



Professional
Development
Program

San Diego
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Become a Biotech or MedTech Entrepreneur

Session 15:

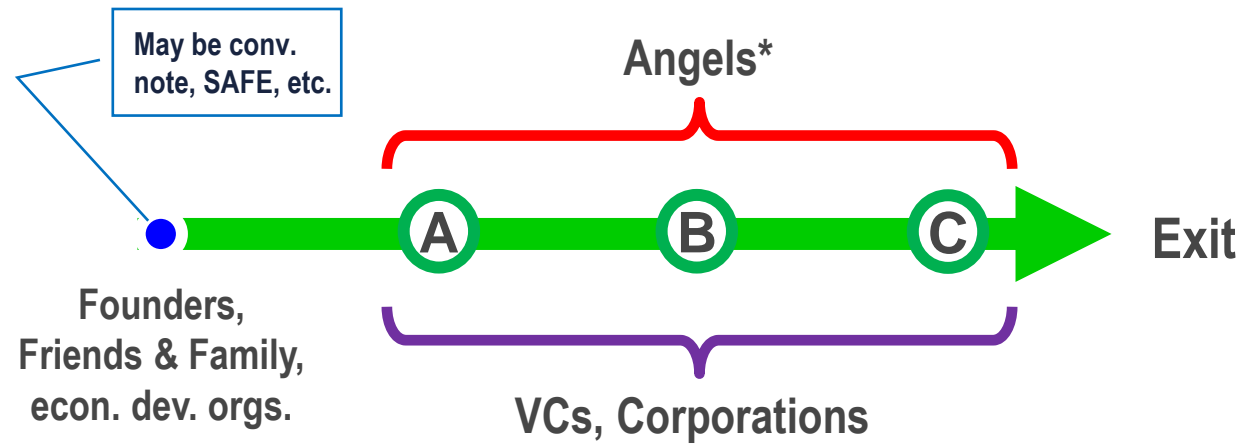
**Building Your Capitalization
Strategy – *Angel Investors***

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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)**

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 (i.e., no structural limits)	
Diligence		more gut, fewer graphs	
Deal Terms		OK by me (maybe a board seat)	} can be regional variations

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) } can be regional variations



Angel Investing – Equity Instrument

Convertible Note

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

SAFE

(Simple Agreement for Future Equity)

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

SEED Series A

valuation; preference in liquidation (behind follow-on equity issues); stockholder information, voting, preemptive rights

May set “Enterprise Value” or “Conversion Cap” for alternative conversion formula

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

Thank you