



SBOC News

Northwestern University School of Law

2006-2007

A Message from the Director

This year SBOC students are providing legal assistance to a record number of nonprofit and community organizations, entrepreneurs and small business owners.

Nonprofit Organizations. Among these are several offering innovative educational programs including long-time client Tiz Media, the creator of a multi-media educational program called “Mind Rap” that reaches students in their own language. Illinois Network of Chartered Schools provides support to 27 elementary and high schools throughout the State of Illinois. Children enrolled in the after school program developed by the for-profit client Orion’s Mind jump, sing, laugh, and solve mysteries, all while developing math and reading skills. Legal assistance from SBOC students has enabled these clients to direct financial resources toward program development rather than attorney fees.

But educational organizations are only a small percentage of SBOC nonprofit clients. Others include the Decatur Black Chamber of Commerce; a social entrepreneur working to bring a full service grocery or produce market to Englewood; Postpartum Depression Foundation; Entrenuity (a program for teenagers running their own small businesses); African Scientific Research Institute (involved in archeological activities in a community settled by black farmers after the Civil War); Proyecto Mural (an arts program for the Hispanic community); Julie Peterson (producer of an award-winning documentary on special needs children); and many others. Our JD-MBA students are able to provide management as well as legal advice to these clients, and to obtain additional assistance for some of them from Kellogg’s Neighborhood Business Initiative.

As a supplement to direct client representation, SBOC students and faculty have participated in neighborhood

workshops sponsored by Bethel New Life Christian Center, the Southwest Chicago Community Organization, Lawndale Local Business & Development Corp. and North Lawndale College Preparatory High School.

The number and diversity of nonprofit clients being served, and the kind of corporate and tax advice provided to them, distinguish SBOC from community development clinics at other law schools, and contribute to Northwestern’s educational and social mission.

For-Profit Companies. SBOC clients on the for-profit side give students an opportunity to work with clients very much like those they will encounter on graduation. The issues presented involve all aspects of transactional law - intellectual property, choice of entity, regulatory requirements, employment arrangements, contracts with vendors and customers, leases and business acquisitions.

Our for-profit clients are diverse in terms of their sophistication, access to capital and types of business involved. At the more modest end of the spectrum are SBOC clients who are running small consulting, sales or Internet-based businesses from their homes. In the mid range are a number of retail establishments, importers, inventors and designers. At the higher level are MBA students, engineers from the College of Engineering and Applied Science, and faculty and staff from Northwestern Medical School. Each client presents an opportunity for students to apply, in a “real world” setting the theories learned in core courses like Contracts, Antitrust, Business Associations, Real Estate, Tax and Securities Regulation.

Student Board. Much of the success of the SBOC can be attributed to the hard work, ingenuity and dedication of the students who serve, on a voluntary basis, on the SBOC Student Board. They raise money, take part in

outreach activities, maintain our website, act as liaisons with other University programs, and promote the SBOC inside the Law School and in the Chicago business, legal and academic communities.

The featured event again this year was the student-sponsored Small Business Opportunity Conference on February 17. Almost 200 students, entrepreneurs, practicing attorneys and venture capitalists braved an early morning snow storm to attend. There are more details elsewhere in the newsletter.

THOMAS MORSCH,
HOCHBERG FAMILY DIRECTOR

Venture Capitalist Statements to Entrepreneurs (What They Say vs. What They Mean)

1. Submit your Business Plan. We'll look at it. (Our recycling profits are up 18% this year.)
2. We'll get back to you. (We'll give it to our intern if he doesn't have anything else to do.)
3. We think your company is overvalued. (In fact it's undervalued, but we'd never tell *you* that.)
4. We'll need to make some small changes in your Business Plan. (Starting with your participation.)
5. 51% is just a formality. You'll still have complete control. (I'm putting my nephew in as president.)
6. We don't expect our people to burn out. You can have a life. (We'll put a cot in your office.)
7. We never hesitate to fund a good idea. (And yours ain't it.)
8. Don't worry about that soft quarter. We're still solidly behind you. (The executive search team is already looking for your replacement.)
9. Your founder's shares are guaranteed to vest. (Immediately after revocation.)
10. We won't interfere with your IPO. (What IPO?)
11. Just think of us as a passive partner. (We'll be sending you our required vendors list.)
12. We're very interested in your idea. (You're buying lunch.)

source: www.abcsmallbiz.com

Client Spotlights

Chicago Fashion Foundation

Clinicians: Max Eisenberg '07 & Steven Garden, Tax LLM '07

Article by: David Braukman '08

The Chicago Fashion Foundation is a not-for-profit organization founded by Lana Fertelmeister of Lana Jewelry, Beth Lambert of Scarlet Designs, Davin McKenna of Sugar Magnolia, and Robert Bramlette of Robbers Roost Entertainment Group, LLC. All are industry insiders who are committed to promoting Chicago's fashion industry worldwide. Their mission is "to develop and activate a dynamic and powerful fashion-driven group that will propel the fashion industry in Chicago to new and positive levels" while developing incredible programs and educating people who can make a difference.



CFF learned of the SBOC from a former SBOC client and attended last year's SBOConference. Following a meeting with CFF last year, the SBOC drafted a memorandum for CFF's board regarding fiduciary duties for directors of a non-for-profit organization. Later, the SBOC collected information from CFF to ensure that the fashion student scholarship fund that they want to create remains consistent with the organization's tax exempt purpose. Future plans include answering other corporate governance questions and addressing tax-related issues.

Beginning Right

Clinicians: Michael Sorrow '07 and Ellen Sheedy '07

Article by: John Hahn '09

Becky Wright founded the non-profit organization, Beginning Right NFP, to provide a wide array of after-school and weekend activities for children on the South Side of Chicago, including golf, tennis, baseball, bowling, and music appreciation. Ms. Wright plans to use the Chicago Park District facilities in Marquette Park and

recruit children from neighborhood schools, local Girl Scout Troops, and community baseball and soccer teams. Beginning Right will not charge the children a participation fee, and instead plans to fund its operations through donations and grants. All the adult supervisors of the activities will be volunteers.

The SBOC has worked with Ms. Wright over the past several months. Initially, the SBOC performed searches to confirm that the name "Beginning Right" was not infringing on any other trademark. They have also filed the organization's Articles of Incorporation with the Secretary of State of Illinois, drafted the organization's bylaws, and successfully secured federal tax exempt status on behalf of the organization.

Constant Wellness

Clinicians: Dan Lev '07 & Caroline McConnie '07

Article by: David Braukman '08

Sarah Fuller, a dancer with the Hubbard Street Company, and her husband Brian, a chiropractor, have begun developing an idea to create a website that would provide health and wellness information to the dance community into Constant Wellness. Steve Collens, a friend who works in public relations at Abbott and is a Kellogg alumni, came on board to provide business experience. So far, the SBOC has advised Constant Wellness on forming an entity, and cleared potential conflicts with names and trademarks. The SBOC also helped them organize an LLC and drafted their operating agreement.

Monroestar, Inc.

Clinicians: Greg Nelson '07, Michael Sorrow '07 & Jonathan Steitz '07

Article by: Larry Lien '09

Monroestar, Inc. is a design firm specializing in brand development and web design. Among its services are logo creation, brochure designs and website development. The clients, who to this point have largely come from referrals, include organizations such as the National Football Players Fathers Association, the Sonny Parker Youth Foundation and Trade Wind Venture. The company was founded by Vinay Mullick and Dave Spoehr, both of whom have previous experience with start-up companies. While Monroestar has only been using the services of the SBOC for one semester, in this short time Greg Nelson, Michael Sorrow and Jonathan Steitz have helped the company develop its website development agreements and associated designer agreements, draft the company's bylaws and advise on issues concerning their board of directors.

Siro Kids

Clinicians: Niraj Patel '07, Jonathan Steitz '07 & Jonathan Staley '07

Article by: John Dantzlzer-Wolfe '09

Siro Kids was recently founded by the husband and wife team of Vivek and Neha Kumar. The company is currently focused on importing children's sweaters from India to sell at retailers across the country. To date, Siro Kids has filled orders at several boutique children's stores in the Chicago area including LMNOP in the Lincoln Park neighborhood. The company is looking to spread operations to Virginia and the Memphis, TN area, continuing to target high-end stores.

The company is driven, in part, by a strong social mission to bring an opportunity to earn wages to the women of rural India. Neha Kumar's mother, a knitting expert in India, has successfully trained ten to fifteen women in a village outside of Allahabad. These women knit Siro Kids sweaters from high quality, 100% wool and are given freedom of artistic expression in creating the sweater designs. The women are also paid wages that would not otherwise be available to them and have access to an informal benefits package including basic health services.

The SBOC helped Siro Kids execute a search for their entity name and decide on a suitable business entity. The company is in the process of finalizing the legal structure of the business and continues to consult the SBOC on matters of business development.

2nd Annual Small Business and Entrepreneurship Conference

Last year's Small Business Opportunity Conference was a resounding success with around 200 registered attendees and positive feedback all around. The Second Annual Small Business Opportunity Conference took place at the Northwestern Law School on Saturday, February 17th from 9:00 AM to 3:30 PM. The 2007 keynote speaker and Distinguished Entrepreneur Award winner was Matt Ferguson JD '92, the CEO of Careerbuilder.com. Panel discussions and workshops on topics such as women in small business, intellectual property, government and local resources, venture capital, franchising, and importing/exporting were led by local small business owners, Law School and Kellogg faculty and lawyers with some of the top firms in Chicago. Participants at the conference had an opportunity to not only attend these information-rich seminars, but also interact with these individuals and plan their own careers and ventures.

FY 2008 National Budget Proposal

This year's budget proposal from President Bush included many provisions that can affect small business, some more prominent and publicized than others. Some of the more prominent elements included a request to make the key tax relief measures passed by Congress permanent. While this will help all small businesses, many of whom struggle with taxes annually, its chance for passage remains slim without grass roots support from entrepreneurs across the country.

In addressing health coverage, the president's budget includes reasoned proposals that reform the tax code with a standard deduction for health insurance. The employer-favored system has been inequitable for the self-employed, but the proposed changes enable access to health coverage for small businesses, individuals, and families. The administration also supports national small business pooling plans and the creation of a nationwide marketplace for health plans, allowing individuals to buy insurance from outside their state of residence.

The administration supports expanding global trade agreements throughout the budget, as well as a commitment to protecting small business intellectual property at home and abroad. Fees generated from patent applications submitted to the Patent and Trademark Office (PTO) will all directly support the PTO, providing additional resources to improve patent processing. Small businesses in particular benefit from a more efficient and improved patent system.

The Small Business Administration (SBA) budget proposal includes a 40 percent increase in small business financing. The \$28 billion loan package is made up of a 27 percent increase in the 7(a) loan program (\$17.5 billion); a 32 percent increase in 504 loans (\$7.5 billion); and \$3 billion for Small Business Investment Corporation debentures. Fees have been reduced for all SBA loans.

All is not sunny skies, though, as entrepreneurs should be wary of the proposed increases in audits and investigations of small business and self-employed taxpayers by the IRS. New initiatives could add to paperwork and compliance burdens. Proposals include a Taxpayer Identification Number verification system for any businesses using a contractor who is paid \$600 or more; a requirement that businesses file an information return for yearly payments to corporations of \$600 or more; reporting by merchant acquiring banks of gross payments received by small businesses from payment cards; and an expansion of broker information reporting, among other proposals. The IRS estimates that these

proposals will generate \$29 billion over ten years if implemented. Small firms and the self-employed should be sure to keep a close eye on these proposals in order to stay abreast of how they can impact their business.

SBOC Alumni News

Brian Hanigan '04, **Jeff Ellis '05** and **Oren Sacher '06**, one after the other, are associates in Skadden Arps Chicago office, Brian and Jeff in the corporate group, and Oren making good use of his LLM credentials in the tax group. **John Evans '99** is doing venture capital and private equity work at Moore VanAllen in Charlotte, NC. Among the California contingent are **Jennifer Hill '04** (venture capital and start-up issues) and **Gaurev Mathur '06** (intellectual property), both with Fenwick & West, and **Afif Khoury '02** who has recently joined the San Diego office of Gunderson Detmer.

SBOC alumni who are working on the business or consulting side include **Steve Schraibman '99** at S.A.C Capital Advisors, a group of hedge funds in Stamford, CT, **Jay Harris '06** at Credit Suisse and **Alex Egan '06** at Bain & Co. (both in Chicago), and **Jeff Pietsch '02**, the general partner in Maple Park Capital LP, a hedge fund in formation. If you want to know how it can be done, contact Jeff at jpietsch@mapleparkcapital.com.

In New York City are **Alak Goswami '02** (Proskauer Rose), **Luke Sosnicki '05** (O'Melveny & Meyers), **Laurie Levin '05** (Goodwin Proctor) and **Nick Faleris '06** (Sidley Austin). Also at Sidley, in its Chicago office, is **Annie Wallis '06** handling banking and financial transactions. **Jeannie Jho '03** has joined the investment management group at Ropes & Gray in Boston. **Magali Matarazi '99** is handling municipal finance and economic development in the Law Department of the City of Chicago. **Lei Shen '06** is specializing in information technology at Mayer Brown (Chicago).

Wade Bean '06 is an associate in Wilson Sonsini's office in Salt Lake City, **Drew Panini '03** has moved from California to Miami where he has joined the U.S. Securities and Exchange Commission. **Leslie Scolnick Hauser '01**, is Director of Alumni Relations at the University of Chicago Law School. **Veronica Li '05** is an employment lawyer in Littler Mendelson's Chicago office.

If you are a SBOC alum with whom we have lost touch, send us your email address with a report on what is going on professionally and personally.

2006-2007 SBOC Student Board



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Co-Presidents

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Liz Hudson '07

Finance/Fundraising Directors

Molly Holtkamp '08
Rachel Soppet '08

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David Braukman '08

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Heidi Lubin '08
Jillian Crawford '07

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