

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

BIO Entrepreneurship Boot Camp  
June 4, 2018

David S. Smith  
*smithds@pepperlaw.com*

**Pepper Hamilton LLP**  
Attorneys at Law

# Financing – Angel as Customer

<b>Needs</b>	Return on investment; regional impact; personal interest in space/technology
<b>Timing</b>	Can make faster investment decision; closing likely to require aggregation of multiple small investments
<b>Criteria</b>	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 ( <a href="http://www.nvca.org">www.nvca.org</a> ) (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

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

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

# Capabilities

## Best Lawyers

More than 60 lawyers listed, including 5 as Lawyer of the Year

## 100+

lawyers highly rated by Super Lawyers and Rising Stars

## SERVICES

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INTERNATIONAL LITIGATION

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FINANCIAL SERVICES  
FOOD AND BEVERAGE INDUSTRY  
HEALTH CARE SERVICES  
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LIFE SCIENCES  
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NONPROFIT ORGANIZATIONS AND FOUNDATIONS  
PHARMACEUTICALS AND MEDICAL DEVICES  
RETAIL INDUSTRY  
TRANSPORTATION



# Health Sciences

- ▶ more than 100 lawyers devoted to advising clients across the health sciences spectrum
- ▶ collaborate with each other and with clients to achieve remarkable successes
- ▶ 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

## Key areas of practice

Acute Care Hospitals and Health Systems  
Antitrust and Competition - Health Sciences  
Digital Health  
FDA Regulatory and Risk Management  
Counseling  
Fraud and Abuse Litigation and Investigations  
Group Purchasing Organizations and Buying  
Cooperatives  
Health Care Services  
Health Care Transactions  
Intellectual Property - Health Sciences  
Life Sciences Transactions  
Long-Term Care Organizations – Skilled  
Nursing and Senior Housing Facilities  
Pharmaceutical and Medical Device Litigation  
and Counseling  
Pharmacy Industry  
State Attorney General Litigation  
White Collar Litigation and Investigations

# Locations

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