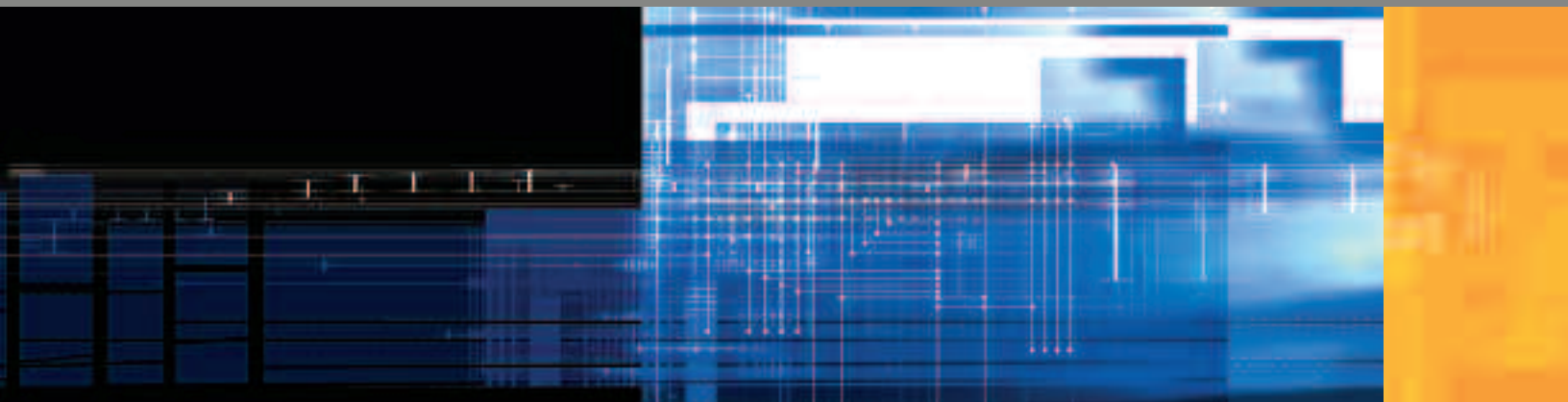


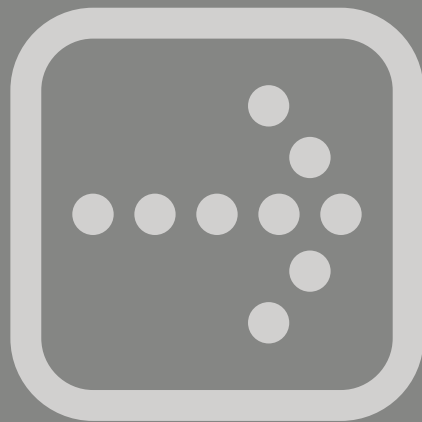
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## 2006 Compensation & Entrepreneurship Report in Information Technology

2006  
( ( A B R I D G E D   V E R S I O N ) )







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We are pleased to present our 7th annual Compensation and Entrepreneurship Report in Information Technology. This survey represents our largest sample size to date including data from more than 310 private companies from across the country in five industry segments: Software; Communications; Hardware, Semiconductors and Electronics; Services, Consulting and Integration; and Content and Information Providers.

This survey was conducted between April and June of 2006. As the broader U. S. economy continues to demonstrate signs of recovery, and investment in early stage IT companies reemerges from the lulls of the past few years, companies and investors are struggling to understand the affect on compensation and the ability to attract and retain key executives.

Our inspiration for creating this survey of Information and Technology company executive compensation emerged from a desire to respond to our clients need for tools to assist them in critical decision making for attracting, rewarding and retaining key executives. There is very little compensation data available on private companies. Our survey continues to grow and represents one of the few reliable sources for executive pay information in the industry. The overall objective has been to provide fundamental information in a useful, analytic framework to evaluate and respond to the compensation dynamics of the senior executive team.

This study was produced by professionals at WilmerHale, Ernst & Young and J. Robert Scott. We were assisted in our work by academics from the Harvard Business School.

You may also access these summary level results from our website at [www.compstudy.com](http://www.compstudy.com) for no fee. We appreciate your professional courtesy in providing proper attribution when citing study results.

Participants have been provided detailed data results at no charge. You may secure a copy of the detailed report for \$500 plus a commitment to participate in our next survey. Contact Mike DiPierro of J. Robert Scott at 617-563-2770 or [mike.dipierro@fmr.com](mailto:mike.dipierro@fmr.com) to obtain the unabridged results.





We are pleased to present the 2006 edition of our Compensation and Entrepreneurship Report in Information Technology. This Report – our seventh annual and largest to date – includes summaries and analysis of compensation data collected from more than 300 private companies located throughout the country in the following five industry segments: Software; Communications; Hardware, Semiconductors and Electronics; Services, Consulting and Integration; and Community, Content and Information Providers. The Report also includes an interview with Frank Moss, the Director of the MIT Media Lab, who describes his experience as the new leader of this highly innovative academic research organization that has contributed greatly to the broader world, as well as specifically to entrepreneurial endeavors in the high tech arena.

Our inspiration for creating this survey was a direct response to our clients' requests for better access to reliable, comparable compensation data to assist them in the critical decisions involved in attracting, motivating and retaining key executives at private companies. With the significant increase in our sample size, we have been able to present the correlation between executive compensation and a number of variables, including financing stage, company size both in terms of revenue and headcount, founder/non-founder status, industry segment, and geography. We have also been able to provide a number of new analytics, including how an organization evolves with additional financing, Boards of Directors compensation and make-up, and a more granular look at company equity plans.

The survey data was collected between April and June of 2006, during a period that has seen venture capital investment in the sector steadily increase and many new companies formed. As a result, our expectation is to continue to see upward pressure on competition for executive talent, along with an increase in compensation packages.

Our survey has evolved over the years based on input received directly from the industry, and our hope is to continuously improve our data so that we can best serve the needs of our clients in the Information Technology industry. In that regard, we encourage readers of this publication to submit comments and suggestions to help us most efficiently and accurately present the compensation dynamics of the market. Suggestions and comments should be directed to Mike DiPierro of **J. Robert Scott** ([mike.dipierro@fmr.com](mailto:mike.dipierro@fmr.com)).

Lastly, we would like to express our gratitude to two individuals who continue to contribute greatly to our publication: Professor Brian Hall and Associate Professor Noam Wasserman of the **Harvard Business School**.



KEY:

2005

2006

## Demographics of Respondent Population

- This survey of executive compensation in privately held Information Technology companies was conducted between April and June 2006. The questionnaire resulted in 319 complete responses with data from over 1,500 executives, our largest sample size to date.
- The 2006 report provides aggregated results of the data as well as a deeper examination of the population from a number of perspectives, including: financing stage, founder status, geography, headcount and company revenue.
- In the 2006 edition we have begun to report additional organizational metrics, namely organizational changes over financing stages, Board of Directors makeup through financing stage, and deeper reporting on equity reserves.

## Financing Rounds

- Companies are divided between those that have received one or no institutional financing rounds, two or three rounds of financing, and those that have raised four or more rounds. The detailed breakdown by financing round shows a concentration of respondent companies at the early stages of funding.

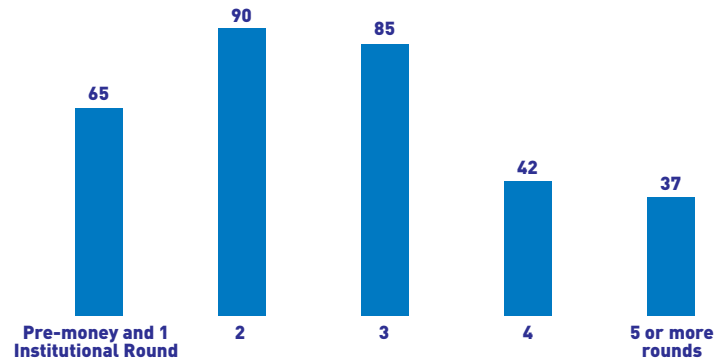
## Founder Status

- 29% of the executive population this year were founders of their company, approximately the same number as in previous editions.
- CTOs and CEO's were the most frequent founders of their companies with 54% each, though in total number, the CEO is the most frequent founder.

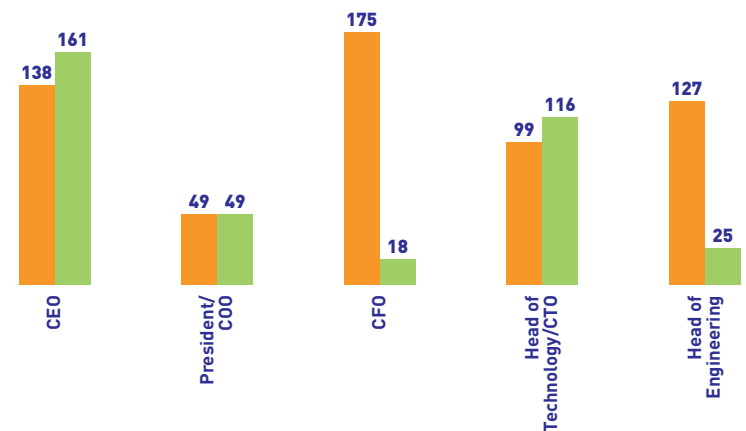
## Headcount by Number of Full Time Employees (FTEs)

- Smaller companies again make up more than 60% of the population.

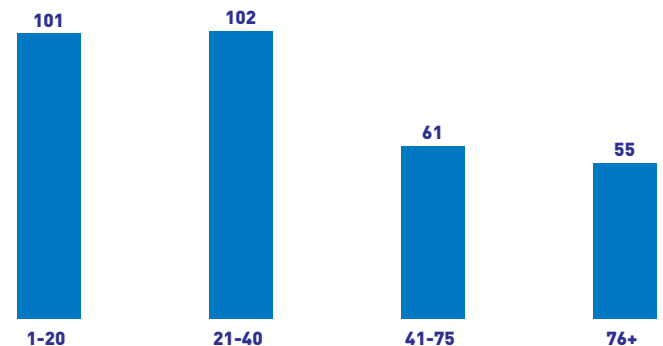
## Financing Rounds



## Founder/Non-



## Headcount by Number of Full Time Employees (FTEs)



SUMMARY OF RESULTS

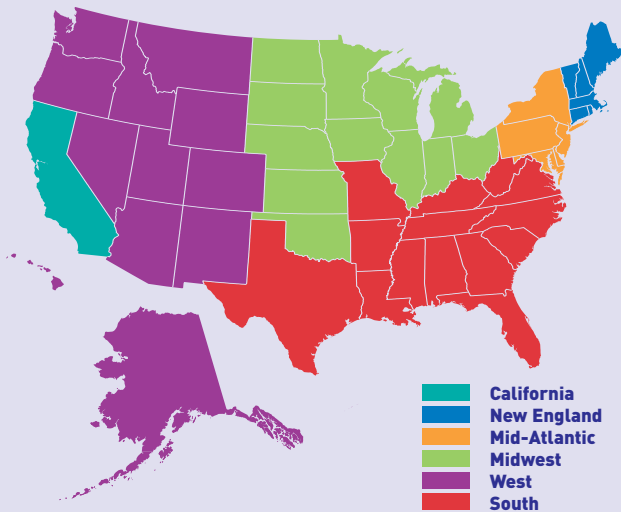
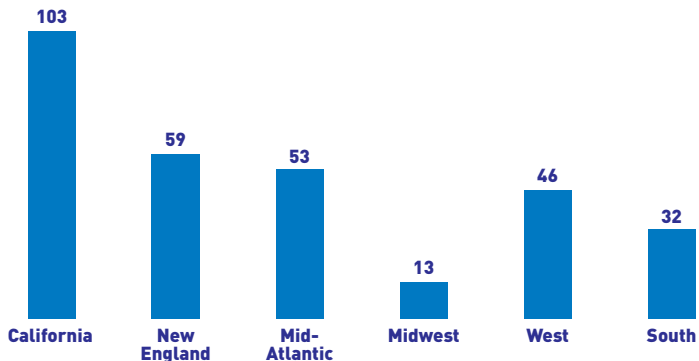


KEY:

Non-Founder

Founder

Geography



Geography

- California, New England and the Mid-Atlantic again dominate the population of companies, closely mirroring venture capital funding trends.

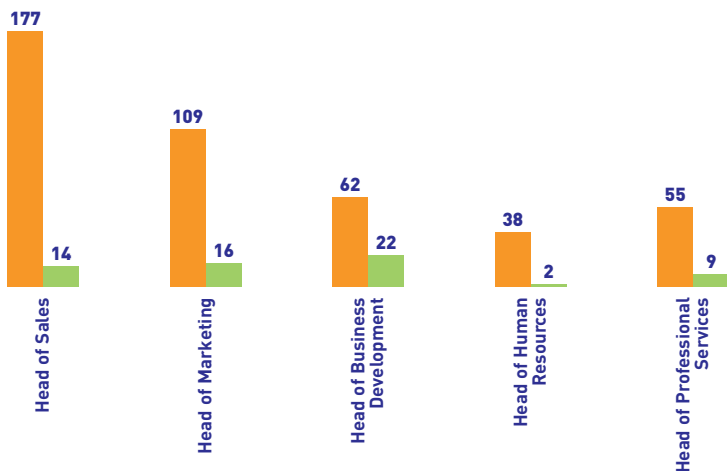
Business Segment

- Software companies again were the most common segment comprising 56% of the respondents. Communications and Computer Hardware, Semiconductors, Electronics companies were next largest with 14% and 13% of the respondents, respectively.

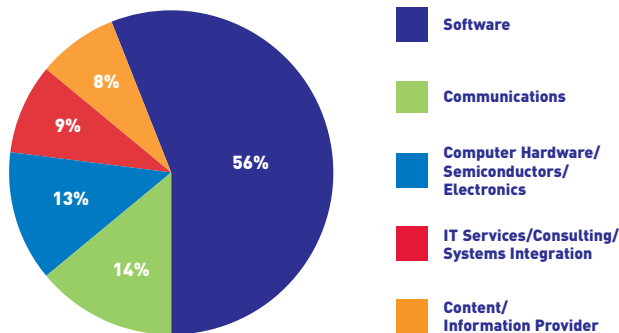
Company Revenue

- The respondent population leans heavily toward early stage revenue companies with 67% of participating companies generating less than \$5 million, nearly identical to the distribution from our 2005 edition.

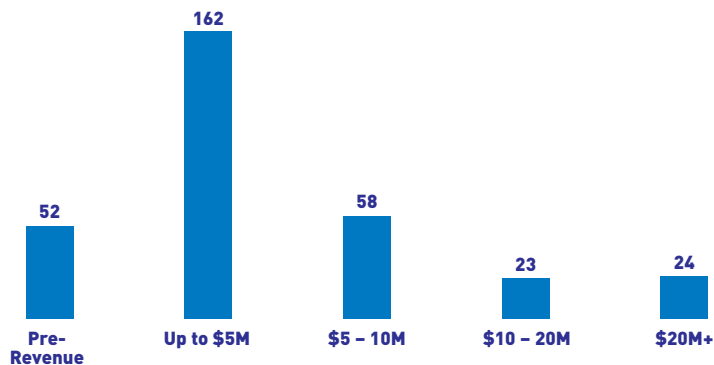
Founder Status

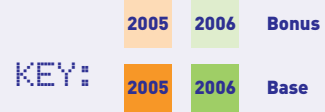


Business Segment



Company Revenue



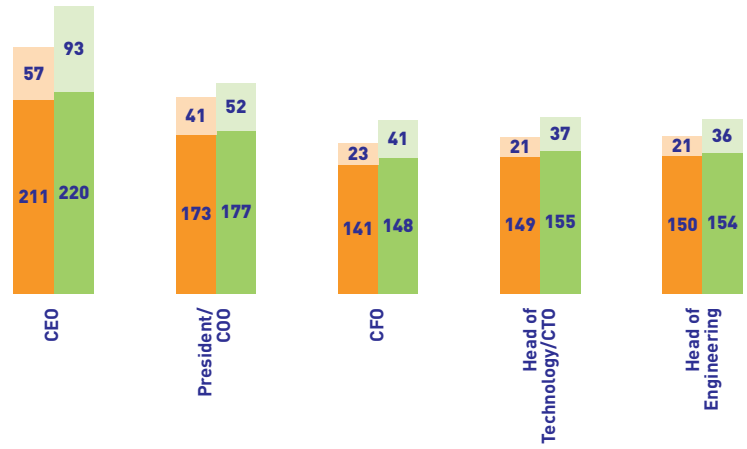


### Cash Compensation – 2005 and 2006

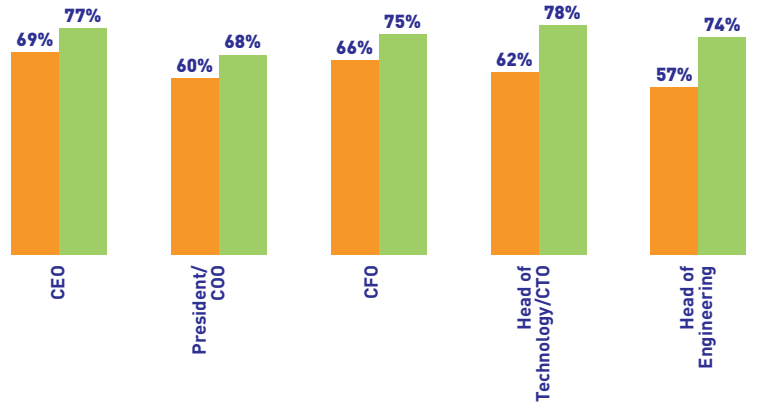
This data represents 2005 and 2006 compensation for non-founding executives.

- Average base salary across all positions increased overall at a steady 3.8% rate from 2005 to 2006.
- The Head of Human Resources and Head of Business Development saw the largest percentage increases in base salary, up 5.9% and 5.5%, respectively year over year.
- Base salary for the Chief Executive Officer increased slightly above the average, with a 4.3% rise in 2006.
- The number of executives eligible for a bonus rose 11% from 2005 to 2006. Heads of Professional Services, Sales, Business Development and Marketing are most often eligible.
- Bonus as a percentage of base salary jumped in 2006. Highest among the positions surveyed was the Head of Sales at a target bonus level of 65% in 2006.

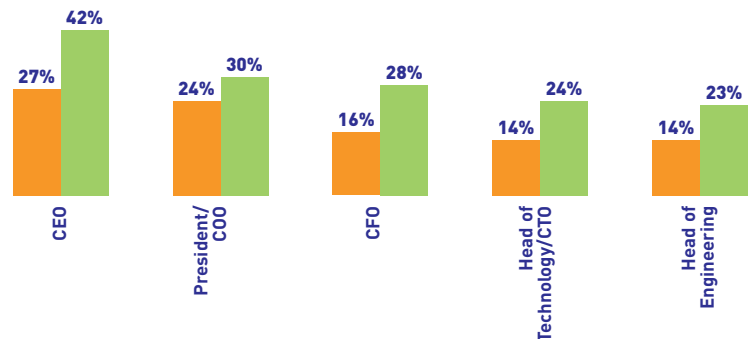
### Total Cash Compensation



### Executives Eligible



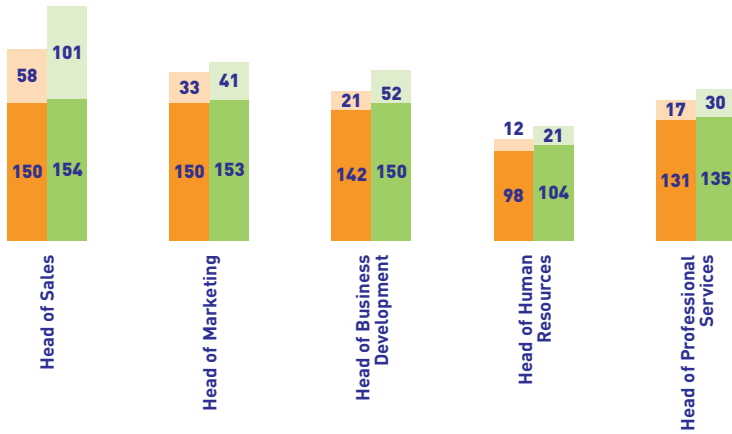
### Bonus as a Percentage of



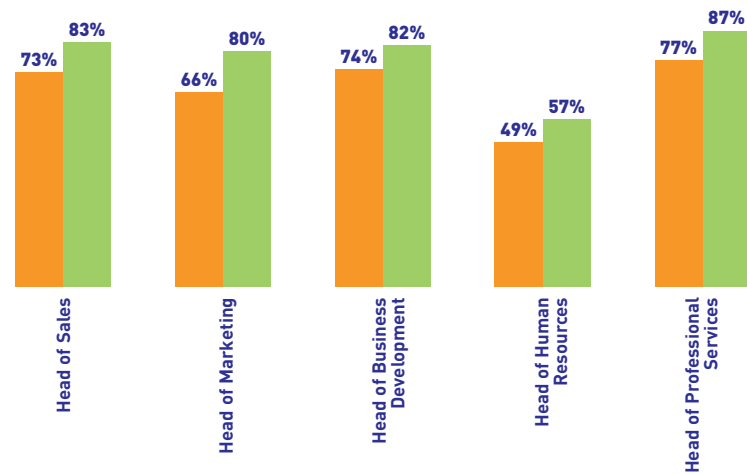




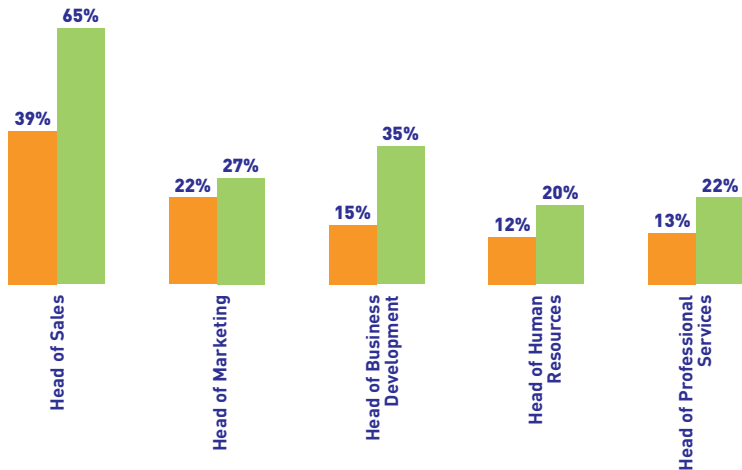
- 2005 and 2006



for Bonus 2006



Base Salary - 2005 and 2006





KEY:

Median

Average

### Equity/Option Grants at Time of Hire

- At the average the non-founding CEO receives a 5.04% grant to join the company, highest of the positions surveyed.
- Incentive stock options are the most common form of equity granted by the companies surveyed, accounting for 62% of the aggregate equity awarded. Nearly 80% of respondent companies utilize stock options, while just 9% distribute solely stock.
- Comparing data from our 2005 report, stock options are increasing in frequency of use, while the use of restricted and common stock grants is decreasing.

### Stock Plan Reserve

- Respondent companies have reserved an average of 16.26% of their fully-diluted equity for grants to employees and directors.

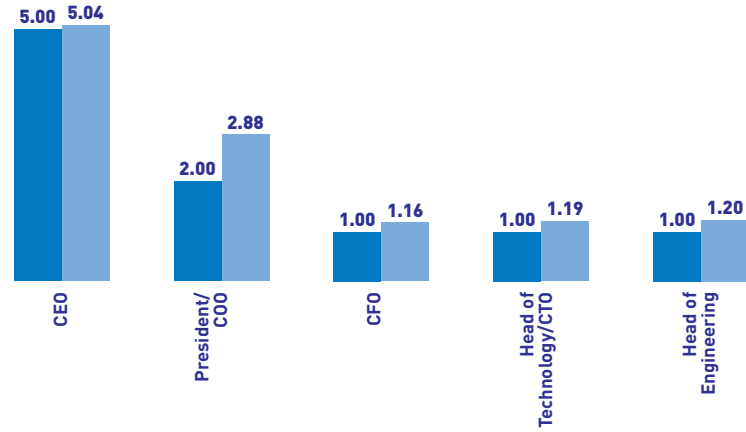
### Equity Holdings

- Non-founder equity holdings are distributed as expected with the CEO holding the largest equity stake at an average of 5.25% across the survey population.
- Outside the CEO and President/COO, the non-founder Head of Technology holds the next highest average equity percentage at 1.50%.
- The top 10 positions surveyed in the report together hold an average of 15.75% of the company on a fully-diluted basis.

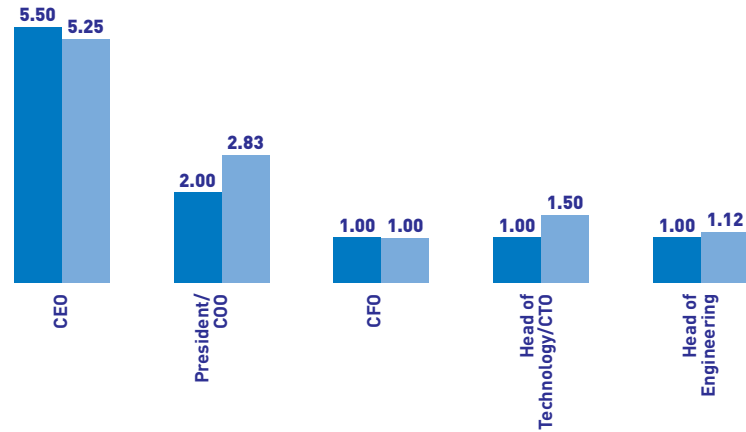
### Severance Packages

- 62% of non-founder CEO's have a severance package. Approximately one-third of the remaining management team has a severance package.
- The CEO, President/COO and CFO each have a median severance of 6 months, while the rest of the non-founding positions surveyed have a median severance of 3 months.

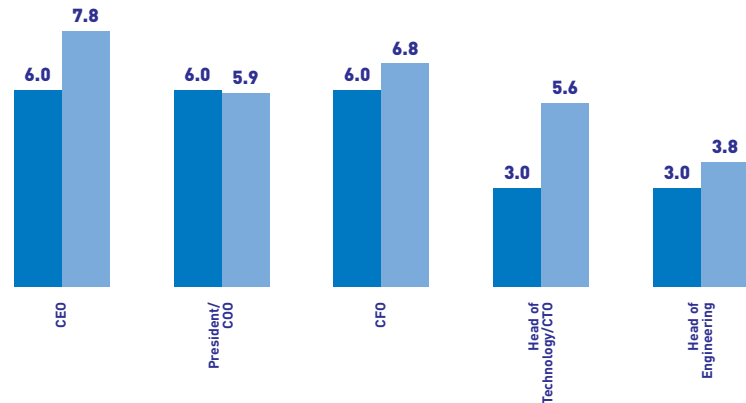
### Equity/Option Grants at Time



### Equity Holdings

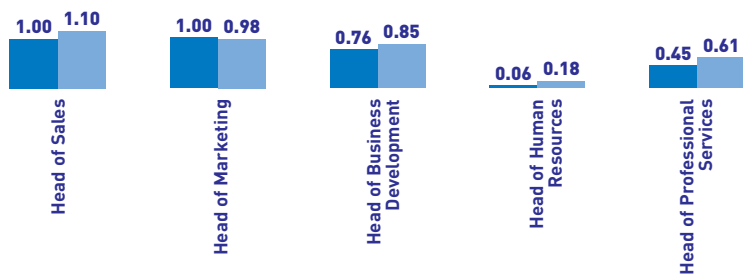


### Severance Packages (Median)

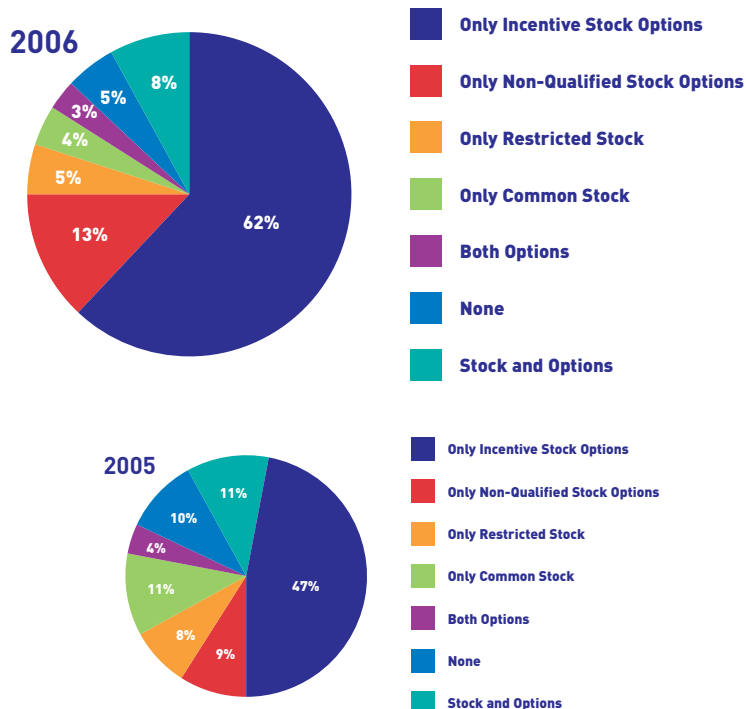




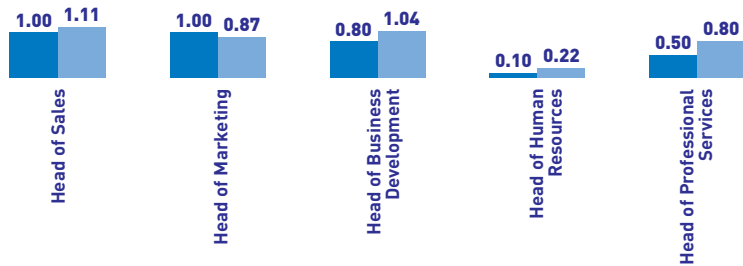
### of Hire Median Vs. Average (%)



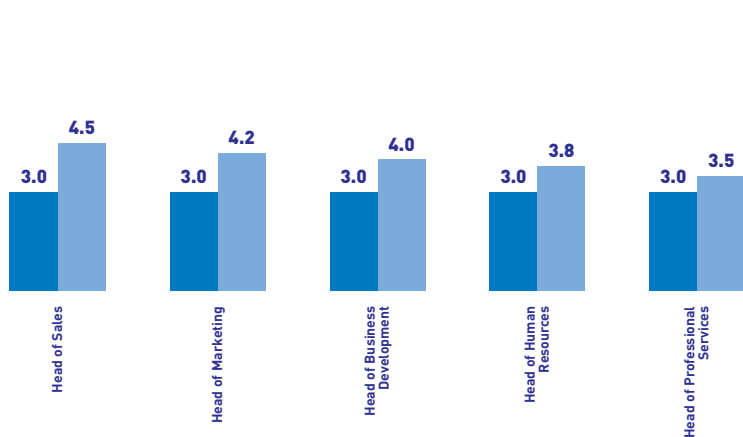
### Equity Vehicles Used



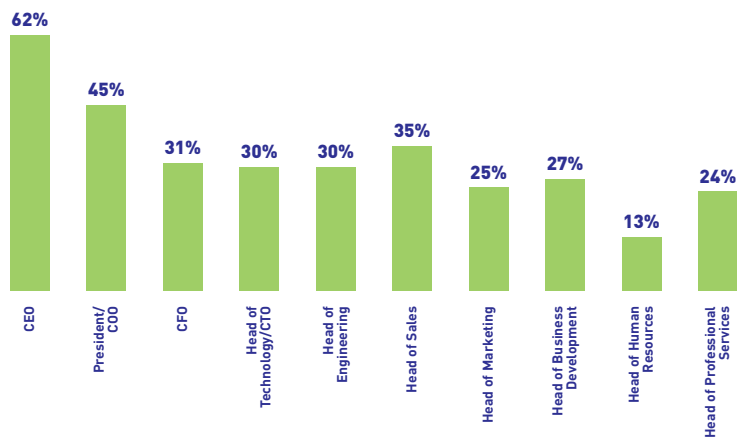
### Median Vs. Average (%)

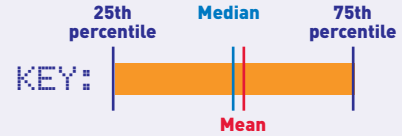


### and Average in # of months)



### Executives with Severance Package





### Organizational Structure by Financing Round

- With each additional financing round raised, there is generally a shift toward a non-founder executive team.
- 62% of respondent companies with 1 or fewer rounds of financing have a founding CEO. That number drops to 44% for those companies with 4 or more rounds raised.

### Equity Holdings

- As expected, founders hold a large equity stake in their companies. For the founding CEO the average equity holding is 18.56%, while the median is 10.00%, double the median equity that a non-founder CEO holds.

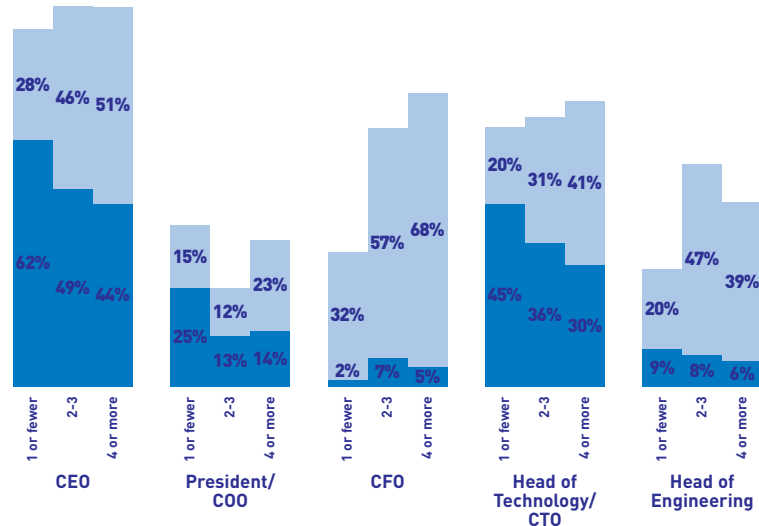
### Total Cash Compensation

- In general, founding executives earn less than their non-founder counterparts. This is most pronounced when comparing base salaries for the CEO and President/COO.

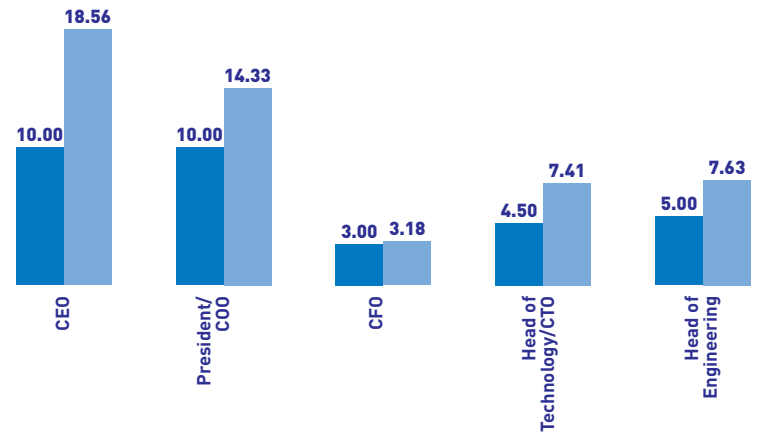
### Equity by Financing Round

- Equity holdings for the founding CEO, President/COO and CTO drop significantly after the first round of financing.
- In companies having raised one or fewer rounds, the average founding CEO holds one third of the company's fully-diluted equity. After 2 rounds of financing, this drops to an average of just over 13%.

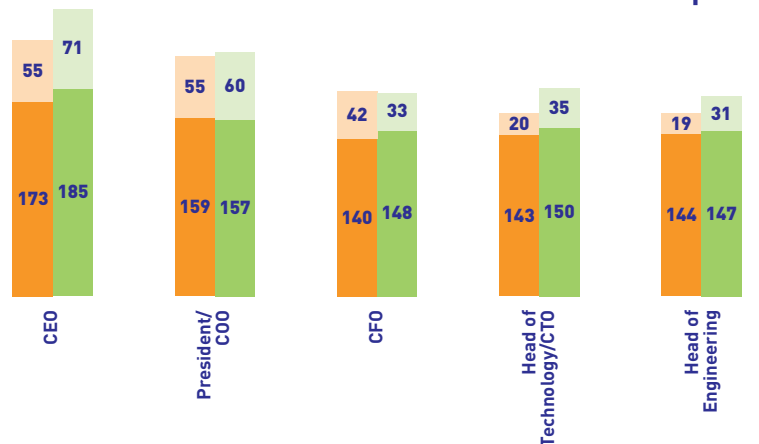
### Organizational Structure by Financing



### Equity Holdings



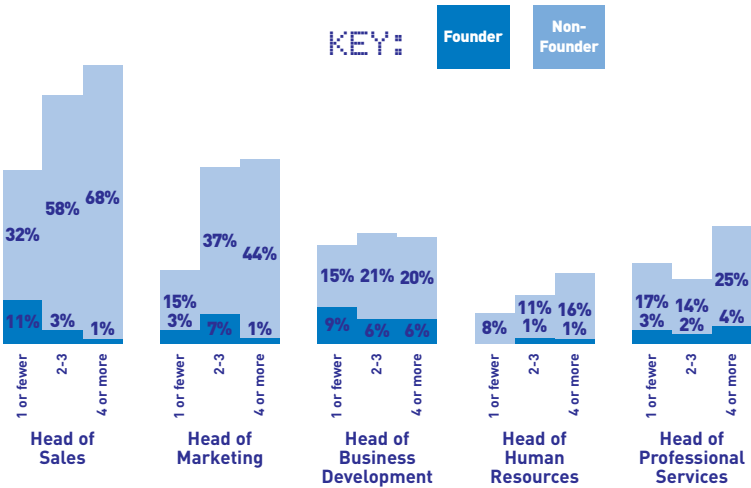
### Cash Compensation



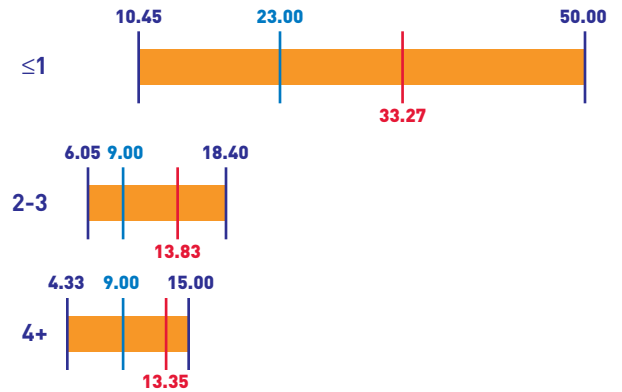


KEY: 2005 2006 Bonus  
2005 2006 Base

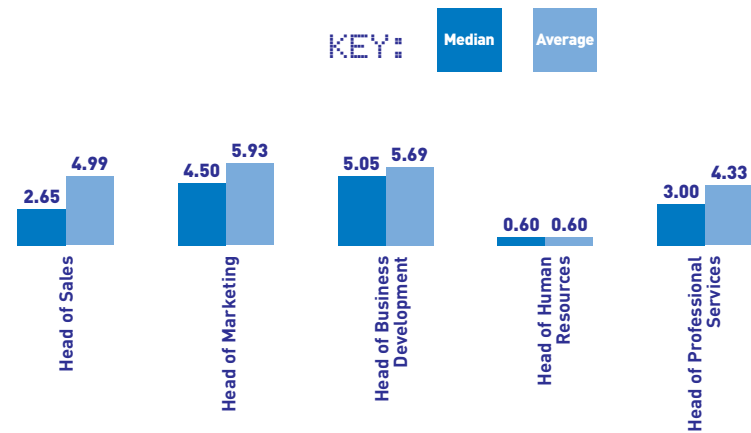
Round (Founder and Non-Founder)



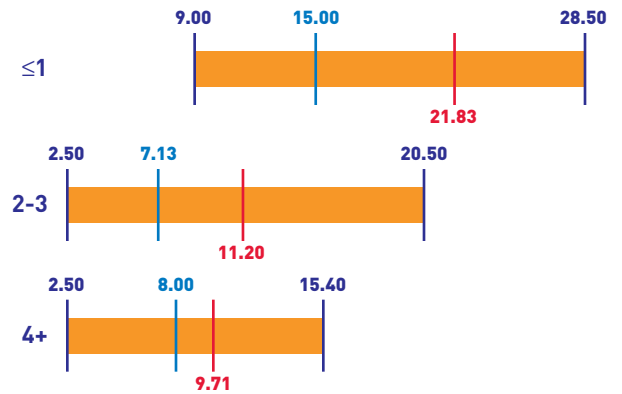
Founder CEO – Equity by Financing Round



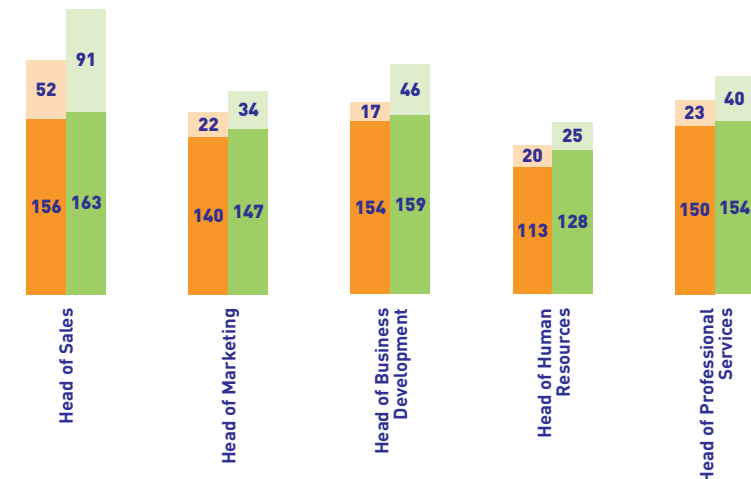
- Founders



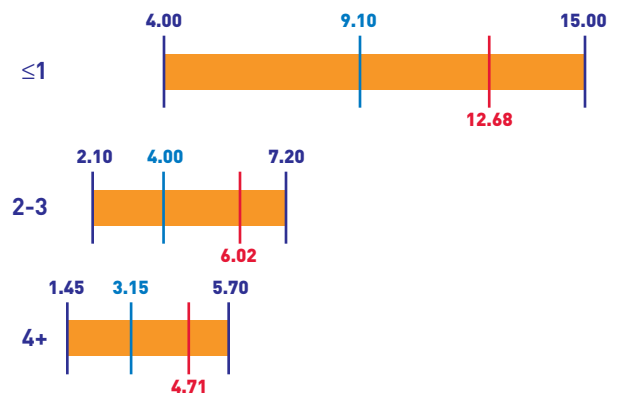
Founder President/COO – Equity by Financing Round



tion – Founders



Founder Head of Technology/CTO – Equity by Financing Round





## FRANK MOSS

### Director

#### Professor of the Practice of Media Arts and Sciences Jerome B. Wiesner Professorship of Media Technology

An entrepreneur and 25-year veteran of the software and computer industries, Frank Moss has spent his career bringing innovative business technologies to market.

In the last five years, however, he's been seeking something different: how to make a broader contribution to the world by using technology to address pressing social issues—such as health care—and to improve quality of life for people worldwide.

Most recently, he co-founded and is on the board of Infinity Pharmaceuticals, Inc., a cancer-drug discovery company doing innovative work at the intersection of technology and the life sciences. In addition, he chaired the advisory council for the creation of the Systems Biology Department at Harvard Medical School, where he remains an advisor.

During his career in the computer and software industries, Moss served as CEO and chairman of Tivoli Systems Inc., a pioneer in the distributed systems management field, which he took public in 1995 and subsequently merged with IBM in 1996. He co-founded several other companies, including Stellar Computer, Inc., a developer of graphic supercomputers; and Bowstreet, Inc., a pioneer in the emerging field of Web services.

He began his career at IBM's scientific center in Haifa, Israel, where he also taught at the Technion, Israel Institute of Technology. He later held various research and management positions at IBM's Yorktown Heights (NY) Research Center, working on advanced development projects in the areas of networking and distributed computing; and executive management positions at Apollo Computer, Inc., and Lotus Development Corporation.

Moss is a member of the Advisory Council for the School of Engineering and Applied Sciences at Princeton University.

*continued on page 14*

### Aaron: Perhaps we can begin by having you provide a synopsis of your career before the Media Lab?

**Frank:** I grew up in the sixties with an interest in the space program. This directed my studies as an undergraduate at Princeton toward aerospace engineering. I thought I would go into that field. I carried that idea to MIT for a Master's and Ph.D. in the aeronautical engineering department. During that time, the popularity and funding for the space program waned. They had landed on the moon, and after that, opportunities plummeted as investment from the government dissipated. While my degree was in aeronautical engineering, as a graduate student, I became increasingly involved with and interested in computers.

After finishing at MIT, I joined IBM, and spent the first six or seven years of my professional life in Research and Development there, before leaving to pursue an entrepreneurial career. I was part of a number of different start-up companies, some of which were successful, others of which were failures, or somewhere in between. Perhaps the best known company was Tivoli Systems, which I joined in 1991 as CEO. I led that company to a public offering, merged it with IBM in 1996, and stayed on after the merger for a couple of years. After that, I came back to Boston and participated in the computer industry, not as an operational person but as an investor, consultant, advisor, and founder of companies. I co-founded Bow Street, which was eventually sold to IBM, and a number of other interesting companies in software, the Internet, and related areas.

I turned 50 in 2000, and decided it was time to do something different with my life, and became interested in biology and the coming wave of genomics.

### Aaron: Was that from some earlier exposure or just general intellectual curiosity?

**Frank:** General intellectual curiosity. I began reading, as many people did, about how tremendous advances were being made in biomedicine and biology, particularly with the help of com-

## INTERVIEW WITH FRANK MOSS, PROFESSOR OF THE PRACTICE OF MEDIA ARTS AND SCIENCES

puters, which attracted my interest. It led me to think that this would be an area where I could bring something different to the table. I began working with the Harvard Medical School and MIT on a non-formal basis as an advisor to various committees and groups, and ended up co-founding a drug discovery company called Infinity Pharmaceuticals.

Several years later, I was contacted to be Director of the MIT Media Lab. I concluded that the Media Lab represented a tremendous venue for achieving some of the goals that I've wanted to achieve at this stage of my life, which involve leveraging what I have learned about business and technology to improve people's lives.

**Aaron: What do you reflect on as being some of the Media Lab's greatest accomplishments over its 20-year history?**

**Frank:** I think its greatest accomplishment has been establishing a unique environment for doing research that's very tuned in to where the world is and where it's going. Classical research has been mostly of a reductionist approach, where individual faculty members tackle a specific problem, write papers on it, and have students that are pursuing Ph.D.s work with them. In terms of funding, over the last thirty or forty years these problems were generally supported by various government agencies. The MIT Media Lab created an entirely different environment. The idea was to put twenty or thirty of some of the finest minds in the world, many from different disciplines, and fund that group's effort in an undirected way. The money comes from industry, and goes into a single pot that funds the collaboration of these great minds, and gives them the freedom and flexibility to do what they think is most interesting. They were able to envision and visualize the digital revolution in a way that nobody else was. They had the charismatic leadership of Nicholas Negroponte, who was able to articulate that vision extremely well, through his book and through speeches, and just through his general presence. Behind that vision, the Lab was exploring new ideas in a highly unconstrained fashion, which ended up pointing to the future in

a way that nobody else really was doing. So, I would say that the most profound contribution of the Media Lab has been to establish the framework for a new kind of research in the academic world, and its connection with industry.

**Aaron: What are the closest analogues to the Media Lab?**

**Frank:** In the past, the closest analogues to the Media Lab have been the advanced research organizations of corporations, which mainly no longer exist, such as IBM Research Labs, AT&T/Bell Labs, and Xerox PARC. By their very nature, these organizations were tightly connected to industry. They employed the best and the brightest, usually young people out of the best graduate schools in the country, who were given the charter to think out of the box and invent. I think the "unconstrained," nonlinear nature of these organizations is their most important feature. Out of them came advances in transistors, software, silicon technology, and much more that likely wouldn't have been possible in a constrained environment. These organizations are fundamentally gone now; they have been gradually disappearing over the past 20-25 years. I started my career in such an organization.

**Aaron: What is your vision for the growth and evolution of the Media Lab?**

**Frank:** My vision for the Lab involves embracing and maintaining those things about it that are good and right and important: such as the nonlinear, unconstrained approach to thinking and research. I have not yet mentioned it, but the interdisciplinary nature of it as well, which is very much in tune with the digital revolution and the way it integrates people. Artists, engineers, scientists, designers, all working together in an interdisciplinary and collaborative environment. What needs to evolve here at the Media Lab is the process by which we interact with industry.

**Aaron: What do you mean by this?**

**Frank:** The Media Lab has excelled at introducing our industry sponsors to possibilities of the future, and immersing them in a



*continued from page 12*

He received a BS in aerospace and mechanical sciences from Princeton University, and both his MS and PhD in aeronautics and astronautics from MIT. His citations include Ernst & Young's Entrepreneur of the Year award and Forbes Magazine's "Leaders for Tomorrow."

The Media Lab has played a pioneering role over the last 20 years in creating the digital lifestyle we enjoy today. But Moss believes the best is yet to come: a globally connected digital society that makes people smarter, healthier, and more creative. The Lab is conducting research on computers that extend and enhance people's physical, cognitive, and social capabilities; computers that can relate to people in more human terms; and organically decentralized networks that unlock the creative, innovative, and problem-solving powers of people—particularly young people who have grown up "being digital"—in ways not before possible.

kind of digital ether. They'd come here, see what other sponsors were doing, and what advanced thinkers were doing, particularly the students, who are the real asset of the Media Lab. If you think back ten years ago, before Google and wireless technology became a reality, executives and even technical people within large corporations were really at the very fringes of what was going on from an innovation perspective, if not outside of it. The Media Lab has served them by bringing them into the fold, and educating them.

The world is different now. When companies pay \$200,000 to \$500,000 a year for sponsorship, they need to understand that the research that goes on here is going to eventually connect with their business. That's our challenge. If we were to become a directed research operation, where we dealt with a particular problem from a particular company, and we set researchers to solve that problem, the Media Lab would lose its true value.

**Aaron: You would ostensibly become an outsourced, linear-oriented directed research organization?**

**Frank:** Exactly right – but probably with a bit more of an imaginative approach. Our niche would be the high creative end of the directed research world. But that wouldn't distinguish us very much from what 90% of the other academic departments are. They're essentially doing that kind of directed research for corporations or the government. On the other hand, I have to enable companies to connect with the research here, and I need to put in place processes by which our faculty and our students interact with sponsors that enable them to listen to what sponsors need. That's a new thing. When I go out and talk to sponsors, particularly ones who have been here at the Media Lab for a long time, I tell them my job is to reach a balance between this nonlinear, unconstrained thinking and make connections between the work that's going on here with what is going on in their business. I tell them I'll do that first by listening to what their business is and what their problems are.



## INTERVIEW WITH FRANK MOSS, PROFESSOR OF THE PRACTICE OF MEDIA ARTS AND SCIENCES

**Aaron: How will you measure the success of sponsor relationships and then more broadly, the success of the Lab in general?**

**Frank:** That's a good question. Measuring the success of these relationships is important to both sides of the equation. Let's look at MIT as an example. MIT has, in the past, been funded by about \$500 million a year, mostly in government funds, basically from DARPA, NSF, and NIH. This kind of funding has historically made the research here at MIT go. I think that's true of most universities throughout the country, and maybe throughout the world. Government-funded research, however, has been decreasing for some time, and will continue to do so. I'm not saying it will go away altogether, but it will become a less significant factor. Industry will increasingly be looked upon to fund research in universities. Today, the system that matches unconstrained thinking in universities with constrained thinking and the needs of industry is not in existence. The Media Lab might be closer to that by virtue of its history than anybody else. So basically a lot of work needs to be done to match these two things.

**Aaron: The Media Lab appears to be in an interesting leadership position, in terms of being able to establish the framework for how the rest of the academic world will seek to cultivate relationships with industry.**

**Frank:** Yes, exactly right. The Media Lab needs to go through a period of evolution, which we already are beginning. We are probably closer to something that works than anybody else on the face of the planet. In the process, the Media Lab will also be reaching out to the rest of MIT. I hope that when we get this right, we can influence the rest of MIT to both help us and us help them as well. I believe that finding a solution to this issue is perhaps one of the biggest contributions I can make here over the next few years.

**Aaron: How do you imagine the relationship between the Media Lab and the world of commercial entrepreneurship?**

**Frank:** Great question. Many Media Lab graduates go on to found companies, here in the Boston area and elsewhere, but there hasn't been a clear mechanism for including venture capitalists and other investors into the flow of ideas here at the Media Lab.

**Aaron: It could, however, be fertile soil for venture capitalists, if you can figure out the model.**

**Frank:** I agree. I have been brainstorming with several VCs I know from my past life to determine if there's a way they can interact more intimately with the Media Lab. The VCs would love to hang out here, and they have. The Media Lab is richly connected to the web of venture capitalists through graduates and so forth.

**Aaron: What's the relationship been between the Media Lab and Lita Nelsen's Office of Technology Licensing?**

**Frank:** Lita's office plays a very important role. All the intellectual property that's developed here becomes available to our sponsors royalty-free, but it's also available to anyone else for a royalty, under the right conditions. So, Lita Nelsen's office represents us to the world in terms of technology licensing in the same way she would represent any other lab or academic department here at MIT.

**Aaron: Are there particular disciplines or fields of study that the Media Lab has not embraced that you would like to pursue, or interdisciplinary connections that you'd like to see emphasized that haven't been?**

**Frank:** Absolutely. For instance, what was unique ten years ago in interactive digital media is no longer unique today, such as virtual reality or human/computer interfaces. You can go to a hundred different academic institutions or research labs today



## AARON D. LAPAT

### Managing Director

## J. ROBERT SCOTT

Aaron has been with J. Robert Scott since 1993 and built the firm's practice in Information Technology. He has successfully completed over 200 searches across a range of industry segments, including software, communications, semiconductors/microelectronics, specialty materials and services. His practice emphasizes recruiting CEOs and functional leaders for growth-oriented and venture-backed companies.

Additionally, Aaron oversees the creation of the annual Compensation and Entrepreneurship Report in Information Technology at [www.compstudy.com](http://www.compstudy.com).

Prior to joining J. Robert Scott, Aaron spent four years with a retainer-based executive search firm that serviced the high technology industry.

Aaron holds a B.A. in Anthropology as well as an M.B.A. from Boston University. He serves on the Board of Advisors of Stax, Inc., a privately-held consulting and market research firm. Aaron and his wife Lauren have two children, Sophie and Sammy. In his spare time, Aaron plays tennis and is a runner. He has competed in numerous triathlons, and ran the Boston Marathon. On the off days, he can be found stoking the embers of his VW-sized Texas BBQ, mixing up a homemade hot sauce, or trying to create the perfect playlist from his ever-expanding record (mp3) collection.

that are doing research in interactive digital media, which the Media Lab was doing ten years ago. The real challenge here is to find what will be relevant five to ten years from today. That's a significant challenge, because a lot of real innovation today is not taking place in corporations or academic research labs, but rather it's taking place out in the world, with individuals. Ordinary people are creating new services and capabilities, so centralized research has to focus on deeper, more profound problems.

To answer your question more pointedly, there is a tremendous amount of interest in the intersection of Brain and Cognitive sciences and how they relate to the digital world and the work here at the Media Lab. We're beginning to understand how the brain operates and functions in a way that we never have in the past. How that now gets tied into technology is a fascinating subject. Simple things, like how a computer can have a greater sensitivity and sensibility toward what we're thinking and feeling than it does today. If machines can learn from humans, particularly about how humans think, that would go a long way toward making computers easier to use, friendlier, and more approachable, which is a huge problem today. I would say the generic area of simplicity - making technology easier and approachable by using new advances in Brain and Cognitive sciences will be a big deal.

**Aaron: Could you talk a little bit about particularly extraordinary faculty members or research going on at the Lab?**

**Frank:** One of the most extraordinary things that I realized that much of the work at the Media Lab is focused on the disabled, whether physically or developmentally disabled people, as well as the disadvantaged - economically disadvantaged and culturally disadvantaged. This is one of the reasons I came to the Media Lab. The work here is not just about building the next great gadget that's going to help people access pop culture, or

## INTERVIEW WITH FRANK MOSS, PROFESSOR OF THE PRACTICE OF MEDIA ARTS AND SCIENCES

automate some particular business process. Rather, finding ways in which we can profoundly affect the quality of people's lives is very important. I think that we're going to see over the next five or ten years a lot of advances come into the mainstream that were originally developed for the disabled or disadvantaged. A great example is the work of Media Lab faculty member Hugh Herr.

Hugh is a double amputee whose goal in life has been to embrace technologies that could enable himself and others with his disability to walk normally. He has created robotic prosthetics. Typically, prosthetics have been inert, dumb appendages to your body. His have motors that react and feel and integrate with your peripheral nervous system and your central nervous system to enable a double amputee to walk normally and even to run and climb – he's an ice climber. We're looking at how those ideas and technologies can apply to non-disabled people, such as the elderly. For instance, what if elderly people could pull on a pair of tights that would restore much of the mobility that naturally degrades with age? We are doing work with autistic children to enable them to relate more naturally to emotions and interactions with other people. How could this eventually enter the mainstream and make all of us more aware and interact better?

**Aaron: So part of your vision is to position the Media Lab to play some role in solving the world's problems and helping those who need help the most.**

**Frank:** Exactly. I think another good example is the work we do around the idea that you can learn outside of schools, without teachers, simply by being given the tools to create and invent. Lego Mindstorms came out of a project here at the Media Lab. The ability to actually build and create contributes to learning. That concept is now being applied in the \$100 Laptop project, which enables kids in the Third World to actually invent and create and learn without teachers. We have a huge problem

here in the developed world in how we approach education. I think everybody knows that we will need to undergo a revolution in how we teach children. That could actually come from the Third World, which in some sense, is a green field for these ideas. So, I see that as an interesting counter-intuitive kind of development in technology over the next ten years. It's not all about giving kids the next i-Pod.

**Aaron: How do you cultivate and develop the team here at the Media Lab?**

**Frank:** The talent has been developed mostly from the inside. I will have to go outside some to create a broader mix. That's one observation. But the real benefits to sponsors here are the students. A lot of the work that gets done here, the new ideas that are created, the insights, the nonlinear thinking, comes from students. My real focus has been not so much on how I make faculty more productive, but how I get students more involved with the sponsors and the work that goes on here. Because they really are the juice that fuels the Media Lab. Integrating students more into the sponsor interaction process is one of my important challenges. The students like it because they get to work with industry, because they know ultimately they'll go out and do a start-up, or join a big company, or go into academia, and be faced with the issue of needing to interact with industry. So there's a significant untapped opportunity here to further connect the students more intimately with sponsors.



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