

YESLETTER



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THE NEW ECONOMY IN NEW HAVEN

SARAH CREWS

DISCUSSION PANELISTS LOOK FORWARD TO ENHANCING THE LOCAL ENTREPRENEURIAL COMMUNITY

The seven speakers at the Yale Entrepreneurial Society's discussion panel "The New Economy in New Haven," held on September 27 at the Yale Law School, agreed on Wednesday night that with the recent growth in high-tech industries in the area, the need to continue to foster an environment that attracts these firms to establish themselves here is of persisting importance.

Headlining the panel and participating in one of his first speaking engagements targeted at the Yale community, was Mayor John DeStefano Jr. The panel also included Vice President for State and New Haven Affairs Bruce Alexander and the city Director of Economic Development Henry Fernandez (LAW '94). They were accompanied by a collection of top executives from local new economy businesses including VP of Operations of CuraGen, Michael McKenna; Co-Founder, President and CEO of Metaserver, Richard Schultz; Co-Founder and Managing Partner of Aquarium Ventures, Michael Stern; and the founder of YellowPen, John Leibowitz.

Both city and industry leaders concurred that New Haven has the potential to be a hotspot in the New Economy if current trends continue. Already over 25 percent of the jobs in the greater New Haven region are in knowledge based industries, and according to an article appearing in *The Wall Street Journal*, New Haven has secured almost \$600 million in biotech investments alone, from private and public sources.

Mayor DeStefano Jr. defined his role in the new economy as not only working to improve the city's cultural life and transportation systems in order to encourage more young high-tech businesses to locate here, but also looking out for the entire workforce by making (SEE PAGE 2 — NEW ECONOMY)



New Haven Mayor John DeStefano addresses students, professionals, citizens at the Law School. —Kristin Mendoza

SOCIAL NETWORKS

SEAN GLASS

So you want to be an entrepreneur. You've got an idea, and slave away Friday and Saturday evenings while everyone else seems to be out partying. But you are on a mission. Is this really the way companies get started? Maybe not. The most powerful companies get started by a well-connected group of people. I'm not saying that growing a successful company won't take hard work. It will. But the interactions that result in the birth of a new company usually involve a pen, a napkin or coaster, and a discussion over a drink.

Last Thursday, I attended the New York New Media Association's (www.NYNMA.org) annual new media conference: Super Cyber Suds 2000. Every time I attend an internet industry event, I am amazed. The atmosphere is more like that of a frat party than a trade show. Salespeople at booths chugging beers while handing out business cards, people flirting – discussing what they're doing later in the eve-

ning ;-). There's almost always barely room to move. The entire event is a giant social gathering. Sales people, techies, executives, founders, venture capitalists—all enjoying themselves and making connections that will launch new businesses into the future. At first, attending these events can be kind of awkward. Everyone seems to know everyone else. Don't worry, they don't. But after attending a few events you'll start to see familiar faces and everyone is more than willing to help with introductions to their friends and colleagues.

The start-up industry is inherently friendly and helpful. Entrepreneurs seek out help



and advice from those who have succeeded once already. Successful entrepreneurs often jump at the chance to serve as an advisor to a new venture, because at some point they were the ones asking for assistance. It's a virtuous cycle that benefits everyone involved.

So what am I saying? Being an entrepreneur is as much about meeting and knowing people as it is about slaving away at 3:00 am writing C code, or putting the finishing touches on your business plan. It's about meeting people, building relationships, having fun, and working with others to create something that will change the world. So go to that frat party, grab a drink at Super Cyber Suds, and meet the people who build companies, for without the people, that business plan or piece of technological wizardry is worthless.

NEW ECONOMY (CONT FROM 1)

sure that the city's underprivileged and minorities were also benefiting from the new economic growth. He also advised his audience not to overlook those sectors making up the remaining base of the New Haven economy—arts and entertainment, manufacturing, commercial services, construction, and retail—and the contribution they continue to make to the area.

According to McKenna, although more than 40 percent of Cur-aGen's employees are already from the area, its most prominent concern remains being able to attract the best talent. He underscored New Haven's assets. According to McKenna, New Haven has plenty to entice prospective employees, including a central location between Boston and New York, the sound and shoreline, easy access to ski slopes, a thriving intellectual community, quality



Y.E.S. President David Pozen directs questions to panelists regarding the "New Economy in New Haven." —Kristin Mendoza

arts and entertainment, and a reasonable cost of living.

Leibowitz, currently on leave from Yale Law School, noted, however, that the younger employees supporting most of these companies are looking for a hipper, 24 hour down-

town featuring classy bars, and nostalgically referred to one of his favorites in New York. On a more serious note, he addressed the deficiency of large, reputable Venture Capitalists that would encourage more start-ups to stay. Panelists went back and forth, sometimes asserting that "the deals follow the money," and other times that "the money follows the deals."

Another student entrepreneur (a would-be junior undergraduate), Stern stressed the importance of the student's role in creating entrepreneurial spirit in New Haven. According to Stern, students without previous corporate experience don't necessarily think outside the box because they never learned to think inside the box. Essentially, he relates that corporate inexperience can often be good, as all thinking is open and unrestrained by rules and hierarchical structures. Stern's company, Aquarium Ventures, an incubator, hopes to capitalize on the entrepreneurial spirit of fellow students by offering office facilities and other services to help fledgling companies establish themselves.

In addition, Alexander highlighted the important role Yale plays in creating an entrepreneurial atmosphere in New Haven. He pointed to Yale's increased efforts to encourage the development and growth of local bio-tech companies as well as the creation of School of Management's Enterprise Center, which offers support services, such as help writing business plans, to local young companies, and the inception and rapid growth of Y.E.S within the past year.

Fernandez concluded the discussion by reminding everyone that this community of new age entrepreneurs didn't even exist five years ago, and that it was events like this discussion that helped to create the spirit of an entrepreneurial community in the area. He also stressed that New Economy businesses in New Haven were not only working to build companies, but were busy helping to build a city.

Y2K CONCEPT COMPETITION TAKES OFF

ALEXI NAZEM

After the great success of last year's Y50k business plan competition, The Yale Entrepreneurial Society (Y.E.S.) is sponsoring a "warm-up" event – the Y2k Concept Competition – in the Fall 2000 Semester. The purpose of this smaller competition, which awards some two thousand dollar in prize money, is to encourage all members of the Yale community to put some of their best business ideas on paper, in preparation for the bigger competition this coming spring.

Each team is allowed to submit a 1200-word summary that describes its business idea. A full-fledged business plan is **not** required to enter the contest, just the seedlings. The proposals are then divided into five categories ranging from high-tech to retail and entertainment, and a winner is chosen from each category. The emphasis of this event, however, is not on the cash prizes, but rather on the feedback every team gets from the judges. In fact, you could say that everyone who enters comes out a winner, equipped with pointers, comments, and new ideas.

All entries are due by **Monday, November 13, 2000 at 11am**, and winners will be announced at the Y2k Concept Competition Awards Ceremony on Sunday, December 3rd. Y.E.S. invites anyone and everyone at Yale who has ever had a business idea to enter. For more information, visit Y2k and Y50k on the web at www.y50k.com.

DONNA DUBINSKY GIVES ENTREPRENEURS SOME LESSONS

KRISTIN MENDOZA

On Wednesday, September 20, I walked to the Law School to hear Donna Dubinsky speak about her experience as an entrepreneur. I half-expected to hear another snooty business person flaunting their success, throwing numbers and acronyms at me, and telling me that the dreams they envisioned since high school had finally come true because they followed the prescribed entrepreneurial path, replete with course recommendations, business plan tips, and marketing strategies. What I saw was a warm, dynamic, mid-Westerner casually relating her life.

Donna Dubinsky (JE '77), now the CEO of Handspring, like many of us (okay, like me) was a history major at Yale. She obtained her business degree from Harvard Business School in 1981. Afterwards, she worked as a banker in Philadelphia. It was there that she encountered many entrepreneurs, and began to wonder what it might be like to join their ranks. She joined the Apple team, where she could gain experience with a young company. She spent ten years working for Apple and Claris. Unsure whether or not her entrepreneurial appetite was satiated, she took a much needed break in Paris for one year.

Upon her return, she discovered that her desire to be involved in (SEE PAGE 4 — LESSONS)

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of Your
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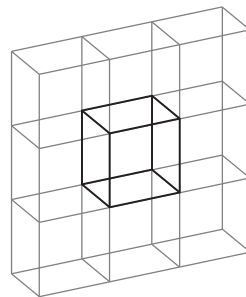
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LESSONS FOR THE ENTREPRENEUR (CONT FROM 3)

an entrepreneurial undertaking had not waned. She met up with Jeff Hawkins, who she describes as a visionary, and the two of them began working on Hawkins's idea. They foresaw the future of the PC as the hand-held computer—the Palm Pilot. Investors were wary. Hawkins and Dubinsky were not following protocol. Hawkins and Dubinsky visualized something very different, some might even say revolutionary. Those in the business already insisted on seeing the hand-held computer as a continuation of the PC in important technical ways. Therein lay the problem.



*Y.E.S. President David Pozen and Vice President Evan LePatner present Donna Dubinsky, CEO, HandSpring with a Y.E.S. T-shirt. One catch—she must pose as the letter "Y."
- Serge Grossman*

Their temporary solution came in the form of an acquisition by US Robotics. This short-lived relationship was protracted only by USR's acquisition by 3Com. After recognizing and digesting the fact that Hawkins's brainchild could not develop unrestrained in that environment, together Hawkins and Dubinsky made their break.

The first Palm Pilot had come out in 1996. Palm had spun off from 3Com. But now Handspring promised something better, something more innovative. They talked about "the slot in the back." And they delivered. Handspring boasts an inexpensive (Dubinsky estimates \$150) and more flexible product.

But what does Dubinsky really know about developing a product? She admits, nothing. She doesn't build, she doesn't design, and she doesn't sell. She emphasizes the team. Unfettered fantasy and tried-and-true pragmatism in the right proportions. Sure, at first it takes a strong personality, unwavering belief in the sure success of an idea, though all conventional wisdom points to the contrary. But what would have happened if she and Hawkins employed a focus group to critique his idea? They would not be where they are today.

So how do we get from our hard wooden desk chairs in a Jonathan Edwards residential college dorm room to the CEO's plush desk chair (that probably has wheels!) that Dubinsky enjoys today? I don't know what to tell you. Donna Dubinsky didn't know. She was

ways to get to the same place. But she does have some advice to help guide you along your way, whatever way that is.

Five Entrepreneurship Lessons

1. Incumbency can be a disadvantage. Fresh=good.
2. Partners are not a panacea.
3. Great products matter.
4. Challenge conventional wisdom.
5. You can never have too much money.

Five Business Lessons

1. It takes a team.
2. Strategies don't move mountains; bulldozers do.
3. You've got to be smart. You've got to be lucky. The hard part is knowing which is which.
4. Aim for a win-win. Don't only think about what's in it for you. What's in it for the other party?
5. Ignore sunk costs.

Five Life Lessons

1. Get your go-to-hell money. (a.k.a. Save for a rainy day).
2. Everybody shows up again. (a.k.a. It's a small world—play nice).
3. Get a life. (Spend less time by doing things better)
4. Wealth is worth sharing.
5. Integrity is number one.

Y.E.S. Announces the Y2k Concept Competition

- ◆ *Do you have a great idea?*
- ◆ *Can you offer your talent to someone who has a great idea, but no sense of business?*
- ◆ *Do you know about the legal aspects of starting a business?*
- ◆ *Can you sell just about anything?*
- ◆ *Are you excited about entrepreneurship?*

Start building your team for the Y2k Concept Competition and warm up for the big Y50k Entrepreneurship Competition in April.

**For contest information and
to download the Y2k Entry Kit,**

Visit www.y50k.com

SUMMER SOLSTICE

COMMENTARY BY R.S. OPHIR, FOUNDER & CEO OF NEW HAVEN-BASED SPLIT THE DIFFERENCE.COM

Calendar of Events

While the West Nile virus was incubating in the blood of mosquitoes and birds in greater NYC, start-up fever spread throughout the quad in downtown New Haven. Today's column attempts to track the fate of some recently infected Yale entrepreneurs and to advise about buttressing the community's overall efforts.

Aquarium Ventures

I am truly envious of Mike Stern and Peter Venech. They get more press than Donald Trump. Fifteen articles in eight months of existence—from top publications no less. Boasting two portfolio companies and one of the snazzier websites around, these two seem poised for success. They have a vision that makes sense, they're on a pace that they can maintain and they focus on the right thing: people.

Recommendation: Buy

Avaaz Technology

Sandra Ro (Pierson '96) left the Morgan Stanley trading floor to launch a buying office for software developers. Sandra spent a lot of time at Y.E.S. events last year while preparing to make her big move. She currently maintains offices in New York and Bombay. We're hoping that the New Haven branch will be forthcoming. Her top two clients are also Yale upstarts. Avaaz boasts a lean team, revenues, and a highly profitable business model. Fully funded by its founders, Avaaz does not intend to seek outside funding for some time. I see no downside here.

Recommendation: Buy

BlueNet Ventures

David Meyers (SOM '99) spent six months working for the Yale Enterprise Center before launching BlueNet Ventures, an incubator. Several of the firms listed in this article spent time working with BlueNet, but none of them are still there. It seems that the would-be advisors are currently focused on their own issues, such as raising capital and finding talent.

Recommendation: Sell

Dagim

Ben Karp, a Yale doctoral student in African-American studies made a big splash with front-page headlines in the New Haven Advocate last February. But what started as an investment fund has become a consulting company. Although it's not clear what kind of consulting they offer and to whom, the personnel is made up of an extremely smart bunch of entrepreneurs. As such, I am sure they will redefine themselves according to what the market demands from their unique talent pool.

Look for more information on the following events (www.yale.edu/yes):

October 2nd, Monday, 7:30 pm	Y2k/Y50k Team Building Session #1 Pierson Common Room
October 5th, Thursday, 6:00 pm	MIT Enterprise Forum: Kenan Systems founder Quinnipiac College — Mancheski Hall
October 10th, Tuesday, 7:30 pm	Y2k/Y50k Team Building Session #2 TBA
October 16th, Monday, 10:00 am	Boot camp for BioScience companies Omni Hotel
October 18th, Wednesday, 7:30 pm	"Building a High-tech Dream" Davenport Common Room
October 24th, Tuesday, 7:30 pm	Y2k Educational Session led by Venture Vortex WLH 119
November 1st, Wednesday, 7:30 pm	Y2k Educational Session on "The ABCs of Entrepreneurship" LC 102
November 13th, Monday, 11:00 am	Y2k deadline TBA
November 14th, Tuesday, 12:00 pm	Y2k entries received by judges TBA
December 3rd, Sunday, 8:00 pm	Y2k Concept Competition Awards Ceremony TBA

Add events to the calendar for subsequent newsletters by emailing david.pozen@yale.edu. Send entries to next month's newsletter on or before November 10, 2000.

Recommendation: Hold

PsychoChick.com

A pure branding play, Todd Wagner (SOM'00) taps into the misunderstandings that occur between millennium men and millennium women. The business model revolves around the tried and true community-building concept that says: If you can build critical mass, then you can eventually sell stuff to your visitors at a profit. With the recent demise of community builders that has included the likes of theGlobe.com and iVillage, I think one in a million is a generous likelihood of success. On the other hand, Todd is an experienced entrepreneur and I'm sure his burn rate is more manageable than most traffic-driving behemoths.

Recommendation: Hold

Silicon Ivy

Josh Newman tried to pull a fast one on me. He changed the name of ParadigmBlue to Silicon Ivy over the summer. Most likely the move was suggested by his very impressive VC investors. With over \$10 million in funding, Josh has raised more capital than any of the other start-ups listed here. True to his convictions, Josh waited until the money was in the bank before floating any term sheets to prospective portfolio companies—one of whom is also detailed in this article.

Recommendation: Buy

(SEE PAGE 6 — SUMMER)

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New Ideas for the New Economy

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SUMMER SOLSTICE (CONT FROM 4)

The Manufacturing Exchange

Winner of the Connecticut Venture Group business plan competition and runner-up in the Y50K, Alexis Cort (SOM '00) continues to labor on his business-to-business exchange concept. This model has been beaten up by analysts lately, but Alexis has uncovered an interesting excess supply scenario that reminds me of Priceline in its early days. With the right partnerships and technology, this could be one of the late arrivals to B2B that actually achieves sustainability.

Recommendation: Buy

UNECT

Miles Lasater, Sean Glass and Mark Volchek founded Y.E.S. and the Y50K—quite a feat in and of itself. Over the summer, the same team worked tirelessly on UNECT, a poorly named finance company that will capture a piece of the multi-billion dollar student market. They have miles to go before they sleep, but fortunately this all-star team spends many sleepless nights in their office. They are currently entertaining their first term sheet from non-“friends and family” investors.

Recommendation: Buy

YellowPen

Stephen and Stephen (Brown and Robinson) topped the competition at the Y50K business plan competition. The two are extremely smart and technically capable. It's hard to tell what they have accomplished because they are also extremely secretive about their business. I know YellowPen still operates in New Haven and I expect to see big things from them.

Recommendation: Hold

Last academic year marked the beginning of unprecedented start-up activity in and around Yale University—and this list does not purport to be exhaustive. In the absence of university support for such initiatives, the market has provided necessary conditions for transforming the localized entrepreneurial epidemic into an uncontrollable outbreak.

Contagion occurs between people who are in close physical contact with each other. The upstarts of New Haven must continue their efforts in a unified fashion, working together to overcome the obstacles that lie before them. That means: Sharing information, sharing talent, and sharing resources.

★ The Y.E.S. Wish List ★

*Your help would be greatly appreciated.
 We are seeking the following:*

Alumni members—register at our web site http://www.yale.edu/yes_new_member.htm

Help developing a Y.E.S. on-line mentoring site to offer secure and confidential interaction between Y.E.S. members at Yale and those elsewhere in the entrepreneurial community.

Sponsors for the Y50k Entrepreneurship Competition scheduled for April 14, 2001. Beyond this goal, endowments to the Y50k contest would ensure its continuity. (www.y50k.com)

Help finding a keynote speaker for the Y50k Gala held April 14, 2001.

Donation of printing and copying services

Staff members for the YESletter