz Padilla CE ’74
mexforum@mit.edu 011-52-5-662-1418
Switzerland - Dr. Eva Krug
swiforum@mit.edu 011-41-61-261-66-42
Taiwan - Bowei Lee ’79
taiforum@mit.edu 011-886-2-2719-1293
Toronto - Eric Cole, Tim Gallagher
torforum@mit.edu (416) 736-5708

Young Entrepreneurs: The Success Stories of Business Today and the Leaders of Business Tomorrow!

YE0 is the premier, peer-to-peer, global network, community and resource for entrepreneurs. Founded in 1987, YEO has more than 5,000 members in 150 cities and 58 countries around the world. A typical YEO member is 36 years old with a $10 million company. Collectively, members employ more than 667,000 workers and have revenues of more than $75 billion. YEO’s strength derives from the collective energy, brainpower and creativity of its members. More than just an entrepreneurial educational organization, YEO stresses the importance of both personal and professional development, and is dedicated to fostering the growth of today’s young entrepreneurs.

Come join us if you meet the following criteria:

• Have yet to celebrate your 40th birthday;
• Are the founder, co-founder, owner, or controlling shareholder of a company;
• Have gross annual sales of at least (US) $1 million

Visit us at www.yeo.org

Young Entrepreneurs’ Organization
World Entrepreneurs’ Organization
desirable sources of funding tend to be personal ones: credit cards, personal savings, loans against a 401(k), personal credit lines, and second mortgages, as well as trusted customers, friends, family, and employees. Beyond that, government grants, bank loans, community development loans, and grants from groups like Innovation Works and the Digital Greenhouse are particularly welcome.

8. Take It To The Bank  Banks are not in the business of making loans, Claire observed; they’re in the business of making money, and loans just don’t make much money for them. Instead, he said, a bank uses its business lending as a way of building relationships which can lead to the sale of much more profitable enhanced services. Picking the right banker -- someone who understands that the bank’s success is closely tied to the success of its customer’s business -- is fundamental to the success of a bootstrapping company.

9. Avoid Deal Killers  There is no limit to the number of mistakes an entrepreneur can make. But among them are some which Claire considers “deal killers” -- mistakes which can badly damage an otherwise promising business and kill any prospects for follow-on financing down the road. Some of his favorite candidates for fatal errors: seeking guarantees that you will always own a given percent of the company; getting dozens of non-accredited investors to make small investments; making undocumented commitments to investors or employees; failing to adequately protect your intellectual property; making sweetheart deals with select customers; and fielding a weak management team. MIT

Prior to working for ThingMagic, Schoner helped companies such as Hewlett-Packard, Agilent, and Mastercard with problems involving time series prediction, nonlinear detection and estimation, stochastic processes, machine learning, audio processing, and neural networks. His research has led to devices and software applications as unusual as the Marching Cello, a wearable instrument providing the functionality of a cello, and a giant polyphonic floorboard for the performance troupe, the Flying Karamazov Brothers.

Schoner holds a Diplom-Ingenieur in Electrical Engineering from Rheinisch-Westphaelische Technische Hochschule in Aachen, Germany, where he graduated as valedictorian of his class in 1996, and an Ingenieur des Arts et Metiers in Industrial Engineering from Ecole Centrale de Paris, France. He received his PhD from the MIT Media Laboratory in 2000. His research has earned him a number of awards, including the Henry-Ford-II Prize, Cologne 1997, and the Otto-Junker Prize, Aachen 1997. MIT
GENERATE TOMORROW’S BREAKTHROUGHS

Succeeding in today’s demanding technology environment requires swift, informed, decisive action.

Growing companies turn to Hale and Dorr Venture Group for legal advice and business advantage.

Hale and Dorr: When Success Matters. Counselors at Law - haleanddorr.com

We are proud to be a GOLD SPONSOR for the MIT ENTERPRISE FORUM

Captivate is a national news network that delivers programming and advertising to over 3.6 million business professionals and affluent consumers every month during the workday through our network of flat-panel television screens in elevators of high-rise office towers across North America.

Keeping our viewers informed, educated and entertained.

captivatenetwork.com
(888) 383-3737 x55007
ORDER YOUR VIDEO OF THE SEPTEMBER 18 SATELLITE BROADCAST
“NO MONEY DOWN: RAISING CAPITAL FROM UNCONVENTIONAL SOURCES”
PURCHASE ANY PAST ENTERPRISE FORUM SATELLITE BROADCAST ON VIDEO

VIRTUALLY LIVE featuring Tim Berners-Lee with John Landry
INTERNET FUTURES featuring Bob Metcalfe with Michael Dertouzos
HIGH-TECH ENTERPRISES featuring Ed Roberts with Dennis Costello
BREAKTHROUGH TECHNOLOGY featuring Bob Langer with Lita Nelsen
ENTREPRENEURSHIP featuring Alex d’Arbeloff with Ed Roberts
WHAT TO DO featuring Michael Dertouzos with Bob Metcalfe
THE SOFT SIDE OF NEW ENTERPRISE featuring Ray Stata with Paul Brountas
WHAT PRIVATE EQUITY INVESTORS ARE LOOKING FOR Expert Panel moderated by John Dean
with Richard Burns, Dennis Costello, Basil Horangic, Guy Kawasaki and Jacqueline Morby
STRUCTURING VENTURE CAPITAL DEALS Expert Panel moderated by Joe Hadzima
with Jorge Contreras, Jr., Stanley Fung, Greg Moore and Paul Severino
BUILDING VALUE THROUGH ENTREPRENEURSHIP Expert Panel moderated by Howard Anderson
with Alain Hanover, Jonathan Seelig, Laura Beth Trust and Frank Zenie
BECOMING A $BILLION SOFTWARE COMPANY featuring Kenan Sahin with Howard Johnson
VALUATION: WHAT’S MY COMPANY REALLY WORTH? Expert Panel moderated by Joe Hadzima
with Marcia Hooper, John Jarve, Alex Laats and T.L. Stebbins
MANAGING A STARTUP IN TURBULENT TIMES Expert Panel moderated by Ken Morse
with Jon Hirschsttick, Beth Marcus, Fred Middleton and Burt Rubenstein
NEW VENTURES AND VENTURE CAPITAL Expert Panel moderated by Ken Morse
with Rock Gnatovitch, Antoinette Schoar and Alan Spoon
CASHING OUT SUCCESSFULLY Expert Panel moderated by Mark Borden
with Chip Linnemann, Paul Maeder, Jeff McCormick and Jim Nicholson
WINNING IN THE MARKETPLACE Expert Panel moderated by Glen Urban
with Mike DiFranza, Greg Erman, Nick Lazaris and George Mueller
ENTREPRENEURSHIP IN A GLOBAL ECONOMY featuring Lester Thurow with Bill Hecht
SOLVING THE WEAKEST LINK: SALES featuring Howard Anderson, Ken Morse and Tim Kraskey
WHAT PRIVATE EQUITY INVESTORS ARE LOOKING FOR Expert Panel moderated by Paul Ferri
with Noubar Afeyan, Alec Dингee, Helen Greiner and Allan Wallack

ORDER ONLINE AT http://web.mit.edu/entforum/