

Building Your Capitalization Strategy

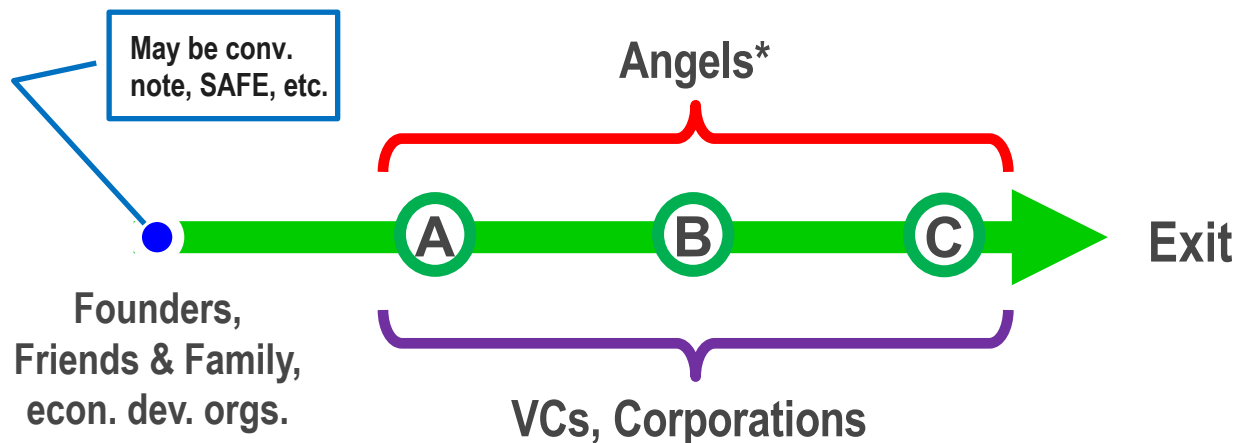
Angel Investors

BIO Entrepreneurship Boot Camp 2022

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The Early Life of the Company – Financing Stages



****“accredited investors” – i.e., individuals having net worth > \$1M (ex. house) OR > \$200K income, but also see criteria for angels investing through LLCs or Trusts, etc. in 17 CFR § 230.501(a)**

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

\$\$ all in on the first round

Invest. Horizon open ended (i.e., no structural limits)

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 CAPITAL ASSOCIATION

www.angelcapitalassociation.org

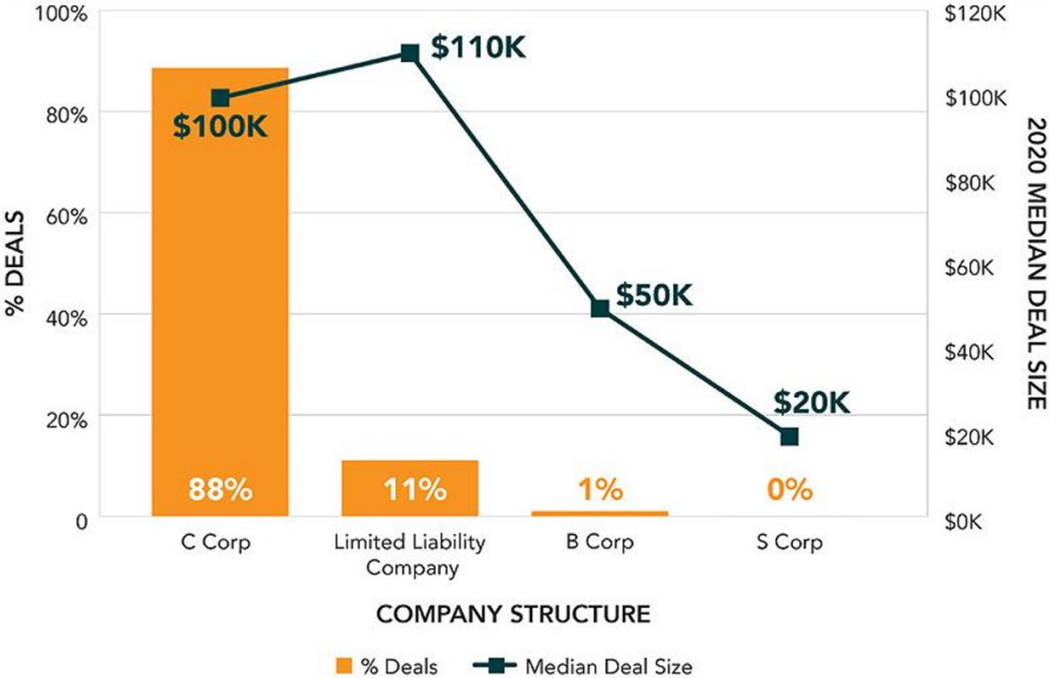


Figure 16 – C Corp Dominate Company Structures

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 (may have valuation cap); no security interest; no repayment right (absent conversion); doesn't start cap. gains holding period; limited rights
Series A	valuation; preference in liquidation (behind follow-on equity issues); stockholder information, voting, preemptive rights

VALUATION – implications for angel participation in liquidation waterfall (as shaped by circumstances and totality of subsequent financings)

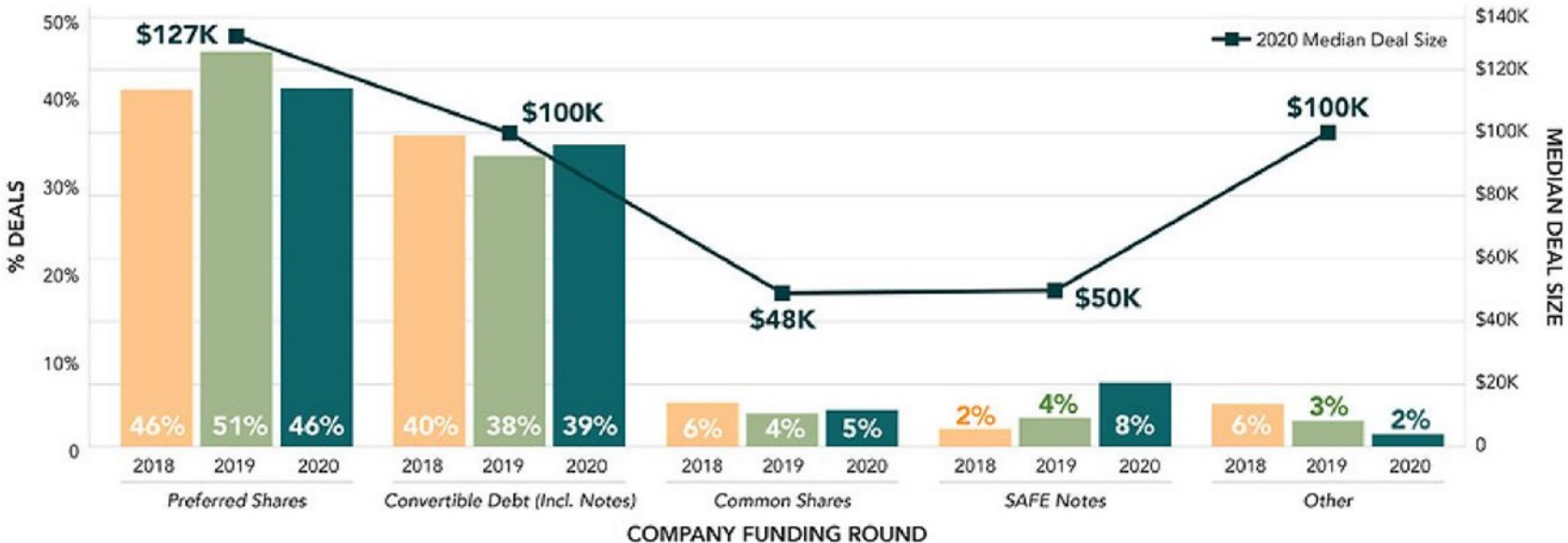


Figure 15 – Preferred Equity & Convertible Debt Dominate Angel Deals