

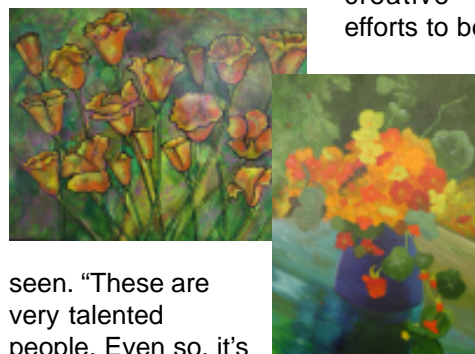
Art Adds Ambiance to Incubator

Visitors to the Telecommunication Incubator will find more than just a series of bustling offices and bright computer screens. Adorning the walls around the central area of the facility are scenes of California and Italy, portraits of children, photos of mountains, paintings of landscapes and more. One would almost think they are in an art gallery. In fact, they are.

Through the Office Art Program, local artists and art associations are invited to showcase their work at the Incubator. "It's more than simply an inexpensive way to decorate the facility," says Exec. Director Gary Craft. "Artwork creates a warm feeling and makes the whole place a more pleasant work environment. It's also another way to stimulate interaction

among our tenants on a personal, non-technical level."

From the artist's perspective, the program provides an opportunity for their creative efforts to be



seen. "These are very talented people. Even so, it's difficult for many artists to get their work into galleries. Here, we have lots of wall space and a very appreciative audience," says Craft.

"We're also providing artist/entrepreneurs with a venue to sell their work. I bought two paintings myself!"

To date, the Office Art Program has featured the works of Norma Webb of San Ramon, Bettie Goosman of Livermore and Denise Miller of Fremont. Currently, nine members of the San Leandro Art Association have their work displayed. Coming soon will be the works of Ru Begay and the Golden Gate Aviation Artists, and artist/members of the Livermore Art Association and the Pleasanton Art League. Showings are usually booked for three to four months. The public is invited to visit CCTI during regular business hours to enjoy the latest showings of the Incubator's Office Art Program.

Our Resident Businesses



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Funding Needs of Early-Stage Companies

Now that we're well into the "post-money millennium" and a new "new economy," there's still a need to address the funding needs of early stage companies ... from a totally different perspective. At a recent session of the Berkeley Entrepreneur's Forum, a panel of VCs explained how the capital market has changed.

First, VCs are wiser now and are investing with lower expectations - both in ROI and in time to IPO. Second, though it may not appear so, there's still lots of venture money being invested, but much of it is being invested in existing portfolio companies or later stage companies. Third, VCs are looking much more closely at "The Fundamentals."

"For incubators to best add value, they must occupy what researchers term "structural holes" in the network of relationships among entrepreneurs and investors."

Victor Seidel - a researcher at Stanford University, quoted in Sally Richards' new book "Inside Business Incubators and Corporate Ventures"

In the past, virtually all incubator tenants fully expected their pet project would be funded by venture capital money. So where should incubator companies look for funds these days? Sally Richards, author of "Inside Business Incubators and Corporate Ventures," suggests tapping into the incubator's angel network because "angel investors are still primarily the first to invest in any deal." And, debt financing is back in fashion (by necessity!) - entrepreneurs are re-learning the value of having a good relationship with a reputable lender. Today's entrepreneurs are more realistic about the amount of funding they need and can get. As Richards says, "It's back to making money the old fashioned way - hard work and perseverance."

Contra Costa/Tri-Valley
Telecommunication Incubator

Profile: Circle 24 Technologies

A Leader in IP Applications

Circle24 Technologies joined CCTI nine months ago as a software services company. At that time, they were starting to develop IP telephony applications on the side. Manoj Fernando, President of Circle24, was advised by his ex-professor, James Koerlin, Ph.D., Dean of the School of Technology and Industry at Golden Gate University, to join the Incubator.

"I had reached a turning point with the company", said Fernando. "The company was doing well but I wanted to take it to the next level. To do this I needed a professional environment with an existing state-of-the-art office infrastructure and place to grow a business. The Telecommunication Incubator met those needs and more."

According to Fernando, the greatest value of the Incubator was the business coaching and mentoring. Circle24 was actively selling software services at the time, but recognized that IP Telephony was one of the fastest growing segments of the

telecommunications industry. Trying to offer web services and develop IP applications was taxing the small company. CCTI recommended Circle24 phase out its web services and devote all its engineering resources to the development of IP telephony applications.

"CCTI urged us to focus on creating intellectual property," said Fernando. "We took that advise, revised our thinking and created an Application Server and IP Framework that has catapulted us into a leadership position in the IP telephony industry. CCTI also provided valuable business contacts."

Today, Circle24 Technologies is a leader in IP applications providing value-added applications to corporations implementing IP telephony systems. Circle24's partners include Cisco, Pingtel, Voicepro and several IP telephony infrastructure providers.



From the Executive Director

by Gary Craft

What a difference a year makes, going from being a start-up to a fully functioning incubator. Like any start-up business, the Incubator has had to find customers, put together a management team and Board of Directors, hire staff, develop its programs and services, worry about funding, form strategic alliances, and generate the support needed to build a sustainable operation. Having survived our initial start-up year, the Incubator is close to seeing its first graduate within the next month or so.



Over the past 12 months CCTI has assisted twenty-six companies get started, helping them develop business plans, find a management team, secure funding, form a legal business entity, and lay the foundation for building a sustainable business. Providing the assistance and support critical to move a fledgling company with an interesting business model or technology from

concept stage into a fully developed operating business requires a team effort. Without dedicated staff, Board, sponsors and community support, CCTI could not accomplish its mission.

While our Marketing Director Tad Duffy works with our resident and affiliate businesses, sponsors such as Citibank, Alta Advantage, and the law firms of Crosby Heafey, Morgan, Miller & Blair, and Nossaman Guthner provide a variety of pro bono services. DVC multi-media students help CCTI tenants develop everything from logos to websites and product demos. Other supporters have held educational seminars and workshops. With continued support, we look forward to an even more successful second year.

Our Sponsors - Partners in Success

It takes considerable effort to run an incubator and to grow successful companies. Key to CCTI's success are our sponsors. Sponsors "sign on" for a variety of reasons: to help the local economy, to gain access to new technology, to nurture future clients, to support a budding industry or market, or to participate in cutting edge entrepreneurial businesses. Regardless of their reasons, sponsors typically make a commitment to the incubator that transcends a simple financial contribution. Sponsors form the foundation of our "know-how network" - our staff and our resident companies frequently turn to sponsors for guidance and expertise or referrals to key business and industry contacts. From intellectual property to insurance, finance to funding, our sponsors are critical partners in the success of the incubator.

Founding Partners

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Contra Costa Economic Partnership
Crosby, Heafey, Roach & May
Pacific Gas & Electric Company
Sunset Development

Corporate Partners

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Profile: Soul-to-Spirit

A New Model for Internet Companies

once a hobby was now almost an obsession as she undertook to expand and upgrade her site and, more important, to catch the venture capital wave. A year later, Lisa is working with over a dozen publishing firms, five music labels, many columnists, life coaches and authors and over 4,000 pages of content. Her live Internet radio broadcast was launched on Jan. 3rd. SoultoSpirit.com now boasts over 8,000 hits per month. "I couldn't have imagined at the start of the year how much would happen in twelve short months," says Anderson. But there are more challenges ahead.

As with many other Web-based businesses in the new "new economy," Lisa faces the daunting task of converting her clients from freebie consumers of her content-rich site to paying customers. "For years I thought the more traffic you get to your site,

the more likely you were to land investors. Instead, more traffic merely grew my need to pay for more bandwidth. It's more important than ever now to get back to business basics and work out a way to turn all that traffic into paying customers." Lisa has been working with CCTI Marketing Director Tad Duffy to convert 'hits' to dollars through a client survey and a subscription plan. "Having a group of experts [at CCTI] to help me has been well worth the investment to join the Affiliate Program."

How does a mom with three Master's degrees and soon a Ph.D. in Education use her years of training while staying home to raise her young son? The answer: start a Web-based business providing content in her specialties: personal growth, health, religion and spirituality. It's been over two years since Lisa Anderson started SoultoSpirit.com as an avocation turned business. And, as with other Web-based businesses, SoultoSpirit is in the midst of a transition and Lisa has turned to CCTI for guidance.

In January '01, Lisa's son started school, freeing her to spend more time developing her web site. What was



The Business of Education at Digital Safari Design

For over ten years, students of the Digital Safari multi-media academy at Mt. Diablo High School in Concord have been immersing themselves in the fine arts of creating graphics and web sites using high-powered multi-media development tools. Last spring, Digital Safari instructor Randy Depew (Mt. Diablo District Teacher of the Year) redesigned the format of his class as a prototype business.

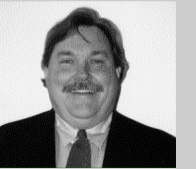
Operating as "Digital Safari Design," students work in teams on non-profit real-world projects such as CCTI's newsletter. In exchange for their efforts, Wavelengths designer Mark Westwind arranged for businessmen and women (including CCTI's Gary Craft and Tad Duffy) to speak to the class on topics such as what it means to be an entrepreneur, basic marketing,

web design and team building. Organizational development consultant Mary Janaitis helped small teams of four to five students to form effective work groups. Each team then developed an "elevator speech," practiced making presentations and conducted client meetings. Assisting Westwind with layout of this edition of CCTI's newsletter were juniors Jenny Tran and Joseph Flores. "I was very impressed with everyone's positive attitude and professionalism," says Westwind.

"These young people are very talented and a background in basic business will help them tremendously as they move into the job market," says Depew, who, like any entrepreneur, hopes to grow and expand his "learning business." CCTI is proud to play a role in furthering the careers of these fine Digital Safari students.

Behind the Scenes:

Tad Duffy
Marketing
Manager



As Marketing Director for CCTI, Thomas "Tad" Duffy brings over 25 years of experience in marketing and business development to the Incubator and its resident businesses. Tad has been very active as a member of the Incubator Steering Committee and chaired both the Business Planning and Marketing committees.

Tad owns two businesses, one in the U.S., the other in Europe. Prior to starting his own companies, Tad was a business development manager for Catalytica, worked for Chevron in business development, marketing, economics, and operation planning and served as a project engineer for M&T Chemical.

For over 15 years, Tad has been a professor at Golden Gate University. He is a member of the Licensing Executives Society and board member of the American Marketing Association. Tad lives in San Ramon with his wife, Barbara and their two children. He enjoys coaching his sons in baseball and soccer.

Citibank

As a corporate policy, Citibank is committed to community service and San Ramon Valley Financial Center Manager Danielle Pollack takes this commitment seriously. From the project's inception, Citibank has been an active sponsor of the Incubator. "The Incubator's mission is very much in line with our corporate goal to help small businesses grow and create new jobs," says Pollack. Chad Means, the Center's Business Acquisition Manager, represented Citibank on CCTI's steering committee and has helped recruit new Incubator tenants. In April 2001, Citibank sponsored CCTI's grand opening celebration and hosted the Incubator's first Christmas party. "It's all part of getting to know the Incubator's tenants," says Means, "The Incubator is a unique environment - the creative energy is inspiring!" Means is currently working with one of our companies on a loan for operating capital. Our thanks to Danielle, Chad and Citibank for their support!

