



Dartmouth Entrepreneurial Network

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Greener Ventures 2005 “What Does It Take?”



On Saturday, October 15, 2005

a capacity crowd of more than 300 people gathered in the Murdough Center at Tuck School of Business to attend Greener Ventures 2005, Dart-

mouth's fourth annual conference on Entrepreneurship. In addition to providing networking opportunities and panels about entrepreneurial ideas and execution, Greener Ventures 2005 focused on what it takes to be entrepreneurially successful.

The event opened in Cook Auditorium with a welcome from DEN Director and Adjunct Professor of Business Administration, Gregg Fairbrothers, followed by an opening address from Jim Varnum '62, President Mary-Hitchcock Hospitals and opening remarks from Colin Blaydon, Buchanan Professor of Management and Director, Tuck's Center for Private Equity and Entrepreneurship.

In addition to panels and workshops, this year's conference included several new features including E-ship IMPROV! This unique business competition underscored Greener Venture's focus on people by asking three **different** Tuck student teams to pitch the **same** business idea to our conference audience at the end of the day. Following the opening address, Phil Ferneau '84, TU'96 and Matt Rightmire TU'96 from Borealis Ventures introduced the three teams and their alumni coaches to the audience. The teams, coaches and audience watched as three very different business ideas were pitched to the audience.

- Jim Paull TH'67 and Lee Johnson TU'05 pitched Stellaris Corporation which has developed a patent-pending CPG technology

that reduces the cost of manufacturing electricity-generating and solar energy modules.

- John Chen from Thayer School of Engineering demonstrated what he calls F.U.T – a technology he developed which allows users to control a mouse with their foot.
- Armin Ellis, also from Thayer, wowed the crowd with his plan to enter the space tourism industry with his space diving business idea.



After the presentations the audience departed Cook to attend morning panels including “Dartmouth Entrepreneurs & Their Stories”, “Financing Through Venture Capital”, and “Tough Issues People & Money”. The three E-Ship IMPROV! teams huddled in Stoneman classroom where coaches John Bello T'74, founder, former CEO, SoBe Beverages, Blair LaCorte T'90, Operating Partner, Texas Pacific Group, and Gordie Nye '76, T'81, General Partner, Prism Venture Partners, debated which idea to choose. It took only a few minutes for the teams to reach consensus. They agreed to spend the next 5 hours developing unique business plans for Stellaris Corporation, which they would present to the audience at the end of the day.

Another new feature at Greener Ventures 2005 was the DEN Startup Showcase. Throughout the day Dartmouth startup companies presented themselves and networked with conference attendees. These

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

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Visit the DEN's new website

www.den.dartmouth.edu

moderated presentations included time for questions from the audience, and were a valuable educational experience for Dartmouth's early-stage companies and conference attendees. (See full story on page 3)

“Many people out there have great ideas for businesses but they don't know how to make them realities. This conference acts as a bridge to help fill this gap and serves as a powerful networking opportunity.”

**Lee Johnson TU'05
Stellaris Corporation**

Aimed at encouraging entrepreneurial activity among members of the Dartmouth community, Greener Ventures 2005 brought nationally recognized entrepreneurial leaders—many of whom are Dartmouth Alumni—to discuss pertinent topics and issues involved in entrepreneurial initiatives. Throughout the day leaders such as Steve Lipscomb'84, founder, and President of WPT Enterprises, Inc. (the company behind the WORLD POKER TOUR™), Robert Koski D'51, founder, Sun Hydraulics, Matt Rightmire, Borealis Ventures, Audrey Kania TU'90, Executive VP, World Poker Tour, Tom Blaisdell, General Partner, Doll Capital Management, and many others participated on panels that addressed topics such as venture capital financing, money and people issues, women-led start-ups, and team-building.

At a lunch hour Fireside Chat, Steve Lipscomb'84, founder and President of WPT Enterprises, Inc., shared the story of the World Poker Tour and the path that led him to success in the world of televised poker. (See full story page 4)

Also during the lunch hour, two workshops were offered by local law firms.

Introduction to Patenting and the Patenting Process was sponsored by Cesari and McKenna, LLP and led by Bill Loginov'85, managing partner

Getting the Ink to Inc. was sponsored by Pierce Atwood and led by Scott Pueschel, partner

“Entrepreneurship is very important to the school and this conference brings many aspects of the Dartmouth community together to discuss the challenges of starting a business. We are proud to have participated in the event and we look forward to next year's conference.”

**Jim Paull TH'67
Stellaris Corporation**

To close the conference attendees gathered in Cook Auditorium to see the three Tuck teams present their Stellaris business plans. For the student teams a prize of \$2000 was at stake, with each winning team member taking home \$500. After presenting, each team took questions from the moderators Phil Ferneau '84, TU'96 and Matt Rightmire, TU'96 as well as from the audience who then voted for the winning team. (See full story page 3)

Advanced Technology Ventures, Borealis Ventures, and Prism Venture Partners were premier sponsor of Greener Ventures 2005. Workshop and Conference sponsors included Cesari and McKenna, LLP, McDermott, Will & Emery, and Pierce Atwood. Michael Gonnerman, Inc. and Merritt & Merritt & Moulton participated at support sponsors.

Greener Ventures 2005 is jointly organized by the Dartmouth Entrepreneurial Network (Dartmouth College), the Center for Private Equity & Entrepreneurship (Tuck School), Thayer School of Engineering, Dartmouth Medical School, Norris Cotton Cancer Center (Dartmouth-Hitchcock Medical Center), and the Rockefeller Center (Portman Fund).

Greener Ventures 2006 is scheduled for Saturday, October 21, 2006.



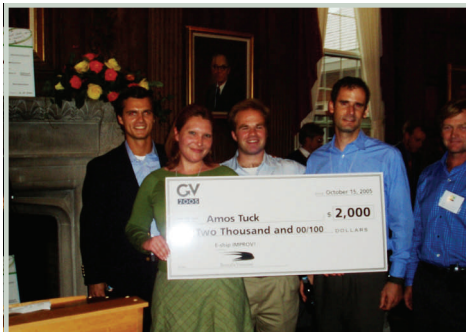
Jim Paull TH'67 and Lee Johnson TU'05 founded Stellaris Corporation in April 2005. Stellaris develops renewable energy and energy conservation technologies. Stellaris' patent-pending CPG technology achieves significant reductions in the cost of manufacturing electricity-generating solar modules, and, at the same time offers a range of new aesthetic options for the module.

Stellaris' concentrating photovoltaic glazing (CPG) technology uses passive optics to concentrate light, reducing the amount of photovoltaic material required and greatly reducing the cost of photovoltaic modules and building-integrated systems. Prototype testing has demonstrated that the lenses are performing close to their theoretical maximum. “We are proving that roughly the same amount of electricity can be produced as conventional cells with only one-third the amount of costly photovoltaic material,” explained Stellaris Co-founder and President, James Paull TH'67. “This technology will allow us to sell our solar modules to customers at a much lower price than what is currently in the market.”

Stellaris Co-founder and COO, Lee Johnson Tu'05 noted, “We plan to test full-size prototypes in the next few months and have a product on the market within 18 months.”

In addition to its application in conventional solar modules, Stellaris intends to broaden its reach into other solar energy markets. “We are currently working to develop partnerships with building material manufacturers who see a future in integrating solar modules with construction materials such as roofing, curtain walls, spandrels, and skylights. This building material integration approach has the added advantage of displacing costly building materials and will result in a further reduction in the payback period for solar energy systems,” explained Lee Johnson. “In addition, our technology has the potential to open up new avenues in architectural design since the CPG has the ability to create pleasing visual effects of color and texture on building exteriors and also allows a certain amount of light to pass into the building for day-lighting.”

For more information on Stellaris [email: info@stellaris-corp.com](mailto:info@stellaris-corp.com)



Team Amos Tuck

From left to right, Tuck second year students Tyler Dewing, Jamesa Brown, Chris Koegel, and Damon Somers with Coach Gordie Nye '76, TU'81 collect their prize for winning the E-Ship IMPROV!

E-Ship IMPROV! Winners take home 2K

Preparing a proper business plan can take weeks or even months, so imagine having only 6 hours to choose a business idea, write a business plan and pitch your plan to an audience of 300 people. That is precisely what three teams of Tuck students did on Saturday, October 15th at Greener Ventures 2005. The E-ship IMPROV! competition, sponsored by Borealis Ventures, is a new take on the traditional business plan competition. The idea was conceived by the organizers of Greener Ventures and further developed by Tuck's E-Ship Club.

Led by three experienced alumni coaches including John Bello TU'74, founder, former CEO, SoBe Beverages, Blair LaCorte TU'90, Operating Partner, Texas Pacific Group, and Gordie Nye '76, TU'81, General Partner, Prism Venture Partners, the three teams of second year Tuck students went to work immediately after Greener Ventures opening session. They decided that of the three ideas presented to them in the morning session, Stellaris Corporation's CPG technology had the most potential.

Throughout the day the teams worked on their plans, sequestered from each other, in the Bosworth study rooms at Tuck. Occasionally a coach or a team member was spotted grabbing a drink or something to eat, but with \$2,000 on the line and the clock ticking,

the teams stayed incredibly focused. At 3:00 pm their presentations were due. As conference attendees filled Cook auditorium for the closing session, the three teams and coaches waited their turn to pitch their Stellaris business plan to the audience who also served as competition judges.

The three teams took different approaches. Team Verde Ventures, led by Blair LaCorte focused on an integrated approach to their plan, using licensing, distribution through material suppliers, and promotion in architectural journals, while John Bello's team, Big Green, focused on targeting the consumer through industry by licensing or by a joint venture as well as by outsourcing manufacturing of the solar panels to sell to the do-it-yourself market. But, it was Gordie Nye's team, with its branding and marketing focus that won over the crowd and at the closing mixer Phil Ferneau of Borealis Ventures presented Team Amos Tuck with a check for \$2000.

The consensus from both the winning and losing team members was that being a part of the E-ship IMPROV! competition was a valuable learning experience. According to Simon Rosof TU'06, "I learned a lot from LaCorte and from my teammates, and discovered through the experience how quickly I could learn about an industry, create a plan and defend it publicly. I found it brought together a great many of the frameworks and disciplines we've studied over the past year or so."

"Working with Gordie Nye was certainly the highlight of the experience", said Jamesa Brown TU'06. "He tended to let us run the project, but would jump in with targeted questions every so often to help focus our thoughts. It was exciting to be able to apply many of the frameworks and concepts I had learned in my time at Tuck, but even more fascinating to watch Gordie take things to another level using his past experience. This competition helped me to truly see the practical value of my MBA - and how far it can take me."

Dartmouth Startup Showcase

by Shayan Bhattacharyya '01

This year a new feature at Greener Ventures was the "Dartmouth Startup Showcase." Sixteen DEN teams gave a 10 minute pitch on their entrepreneurial concepts and then fielded questions from the audience. The mix of teams was diverse; including student, alumni and faculty presenters from Dartmouth College, Dartmouth Hitchcock Medical Center, Thayer School of Engineering and Tuck School of Business. (for a full listing of the teams that participated, see <http://www.greenerventures.com>)

The primary purpose of the showcase was to highlight the diversity and depth of entrepreneurial activity that occurs across the Dartmouth campus. In addition, the showcase provided individual entrepreneurs the opportunity to refine their presentations, seek feedback, and network with the audience of conference attendees.

The two showcase classrooms were standing room only throughout the day. It was evident from the level of questioning that audience members were very appreciative of the chance to hear stories of how others have pursued their entrepreneurial concepts. Presenters also felt they benefited. Chris Pearson TU'03, CEO of Sound Innovations, Inc summed up the experience by saying: "I think what impressed me most about the showcase was the fact that there were so many people interested in hearing our story, and that they asked quite sophisticated questions that helped us refine our pitch even more. I hope that the showcase is offered again next year."

The Showcase led to networking that may not have otherwise occurred outside Greener Ventures. During the presentation by NeoVention, a company focused on helping inventors design and prototype their medical device concepts, Amish Parashar '03 and Katherine Hickey Th'03 made their presentation and fielded questions from the audience. Kendall Lee, MD PhD and Chief

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Fireside Chat

One of the most popular features of Greener Ventures is the Fireside Chat. In past years entrepreneurs such as David Mott '86, CEO, MedImmune and Jeffrey Immelt, Chairman and CEO, General Electric, have treated students to this open forum question and answer session during the lunch hour. This year Steve Lipscomb '84, founder and CEO, WPT Enterprises (the company behind the World Poker Tour) shared his story and took questions from the audience in Stell Hall at Tuck. Steve Lubrano, Assistant Dean and COO, Tuck School, moderated the chat.



Steve Lubrano and Steve Lipscomb '84 chat with students

Steve's story is a unique one. Driven to tell the story of his Mother's rise through the hierarchy of the Southern Baptist Church, Steve, a lawyer by training, sold his business and taught himself the basics of filmmaking. His documentary, "Battle for the Minds" went on to win numerous awards and brought him to the attention of producer Norman Lear.

His relationship with Lear resulted in Steve producing an inside look at the World Series of Poker which helped create his vision for the World Poker Tour. His vision was to create a poker league much like a professional sport that would result in opportunities for merchandising and licensing.

During the Fireside Chat Steve shared how he and his team turned the vision for the WPT into reality. Despite setbacks—most networks and cable stations laughed at his idea—Steve pushed on, eventually raising enough money to produce the show before it had even been sold to television.



Steve Lubrano introducing Lipscomb

A philosophy major while at Dartmouth, Steve appropriately closed the fireside chat with a quote from Joseph Campbell, "Follow your bliss and doors will open where there were no doors before."

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DEN Startup Showcase

Neurosurgery resident at DHMC was in the audience waiting to present his medical device concept for 2nd generation Deep Brain Stimulation. Dr. Lee was intrigued by the work that NeoVention did and after the conference, Dr. Lee and NeoVention engaged in a conference call to determine if there were any opportunities for NeoVention to do some of the design work around Dr. Lee's novel technology.

Aside from tangible connections such as these, the opportunity to refine their presentations through feedback they might not otherwise get proved to be valuable for many of the presenters. Chris Weiss '82, CEO of Dynamic Clinical Systems, said, "I believe the smaller, more intimate setting provided by the GV Startup Showcase – as compared to the normal business plan competition – encouraged more people to contribute to the conversation. Further, because audience members self-selected to attend the Showcase, I found the participants knowledgeable and eager to provide useful feedback."

From the perspective of the audience participants, the opportunity to see how different companies planned and built their concepts was a valuable learning experience. Audience member Kristen Garner Adv'09 said, "As a Pharmacology graduate student, it was great to see such a wide variety of innovation coming out of the Medical Center. The other piece of it that made the startup showcase great for me was the opportunity to see how it takes more than just a great scientific idea to be a viable business. Seeing how these teams thought about their ideas, beyond just the science, was eye-opening for me."

"The Showcase event was great for MIST Inc.* Our presentation convinced one very successful angel/entrepreneur to support the company immediately"

**David DeLucia
CEO,
Microwave Imaging System
Technologies Inc.**

*** MIST, Inc. was founded by Thayer professors Keith Paulsen and Paul Meaney has demonstrated breast cancer detection in women at DMHC.**

Mark Caron Founder's Forum



Mark Caron speaks to students at Tuck

The Founder's Forum is a series that features a successful entrepreneur sharing their advise on how to turn ideas into a successful businesses. On Thursday, Sept 22nd Mark Caron, founder of Mobile Spring/Ztango kicked off the series by speaking to crowd of more than 80 Dartmouth and Tuck students at Ankeny classroom at Tuck School of Business.

Mark Caron has been on the forefront of change in the wireless industry for over 15 years. He shared entrepreneurial lessons he learned in his career and detailed the story of his most recent venture with MobileSpring/Ztango, which he founded in 2000. Amid a treacherous environment for wireless data startups, Mark identified a unique need in the industry (cross-carrier messaging), built a world-class team and product, secured a strategic partnership and investment from VeriSign, and landed Cingular and Sprint PCS as lead accounts. In 2003, Mark led the company through a merger with Ztango. As CEO, Mark integrated the two companies, led new product initiatives, and within 6 months of the merger drove the company to sustained profitability. In October 2004, Ztango was acquired by WiderThan, a Korean-based global leader in wireless data services.

Winter Term Events

Founder's Forum February 1st

Doug Adams
Founder and CEO, SOLX
February 1st, 2005
7:00pm-8:30pm
Tuck School of Business

With more than 20 years of global experience in executive management, sales and marketing, business development, finance, and operations in the healthcare industry, Doug Adams has directed the launch of six start-ups and 20 products in the ophthalmology and dermatology markets. He founded SOLX in 2000 and led the efforts for the company's acceptance as an incubator company into Boston University's Photonics Center Business Accreditation Program. Research and product development of the DeepLight™ Glaucoma Treatment System was initiated just one year later.

In 1996, Mr. Adams started Adams Medical Ventures, an investment banking company focused on mergers and acquisitions for the ophthalmic industry. Adams Medical Ventures expanded to serve the dermatology and plastic surgery markets with a core focus on devices and equipment. Prior, he was Chairman and CEO of several medical device specialty companies.

Mr. Adams graduated from the University of Georgia with a degree in real estate and has completed executive education courses at Columbia University and Wharton School of Business.

This workshop is open to members of the Dartmouth Community: alums, staff, faculty, students and friends and family

Register Now!

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Entrepreneurship Mini-Course begins January 5th

The Tuck School of Business, the Dartmouth Medical School, and the Dartmouth Entrepreneurial Network program are again pleased to offer members of the Dartmouth community an evening mini-course, "Introduction to Entrepreneurship," designed to provide basic education in commercialization of technology, entrepreneurship and the starting of new business ventures. The course will be offered at the Tuck School of Business on Thursday evenings, 4:45 pm - 6:45 pm, January 5 to March 2, 2006. 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 and a business proposal which they will present to a panel of potential investors at the conclusion of the course.

Tuck professor Gregg Fairbrothers is the organizer of this class. There will be no tuition charge. Class size may be limited. Anyone interested in additional information should make the following contacts:

Tuck students: Jane Nurnberg Jane.B.Nurnberg@dartmouth.edu
 Thayer Students: Daryl A. Laware Daryl.A.Laware@Dartmouth.EDU
 All others: Carrie Newton Carrie.C.Newton@Dartmouth.edu

CODE EVENTS Undergraduate Business Plan Competition Opens with Standing Room Only Event by Dan Iosifescu '07

This fall the Club of Dartmouth Entrepreneurs (CODE) announced an expanded Business Plan Competition. Sponsored by the Rockefeller Center, and offering a first place prize of \$2000, the competition provides Dartmouth undergrads the opportunity to expand their liberal arts education and learn skills necessary to enter the business world where they can put their entrepreneurial ideas into practice. The competition requires undergrads to submit executive summaries in the fall, provides an opportunity to attend the Introduction to Entrepreneurship Class at Tuck taught by Gregg Fairbrothers, and encourages students to compete in a more formal setting in the spring by submitting formal business plans and presenting before a panel of judges and the student body.



Melissa Crouse D'03 speaks to a standing room only crowd in Carson Hall

As part of the competition CODE hosted three workshops during the fall term. The first event on September 29th was a presentation by Melissa Crouse '03 of Google. The event was one of the most well attended CODE events in recent years, with more than 70 undergraduates attending as well as several Tuck and Thayer students. Melissa, who served as a strategy consultant for IBM and now works as an Associate Product Marketing Manager at Google, outlined her "Top 10 Things I Wish I Knew in College." She provided anecdotal experiences both from her time in college and in the business world to explain to students how to apply entrepreneurship ideas in real life. She encouraged students to be passionate and to pursue their interests, urging undergrads to "take a risk and don't be afraid to fail." The presentation was very well received by undergrads: "I found her presentation very informative and encouraging," said Chris Allen '07, "it's nice to know you can apply the skills you learn in college out in the business world - especially at a young age."

On October 27th, CODE hosted an Intellectual Prop-

erty workshop. Visiting patent attorney Peter Nieves of [Sheehan Phinney Bass + Green](#) led the workshop which addressed legal issues related to patents and trademarks. After the workshop Peter held office hours for students who had specific questions not answered during the session.



Peter Nieves speaks to Dartmouth students during the Intellectual Property workshop

On November 2nd, CODE held an Executive Summary workshop led by Gregg Fairbrothers, one of the club's advisors and Director of the Dartmouth Entrepreneurial Network. At the workshop Gregg sought to displace preconceived notions many undergrads hold, urging that "it is not about the product" but about the market and the need. He encouraged students to identify a specific need and then talk to potential customers in order to mitigate risk for investors. He also downplayed the benefit of the "first mover advantage", declaring that "there is no glory in new models" and instead urged students to think creatively about how they can secure a market and hold it using barriers to entry and by planning an exit strategy for investors. Students were very enthusiastic about the workshop. "Gregg's presentation, or rather, crash course in entrepreneurial ventures, inspired me to consider my potential as an entrepreneur," said John Ballard '07, "He's a fantastic resource for helping undergraduates turn just another good idea into realized value. I look forward to his Introduction to Entrepreneurship Course at Tuck this winter. His course, in combination with the CODE Business Plan Competition, is helping to bridge the professional development gap in the Dartmouth undergraduate experience."

At the end of the term, the Club of Dartmouth Entrepreneurs also held an informal joint meeting with Women in Business and the Dartmouth Consulting Club to expose undergrads, in particular freshmen, to the options available on campus to learn more about business. The Club has also continued to inform students about the competition through its new website, and emails to the undergraduate body.

The Club of Dartmouth Entrepreneurs is an undergraduate organization led by Karan Danthi and Dan Iosifescu. For more information on the competition or to get involved with CODE visit their website, www.dartmouth.edu/~code.

Taking Outside Capital: a decision matrix: considerations that entrepreneurs/ business owners should evaluate when considering taking capital from outside partners by Michael Burgmaier T'01

Thinking about taking outside capital for your venture? Here are some considerations:

1) Do you have the right business and model? By and large, venture capital and angel investors look for certain characteristics in companies in which they consider investment:

- **Strong gross margins:** Sustainable gross margins, typically north of 50%, suggest the company has a non-commodity product/service. Strong gross margins allow a company to fund growth, in part, from operating cash flow.
- **Scalability:** Scalable businesses are those which can make something once, but sell it many times: they use capital efficiently. Non-scalable examples include custom or most service-oriented businesses (make once, sell once).
- **Sector growth:** Investors like to make bets on large, fast-growing markets (or those anticipated to be so). Technology and certain consumer products sectors tend to fit this profile.

2) Are you prepared for an active/involved business partner? Most venture capital funds and many angel investors/groups are active, rather than passive, investors. While these investors don't wish to run your business, they often seek board seats, structure (through preferred stock agreements) approvals by the investors for certain decisions and expect to be valued and treated as partners. If you choose an active investor, make sure it is a value-add investor and one you can trust and will want to have working with you.

3) Be ready for candid discussions about your role. Often, investors will directly address issues which could be emotional ones for founders—whether a company's current senior leadership can adequately meet the needs of the business and, if not, how to address transition to augmented leadership/management. The management needs and skills for a growing company (especially from startup) change dramatically over time; a founder may often not be the best person to run the company for the long term. Investors must do what is best for the company and a founder should be intellectually and emotionally prepared to shift into a different, often more narrow role.

4) Are you prepared for an exit/liquidity event? All VC and most angel investors expect to seek repayment of their investment within a 4-7 year period. VC investors, in particular, expect management to prepare for exits from the first day of investment (actually, before investment). If you are planning to maintain a lifestyle business with no intent to exit, it is best to avoid outside investors.

5) Understand pricing and terms: Most entrepreneurs are surprised (shocked, angry) to learn how an outside investor values his/her business. To better manage expectations, understanding the valuation processes can be helpful. Entrepreneurs should know that investment structure (terms of the preferred stock) can often be more important than valuation when it comes to dividing up the pie at exit.

5) Entrepreneurs are optimists which is why I like to be around them. The best entrepreneurs plan well and are realistic: Whether in relation to valuation/dilution, your company's growth rate, your role or the time it will take to complete a financing, it is important to properly set your expectations about the odds, work, time and process required to complete a transaction. If you are in a difficult (cash crunch) situation, your credibility and negotiating power with outside investors will weaken: plan ahead, research the investment process for a given investor type (VC, angel, etc), and be conservative in your assumptions so that you have room to over perform (higher revenue, lower cash burn etc).

Getting money for your company is great, but don't forget the important elements of getting the right amount from the right source at the right terms.

Michael Burgmaier (T'01) is a Principal at [CEI Community Ventures, Inc.](#), a Portland, ME-based venture capital fund.

QUESTION

Can I object to corporate donations?

About a year ago, I sold two-thirds of my company to a couple of investors. We get along well, and they've really helped turn around the business. But now they've announced that their religion requires them to donate 10% of our total corporate profits to their church. I suppose they have the power to do this, but I'm not happy about handing over a chunk of my profits to a church I don't even belong to. Can a minority shareholder object to corporate donations that obviously have no business purpose?"

ANSWER

There's no easy answer to this question, in large part because so many companies routinely make donations to "good causes" and even political parties without consulting their shareholders. Since these donations don't benefit the company or shareholders except in very indirect ways, you could argue that charitable gifts constitute "egregious" spending the same way that paying for lavish parties by the CEO should be unacceptable. It's not a religious issue--rather, it's a simple matter of fiduciary responsibility. Usually, donations don't have any material impact on the company's profitability, so shareholders rarely object. In your case, however, a 10% reduction in profits is certainly meaningful. You have three or four possible choices: Accept your partners' tithing as part of your loss of control of the business, take them to court (a bad choice), or offer to sell your share of the business-- preferably at a price that reflects the company's recent successes. You might also tell your partners that you're bothered by the tithing decision, and ask them to pay your share of the 10% donation out of their own profits. It's a long shot, but if they refuse you'll at least know if the issue is negotiable.

QUESTION

How do we verify the accuracy of accounting software?

Our auditors say Sarbanes-Oxley requires us to certify that our accounting software is accurate and mistake-free, which makes sense in theory. But we have no way to inspect or test the vendor's code--the software could be skimming off a little cash here and there, and we'd never know. So how can we certify the integrity of the software?"

ANSWER

Sarbanes-Oxley has brought this issue to the forefront, but the issue has been around for a long time. Before you install any new financial program you must do due diligence to ensure the software is accurate and appropriate for your business. The two most significant steps are confirming with other users that the software functions as claimed, and operating the software with test data before converting to the new system. Many companies will process transactions for a period (say, one month) in parallel, using both their current software and the new software. At the end of the trial period, you should compare the results and make sure you get "exactly" the same numbers. Ideally, you should pick a test period that gives the software a full workout--for instance, a year-end closing or perhaps a conversion of international sales. And keep an eye on the company's tech support bulletin board to see if there are bug reports or other issues you should watch out for.



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To register to receive Mike's free monthly newsletter by email

please visit his website:
<http://www.gonnerman.com>

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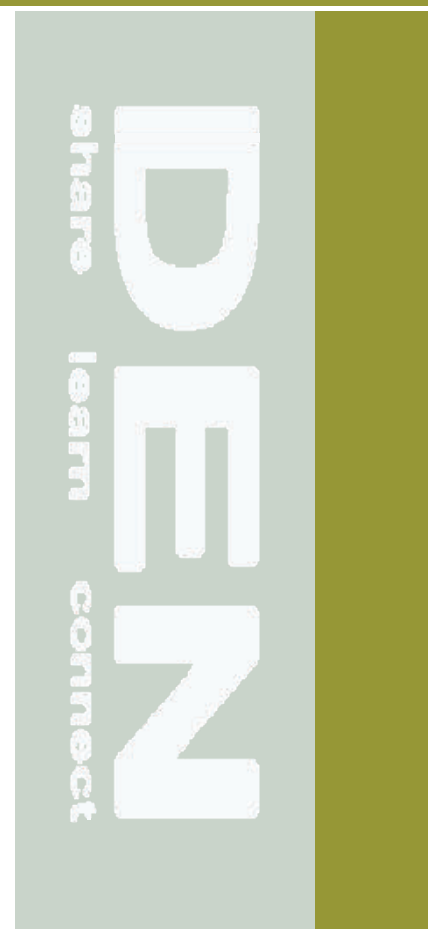
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Roger Sloboda

Professor of Biological Sciences, Dartmouth College

Fred Wainwright, TU'02

Executive Director, Tuck's Center for Private Equity and Entrepre-
 neurship. Adjunct Assistant Professor of Business Administration,
 Tuck School of Business



THE BIG GREEN \$2K

The Big Green \$2K Entrepreneurship Competition is designed to provide students who share a passion for business and entrepreneurship with an outlet for their interest. It is intended to encourage creativity among the student body, and expose students from a liberal arts background to the intricacies of business. The competition has been an annual event of the Club of Dartmouth Entrepreneurs for several years, and in 2006 will become a year long event centered on the Introduction to Entrepreneurship class at the Tuck School of Business. Applicants will go through a three-tiered selection process, first submitting executive summaries, then formal business plans, and finally presenting before a panel of judges made up of Tuck professors and industry professionals. The winning team will be awarded \$2000 in prize money.

For more information visit <http://www.dartmouth.edu/~code>.