



Winter
Weekly

Reader

Volume 59, Issue 121, March 13, 2014

The Plano Rotary Club
www.PlanoRotary.com

UPCOMING MEETINGS

March 13

Darren Collins-
"The Coterie Connection"

March 20

Mayor Henry LaRosilliere-
"State of the City"

March 27

Terry Sumerlin-
"Common Sense for your
Life and Business."

April 3

Gerald Brence -
"Ox in the Culvert, A
Historical Fiction Novel"

MARCH BIRTHDAYS

Ben Criste	Mar 01
Bill Wray	Mar 06
Mark Johnson	Mar 10
Myrtle Hightower	Mar 11
Jamie Schell	Mar 18
George Wong	Mar 28
Louise Davis	Mar 31
Bruce Glasscock	Mar 31



EVERY
ROTARIAN
EVERY
YEAR

It's Party (Barn) Time!

JANIS Allman typified the gusto with which we all tore into the BBQ Chicken at **Rutledge's Party Barn**



last Thursday...well, all but **Bob Pikna** who arrived late having thoughtfully stopped off to collect any stray members at the *Pitchfork* Hotel. Or at least that's his story, and he's sticking to it.

Since he's handy around the house, we might call him **TINKER BELL**, who called the revelry to order at 12:13, summoning DG **Ean SANTA Sullivan** for the Invocation and **Bruce Mr. Clean Glasscock** for the Pledge. Try as he



might, *Scary Bob* couldn't project his usual volume, prompting **KIRK** to admonish, "Bob, your voice doesn't carry in this hall." Crediting **Jeff Frauenheim** with Greeting, **KIRK** called upon Deep Backup **SERGEANT-AT-ARMS Larry FLASH Flannery** to recognize Visiting Rotarians and Guests.

Matt Shaheen (*Frisco*) forwent the obligatory political stump speech, and **Sarah Hill** (*Pioneers*) was here as publicist for the day's speaker.



Since **Jan** is a member, Ean no longer needs to introduce her, so the Club has lost the joy of hearing him try. Feeling our pain, Ean introduced **LE THE RADIANTS** wife, **Donna**. That left Jan to welcome their son-in-law, Aggie, and veteran of the Afghanistan conflict, **Shane Shupak**.



INSIDE THE ROTARIAN STUDIO featured **Jamie Jolly** whom **FLASH** announced as **Jamie Schell**. (Not even close, **FLASH**.) She's been a Rotarian for "three or four years," which

FLASH interpreted as seven, as in "four and twenty blackbirds." Born in Dallas, raised in Winnsboro (25 miles SE of Sulfur Springs), she went out for track and cheerleading (only appropriate for a Plano Chamber of Commerce Director). She finally settled on baseball as her favorite sport. **FLASH** asked her to reveal "something Rotarians don't know about you," and she admitted to being a Miss Texas contestant "a long time ago." Getting terribly personal, **HE** wanted to know about her first kiss, which was as a sophomore beneath the football stadium. But of course her last kiss was for husband, **Marvin**, celebrating a 5th wedding anniversary next October.

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KIRK asked us to wish a **Happy Birthday** to **Bill Wray, Mark Johnson, and Myrtle Hightower**, and **HE** thanked Rutledge for the generous use of the **Party Barn**. **HE** announced a return engagement for our PRC Social at **LOCKHART'S** on March 25th. We were reminded again that this month's Board Meeting is delayed from its traditional second Thursday to the third (3/20) instead.



Mike McCullough was permitted the spotlight to tout **The Boardroom Salon for Men** (Lakeside Market: Preston between Parker and Spring Creek), but he chose instead to take the high road and explain that he'd collected donations on Superbowl Sunday to obtain \$360 which he matched two for one to \$1,000 as a gift to the PRC Foundation. With Mike's donation and the \$400 in birthday checks, the Foundation made out well today!

Yoram Solomon rose to pitch the Leadership Plano project for this year, the capture of TEDx talks for Plano on May 31st. Shades of **Maribelle's Plano Forum!**

Dave McWhorter introduced **Tuff Yen**, the

...Founder and CEO of Seraph Group. He has a BA from the University of California, Berkeley, and an MBA from the Yale School of Management. He is an expert on investments and start-ups.

Entrepreneurs and investors look to Tuff for information on the latest trends in the investing industry. He is frequently featured in media outlets such as Bloomberg TV and Fox Radio for his expert knowledge.

Mr. Yen's topic was *The Truth About the Shark Tank TV Show: Should We Believe What We See on TV?* But he deviated from that topic immediately, preferring instead to



proselytize about investments virtually guaranteed to lose 100% at least 50% of the time. One cannot accuse him of sugar-coating the risk! His only saving grace was the note that with Great Risk comes Great Reward, for the (1/2) time such investors DON'T lose everything, they make manifold profits. And the only mechanism available for the foolhardy is his investment vehicle because the SEC won't permit reputable organizations to fleece the public quite so regularly.

Seraph Group links people with more money than brains to entrepreneurs with more brains than money. A match made in Heaven, apparently.

We are living in an Era of Entrepreneurial Energy where geeks with no life can conceive of The Next Big Thing when they aren't busy hacking into the Military-Industrial Complex. NASDAQ itself is the product of this energy, an outgrowth of McLuhan's Information Age. And all of this has spawned a cadre of sharks like Mr. Yen who look at the efforts of teen Leonardos and ask, "Why should **THEY** alone profit by their genius? Why not me?"

Or rather: why not us?



So he offers the eager (*Greed is, for want of a better term, Good.* —Gordon Gecko) the opportunity to become "Angels," to fund the aspirations of legions of individuals too clever for higher education, each of whom wants to parlay his WHAT'S APP into 19 billion of Google dollars in a buy-out after five years of effort and go buy an island in the Bahamas. The "angels" go along for the ride.



Shark Tank is "*the dramatization of this process.*" But its purpose is to sell advertizing, and, as such, it must be entertainment rather than enlightenment, because enlightenment doesn't sell. Mr. Yen claims the \$50K payouts are only make-believe. But he applauds the process.

The alternative is Venture Capitalism, but that funds only enterprises. "Angels" capitalize individuals! They fund those who cannot raise capital in any other way. They fund those who, in Mr. Yen's words, "*lead the World in Innovation.*" And YOU TOO can PROFIT from this.

But not with the likes of stodgy investments counselors more interested in "*preserving your wealth*" than with making you insanely rich. (Take that, Bell & Valente!) They will look at the 50% mortality of Angel investing and conclude that no reward justifies the risk of impoverishment. (What are they thinking? Perhaps Tuff would re-punctuate that as "What! Are they thinking?")

The business model of such startups is hardly traditional. There's no sales force but instead the power of "going viral" on the internet. The hot commodity of the moment garners millions of "likes," and the sharks salivate, or they would if they didn't live in an aquatic environment. And there's no room for standard finances in such an evanescent phenomenon. "Angels" fund those with "*no experience, no track record.*" They help "*kids build million dollar empires*" and "*give new product ideas a chance.*" So, noble to the core.

The trick, of course, is to "*find the right people*" with "*expertise in (the relevant) areas*" such that their crystal balls are at least 50% accurate. Cloudy only 1/2 the time.



Of course, it wouldn't hurt to deal with the statistics of large numbers. Don't put all your eggs in one basket, unless it's Easter, and you're the Easter Bunny. Mythology notwithstanding, the 20 companies the Seraph Group deals with means only 10 are likely to be bust, by his reckoning. But it might be less and it might be more. The statistics of small numbers, and 20 is mathematically small, aren't quite as generous as those of large, and the latter would tell you that it's 10 ± 4 within the standard deviation.

In addition, success takes time. "Angels," and Seraphs are "the highest order of angels," by definition, have to expect at least three years of failure before seeing any ROI. So "angels" must have nerves of steel.

And apparently 200 have been found with the Right Stuff. That's the number of Seraph's clientele (which are global). Those 200 are banking on the expertise of a group of 18 experts who vet the proposals. But *"I'm not pushing my company now."*

When asked the "worst case scenario," Mr. Yen explained that enterprises fail because *"they never find a market, or the market moves on."* In the next breath, he characterized a bank loan as *"more risky,"* because "it" goes bad as oppose to "them" going bad.

In response to a question about the magnitude of the investment, he quoted \$50K to \$1 M for Seraph. Venture capitalists consider that penny ante, and fund in excess of \$3M.

Yoram asked about crowd funding, and Tuff told him that there was *"a market for that,"* but Seraph doesn't deal in it.

John Ernst inquired about social venture capital and was told it's only profit-oriented.

KIRK had had enough. His "investment counselor" instincts kicked in and he was obliged to ask about fraud protection. In an

era of **Bernie Madoffs** what sort of assurances could be made? Hedge funds are denied to Main Street for a reason. "Angels" work without regulation.

Sensing the hostility, Mr. Yen pointed out that when you take life savings from grannies, the SEC cheerfully accepts their complaints. When "legitimate investors" lose their money, *"the SEC is quiet."*

KIRK then related an anecdote about some adviser permitting a Smith-Barney client to make trades against his advice, and when they went south, the SEC told him, *"as a licensed professional, you must protect investors against themselves!"* Smith-Barney settled for \$400K.

So why do people join Seraph Group?

1. Interested in innovation
2. Bragging rights
3. To get away from their spouses (!?)
4. Invest anonymously.

The very rich are targets for countless "offers" of instant wealth. Seraph offers surcease.

KIRK presented Tuff with the *"highly coveted"* Rotary clock and opened the floor to announcements, at which point **FLASH** continued the questioning. What's the minimum investment, he wanted to know, and one could smell ARTA's resources at risk. The answer was \$25K per year over four years.

200 proposals per annum are winnowed down to 4-7 investments. And the investors receive the presentations of the penultimate cut.

PRESIDENT BELL led the party-goers in the Four-Way Test and shut down the festivities at 1:00.



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Guests & Visiting Rotarians

Guest

Shane Shupak
Donna Showalter
Emily Froggatt

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Jan Sullivan
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Errinn Froggatt

New Member Proposal

Proposed member: Edward J. Williams
Classification: Retired
Proposed By: Bradley Keith

Visiting Rotarian

Matt Shaheen

Home Club

Frisco

Proposed member: Mike McCullough

Classification: Men's Salon

Proposed By: Kirk Bell

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