

# Western Mass Venture Forum NEWS

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January 22 -

## SALES & TWO BUSINESS PLANS

**Sales IS** the company, especially now. Investors and managers alike agree that the successful business plan gets to sales quickly with less investment. So, SALES is the next focus of the Western Mass Venture Forum.

**Yes, we said SALES...not marketing, not networking...SALES.**

Leading an action oriented discussion is Jim Ayraud, President and CEO of Next Level in Wellesley, Massachusetts.

In addition, two business plans will be presented: **GREASECAR** and **ZFORM**.

### Ring the Cash Register

The featured presentation topic is SALES - Ringing the Cash Register. The talk is geared to understanding why the sales team does not ring it often enough. Jim promotes replacing fear, uncertainty and doubt with a new more powerful word —E.C.L.I.P.S.E.

Jim has over two decades of sales management and training experience with some of the best companies in America, beginning with Procter and Gamble, the largest consumer products company in the world. He was then recruited away to one of P&G's fiercest competitors, Kimberly-Clark Corporation. At Kimberly-Clark, Jim rose to become the youngest Regional Sales Manager in company history. Before creating Next Level, Jim was Vice President of Sales and Marketing for Rolf C. Hagen, where he led the company's US sales and marketing efforts. HAGEN Inc. is a worldwide manufacturer and seller of pet supplies.

Client accolades on Jim's effectiveness include comments like: "Working with Jim Ayraud is a great experience. He doesn't throw you feel good solutions. He makes you realize your business grows when you grow; and then he grows you".

### The Plans

GREASECAR has completed research and development and is now producing and selling a conversion kit which converts standard diesel powered vehicles into waste oil users. GREASECAR has been featured in the Valley Advocate and other publications and is now ready to ramp up production and marketing.

ZFORM is a software company with the vision of bringing the blind, visually impaired, and sighted together through online games. There are over one hundred million people around the world who, because of visual impairment, cannot take part in many of the games and social activities that the rest of us take for granted. Zform creates online games where people can play and interact together on an equal footing, regardless of visual impairment. Zform uses

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## September 27 Forum Notes:

The November 27, 2001 edition of the Venture Forum was treated to a presentation by William Hanley, president and owner of Millitech, LLC in Northampton. Hanley, who spoke on the subject of managing during change and uncertainty, has had a 35 year career beginning as an engineer for Corning Glass Works and rising to chief executive officer of Galileo Electro-Optics. Hanley recently joined the Pioneer Valley business community through his purchase of Millitech. His long career of community involvement continues here with his chairmanship of the new Technology Enterprise Council.

The business plan presentation was by Biometrics2000, a new Springfield company which has developed a product line of building access control devices. The management team, led by Joe Turek and Frank Polidoro described the technology, marketing

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## Tax Benefits of Qualified Small Biz Stock

Thomas R. Pratt CPA, J.D.

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Internal Revenue Code Section 1202 provides a significant incentive to invest in certain qualified small business stock (QSBS). Noncorporate taxpayers may exclude 50% of the gain on disposition of QSBS issued after August 10, 1993 and held more than five years. The exclusion is 60% for gains recognized before 2015 on the sale of empowerment zone stock acquired after December 21, 2000.

Eligible taxpayer gains from dispositions of stock of any eligible corporation in a taxable year are limited to the greater of:

(1) \$10,000,000 (\$5,000,000 for married filing separately) reduced by the total gains from the sale of the corporation's stock taken into account by the taxpayer in prior years; or

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## November 27 Forum Notes - continued

and sales strategy and financial plan for the company. Using current construction industry standards, the Biometrics2000 product line is designed as an alternative, replacement and supplement to current building access control systems. The point of difference is that the Biometrics2000 product line uses fingerprints instead of other security measures.

### Hanley

Using many examples from his engineering and management career, Hanley pointed out that managing during uncertain times or, even worse, chaotic times requires special skills and tactics. The manager who seeks to lead during uncertain times has to overcome the fear of uncertainty which most people have. Having overcome that fear himself, the manager needs to show the employees the way. This means emphasizing skills over knowledge in the short run and identifying those people in the organization who have the specific and special skills needed to overcome the uncertainty.

Especially in emergency situations, management has to engage in full, open and visible communication with the entire team. Action, even incorrect action is favorable to planning in these situations. While keeping an eye on the longer-term goal, the leader must focus the team on the next goal to ensure that movement toward the ultimate goal continues.

Hanley left the audience with a series of pointers on how to manage a team through uncertainty to success.

### Biometrics2000

Solving the privacy constraints and issues surrounding fingerprint use, the Biometrics2000 product line applies proprietary technology to convert fingerprints into a data stream. This solves the problem of storing, transmitting and identifying fingerprints. Only the proprietary data stream is used for database and transmission purposes. Anyone intercepting the data stream is not capable of reproducing the fingerprint.

The Biometrics2000 management team is experienced. Turek, who has created two prior companies which have either gone public or been sold, is an engineer. Polidoro has a long history of sales and sales management in the building access control and security markets.

The Biometrics2000 plan seeks \$2 million to expand manufacturing and implement a national sales plan.

The review committee included Bill Hanley, Trippe Peake, managing director of Long River Ventures and Karen Utgoff, principal of a marketing strategy company. The panel asked company management about different aspects of the plan including questions on subjects involving intellectual property protection, the product positioning strategy and the sensitivity of the financial projection to adverse market consequences.

## Small Biz Stock continued

(2) ten times the aggregate adjusted basis, of the QSBS issued by such corporation and disposed of by the taxpayer during the taxable year. For purposes of this subparagraph, additions to basis after the date on which the stock was originally issued shall not be taken into consideration.

QSBS must be held more than five years before any gain on its sale or exchange will qualify as gain eligible for partial exclusion. Special rules and/or certain limitations may apply where a taxpayer takes an offsetting short position in the QSBS, or pass-through entities are involved, or the corporation redeems stock from the taxpayer (or related party) or buys its own stock in excess of certain amounts during specified periods.

Qualified small business stock is any stock in a C corporation which is originally issued after August 10, 1993, if:

### Sponsor Highlight

The American International College School of Business Administration offers an array of undergraduate majors (Accounting, Economics, Entrepreneurship, Finance, Human Resource Management, International Business, Marketing Communication, Marketing, Management, MIS) and graduate programs that lead to the MBA and MSAT. Classes are small. Faculty are seasoned professionals who offer practical insights as well as academic guidance. You are invited to register to audit an MBA course (or part of it) during the Spring 2002 semester on Marketing and Management for the New Economy. Topics include e-business (web management, network/relationship marketing) and Entrepreneurship (Venture Capital, business plan structure and presentation).

For more information contact Trudy Somers, 413-205-3230 or [tsomers@acad.aic.edu](mailto:tsomers@acad.aic.edu) or see her at the January Venture Forum.

(1) as of the date of the stock is issued, the corporation is a "qualified small business", and

(2) the stock is acquired by the taxpayer, with certain exceptions, at its original issue, in exchange for money or other property (not including stock), or as compensation for services provided to such corporation (other than services provided as an underwriter of such stock).

A qualified small business is any domestic C corporation whose aggregate gross assets at all times on or after August 10, 1993 and both before and immediately after issuance do not exceed \$50,000,000. Amounts received in the issuance must be taken into account in determining aggregate total assets immediately after issuance.

The corporation must also meet an active business requirement. This requirement rules out most service businesses, banking, finance, leasing, investing, farming, mining, or any

business operating a hotel, restaurant or similar business to mention a few.

In summary, investors who have made qualified investments in highly appreciated qualified small business stock, may be able to cash out of their investment with a significant portion of their gain being excluded from U.S. income taxes.

As always, anyone that feels they might be eligible for this opportunity, should consult a tax professional for a more in depth analysis to determine whether the provisions of Internal Revenue Code §1202 would be beneficial to their individual situation.

*Tom Pratt, CPA, J.D. is a Principal at Burkhart, Pizzanelli, P.C. Certified Public Accountants. Tom and his firm provide services in the areas of business consulting, tax, accounting, valuations, estate planning, and benefit plan administration to name a few. Tom and the Firm serve both large and small business customers throughout New England and New York.*

### Sales & Two Business Plans - con't.

audio to communicate information to the user, creating an Audio User Interface (AUI). The AUI technology is patentable and can be applied to other products.

### GREASECAR

The GREASECAR plan presentation will feature Justin Carven, founder of the company who is a nationally recognized expert on pure vegetable oil fuel systems. In an industry limited to chemically altered or petroleum infused products, Carven has designed the only biofuel system that utilizes 100% pure, unprocessed vegetable oil. Since 1998, he has become a recognized authority in biofuels.

### ZFORM

ZFORM'S plan will be presented by Jeremie Spitzer, Cofounder and CEO who has over six years experience managing small business teams and was a game design consultant for the online game developer Planetary Arts. ZFORM seeks a \$1.26 M equity investment.

### Plan Review & Critique

The Plan Review & Critique team for January will be Jim Ayraud and:

**Joe Minton, CEO of Cyberlore Studios, Inc.** in Northampton. In business for a decade with over 30 employees, Cyberlore makes software products for the gaming industry including console and computer games.

**Joseph Steig, Chief Financial Officer of Hot Roof, Inc.** This Great Barrington, Massachusetts company creates video customization tools to customize entertainment and e-learning websites. Joseph is a former consultant with MASS Ventures.