

Capitalization of Your Venture: Aligning Objectives & Concerns -- Angels

BIO Entrepreneurship Boot Camp
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Financing – Angel as Customer

Needs	Return on investment; regional impact; personal interest in space/technology
Timing	Can make faster investment decision; closing likely to require aggregation of multiple small investments
Criteria	Belief

Financing – Angel Attributes (historical)

	\$\$	all in on the first round
Invest. Horizon		open ended
Diligence		more gut, fewer graphs
Deal Terms		OK by me (maybe a board seat)

Financing – Angel Network Attributes

\$\$\$\$	Contingent on individual member investment decisions; greater appreciation for “dry powder”
Invest. Horizon	open ended (i.e., investment entity not time-limited)
Diligence	organized diligence effort, dependent on domain experts within investor group
Deal Terms	Follow NVCA standard agreement forms (www.nvca.org) (and a board seat)



Angel Investing – Equity Instrument

Convertible Note

no valuation; may be secured against assets; must be repaid or converted by Maturity Date; doesn't start holding period; limited rights

SAFE

(Simple Agreement for Future Equity)

no valuation; no security interest; no repayment right (absent conversion); doesn't start holding period; limited rights

Series A

valuation; preference in liquidation (behind subs. equity issues); stockholder information, voting, preemptive rights

Angel Investing – Valuation

Why Valuation matters:

Liquidation Waterfall – LIFO

First Angels – FI(a)LO*

***“First In (almost) Last Out”**

Angel Networks setting pre-money valuation ceilings as an investment criteria

	A Round	B Round	C Round
Founders	62.50%	31.25%	18.75%
First Angels	37.50%	18.75%	11.25%
Later Investors		50.00%	30.00%
Last Investors			40.00%
TOTAL	100.00%	100.00%	100.00%
Pre-Money	\$5,000,000	\$5,000,000	\$15,000,000
Investment	\$3,000,000	\$5,000,000	\$10,000,000
Post-Money	\$8,000,000	\$10,000,000	\$25,000,000
Founders	50.00%	25.00%	15.00%
First Angels	50.00%	25.00%	15.00%
Later Investors		50.00%	30.00%
Last Investors			40.00%
TOTAL	100.00%	100.00%	100.00%
Pre-Money	\$3,000,000	\$5,000,000	\$15,000,000
Investment	\$3,000,000	\$5,000,000	\$10,000,000
Post-Money	\$6,000,000	\$10,000,000	\$25,000,000
Change in First Investor Rel. Equity % due to reduced valuation			+3.75%
% increase in First Investor Rel. Equity % due to reduced valuation			33.33%

Angel Investing – Process



Expectations vs. Experience – addressing assumptions from unrelated business experiences, investments; benchmarking



Where's the Money – beware “finders”; private-private offerings vs. public-private offerings (Rule 506b vs. 506c)



Diligence – less ad hoc, more disciplined; addressing lessons learned from older investments

Capabilities

Best Lawyers

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100+

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RETAIL INDUSTRY
TRANSPORTATION

Health Sciences

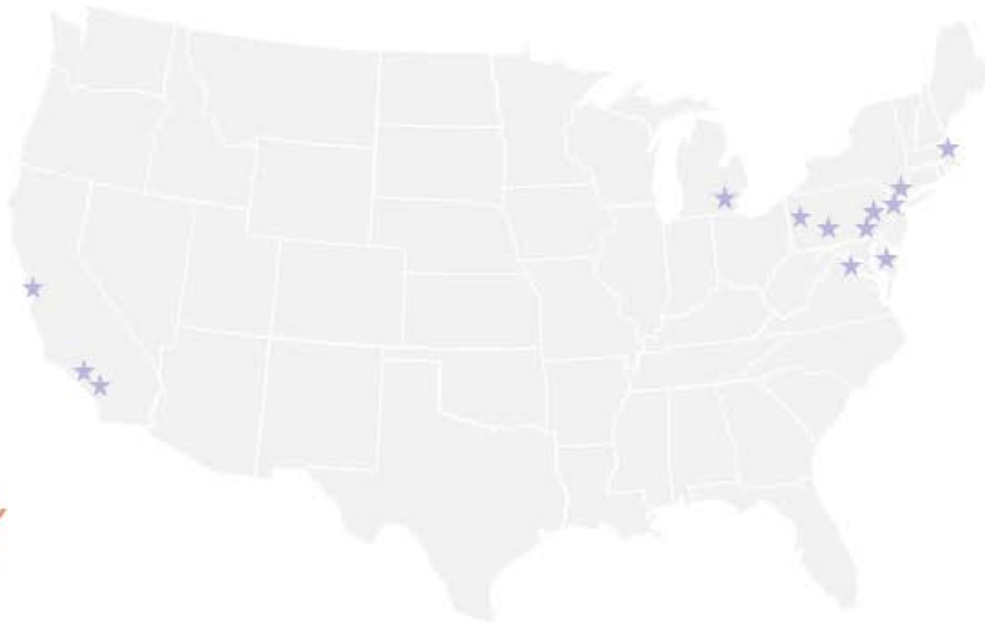
- ▶ more than 100 lawyers devoted to advising clients across the health sciences spectrum
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- ▶ understand the impact that advice and counsel in one area will have in other aspects of business – and on other members of the health sciences ecosystem

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Health Care Transactions
Intellectual Property - Health Sciences
Life Sciences Transactions
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Pharmaceutical and Medical Device Litigation and Counseling
Pharmacy Industry
State Attorney General Litigation
White Collar Litigation and Investigations

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