



# TENNESSEE INVENTORS ASSOCIATION

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March 18, 2006

## **Forthcoming Meeting, March 18, 2006**

The speaker will be **Jacqueline Merritt** from the Small Business in Nashville. She will speak on **"Financing Your Business the SBA Way"**. We thank Vice President Terry Brewster for obtaining this very pertinent speaker.

## **Past Meeting February 18, 2006 (% Recording Secretary Tom Kulaga)**

Otto Wheeley, a local venture capitalist, braved the winter weather to provide a very informative talk to the Tennessee Inventors Association on February 18, 2006.

Otto Wheeley discussed his long career providing venture capital to startup technical companies. After graduating from The University of Tennessee as a chemical engineer, Otto worked for Koppers in Pittsburgh, Pennsylvania. While there, he provided venture investing to many startup companies. After leaving Koppers, Otto continued providing venture investing to East Tennessee companies. Otto identified Genentech and Radio Systems as two companies that he helped. He said that he has retired from venture investing.

Otto described several factors, or basic principles, that he looked for in deciding whether to invest in a startup company. Typically startup companies that Otto dealt with were companies formed by individuals who had an invention or an idea that they wanted to bring to market. Otto was providing venture investing for these startup companies by forming a 50-50 joint venture with the startup companies.

**The first factor** important to Otto is the integrity of the individuals involved. Integrity includes the dependability and trustworthiness of the individuals. Otto wanted to be able to depend upon the startup company to follow through with their end of the deal. He said that one way to assess the integrity of the individuals is to talk with their associates to form an idea as to their reputation. **The second factor** important to Otto is an evaluation of the technology or the idea driving the startup company. This evaluation was typically performed by a team who had expertise with the technology involved. The team considered whether the startup company was seeking patent protection, and the team also considered the viability of the invention and/or product. **The third factor** important to Otto is an evaluation of the market potential of the product offered by the startup company. This evaluation included the benefits to the end user and a cost/benefit analysis of the product. Along with the market potential was the publicity potential or newsworthiness of the company and the product.

**The fourth factor** important to Otto is the honesty of the company and the individuals involved in the company. He explained that although this factor is related to the first factor of integrity, it was so important that he considered it separately.

**The fifth factor** important to Otto is the passion shown by the individuals for what they are doing.

**The sixth and final factor** Otto discussed was whether the company had identified and created a board of directors. Recruiting of experts to help guide the company was given great weight by Otto. He said that typically the directors work part time to guide and advise the company in exchange for stock options.

Otto provided several tips for the inventor seeing investors. Otto suggested that the inventor identify the major companies in the industry associated with the invention. After identifying the companies, he suggested talking with someone from one of the companies, after they sign a non-disclosure agreement. Otto suggested aiming to talk with someone at the top of the company. He said a customer recommendation could provide an entry to such a talk. Otto said the major company, after becoming interested in the invention, should check and test the invention and the product to be sold. He said that the inventor brings his creativity to the company.

Otto thought it important to talk with potential investors face-to-face. He suggested focusing on a single major company. He also thought it important to not wait until a patent is issued before contacting potential investors.

## **Forthcoming Second Meeting, April 15, 2006**

Inventor **Charles Gibbs** will talk on several of his successfully patented and commercialized inventions. These include a device to detect and evaluate gum disease, a device for climbing ropes for cave explorers, mountain climbers, and rescue groups, and a device to measure the effectiveness of pain medication on rats and mice.



Otto Wheelley