

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

BIO Entrepreneurship Boot Camp  
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# 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

BUSINESS SERVICES  
INTELLECTUAL PROPERTY  
GOVERNMENT REGULATION  
INTERNATIONAL LITIGATION

## INDUSTRIES

CONSTRUCTION LAW  
EDUCATION COUNSELING, LITIGATION AND INVESTIGATION SERVICES  
ENERGY INDUSTRY GROUP  
FINANCIAL SERVICES  
FOOD AND BEVERAGE INDUSTRY  
HEALTH CARE SERVICES  
INVESTMENT FUNDS INDUSTRY GROUP  
LIFE SCIENCES  
MEDIA, COMMUNICATIONS AND ENTERTAINMENT  
NONPROFIT ORGANIZATIONS AND FOUNDATIONS  
PHARMACEUTICALS AND MEDICAL DEVICES  
RETAIL INDUSTRY  
TRANSPORTATION



# Health Sciences

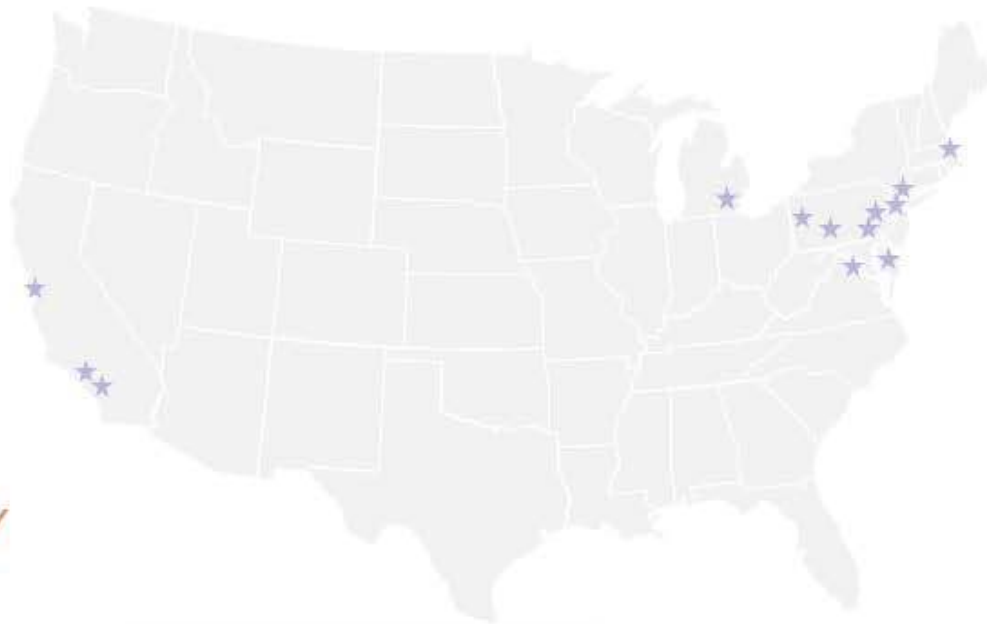
- ▶ more than 100 lawyers devoted to advising clients across the health sciences spectrum
- ▶ collaborate with each other and with clients to achieve remarkable successes
- ▶ understand the impact that advice and counsel in one area will have in other aspects of business – and on other members of the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

BERWYN  
BOSTON  
DETROIT  
HARRISBURG  
LOS ANGELES  
NEW YORK  
ORANGE COUNTY  
PHILADELPHIA  
PITTSBURGH  
PRINCETON  
SILICON VALLEY  
WASHINGTON  
WILMINGTON



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and Pharma/Medical  
Device Products  
Liability

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**125** years of  
serving clients