




Life Science Start Ups:
Key to success

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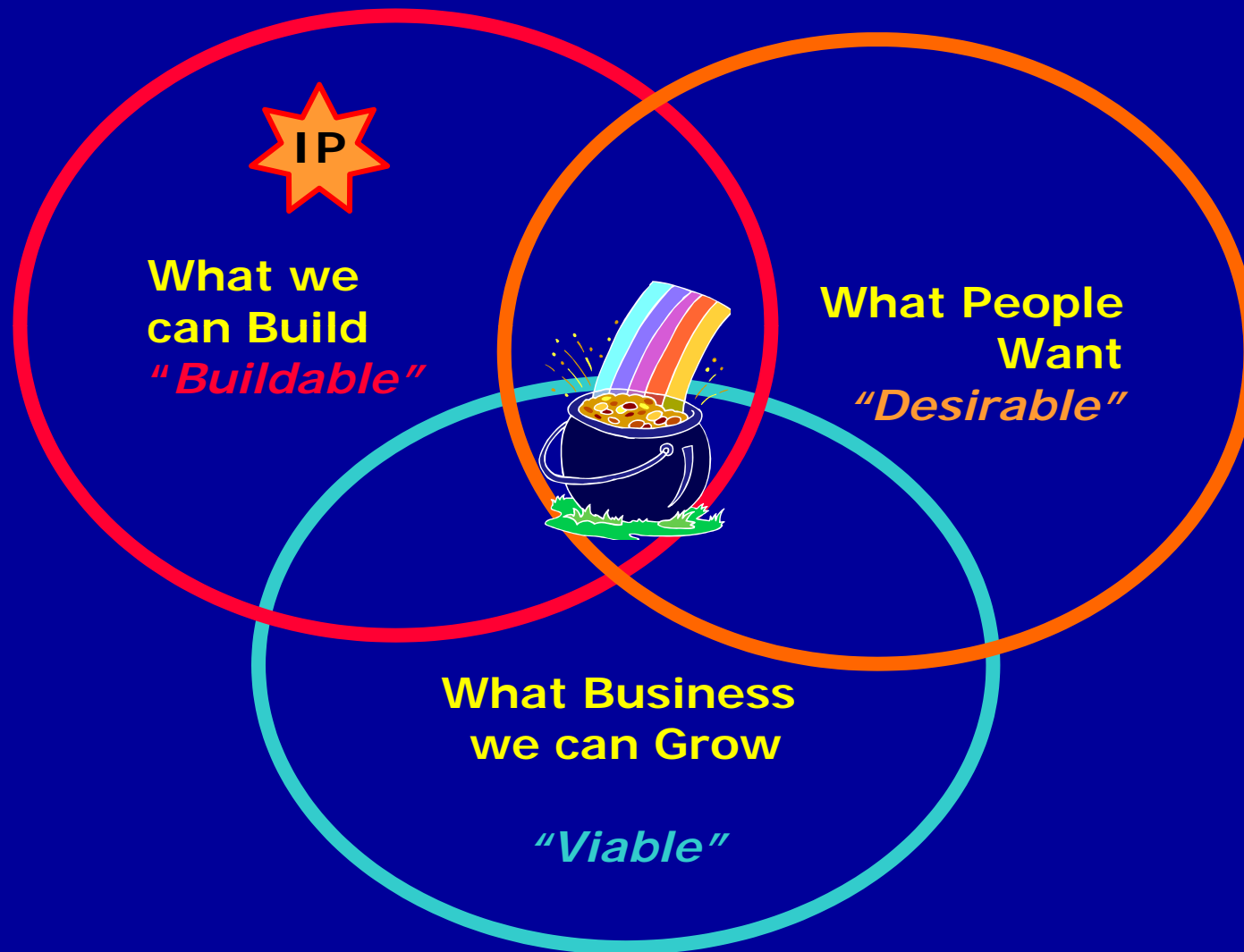
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Which one would you pick?

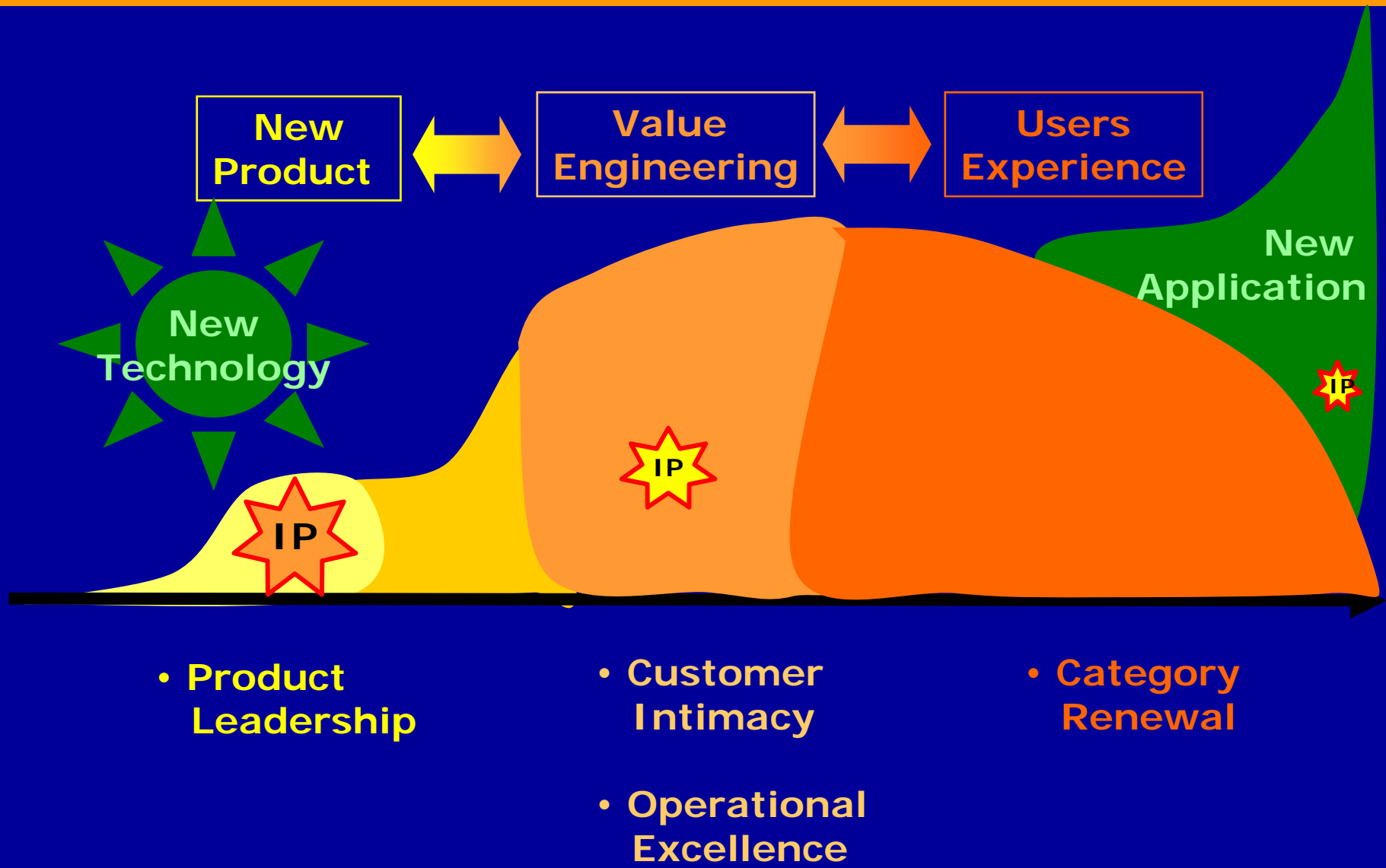
- **Which company should you join/start?**
 1. Technology Innovation
 2. Market Innovation
 3. Both

- **Primary focus while raising \$?**
 1. Improve proof of technical feasibility
 2. Hire key employees
 3. Improve operating plan
 4. File more patents 

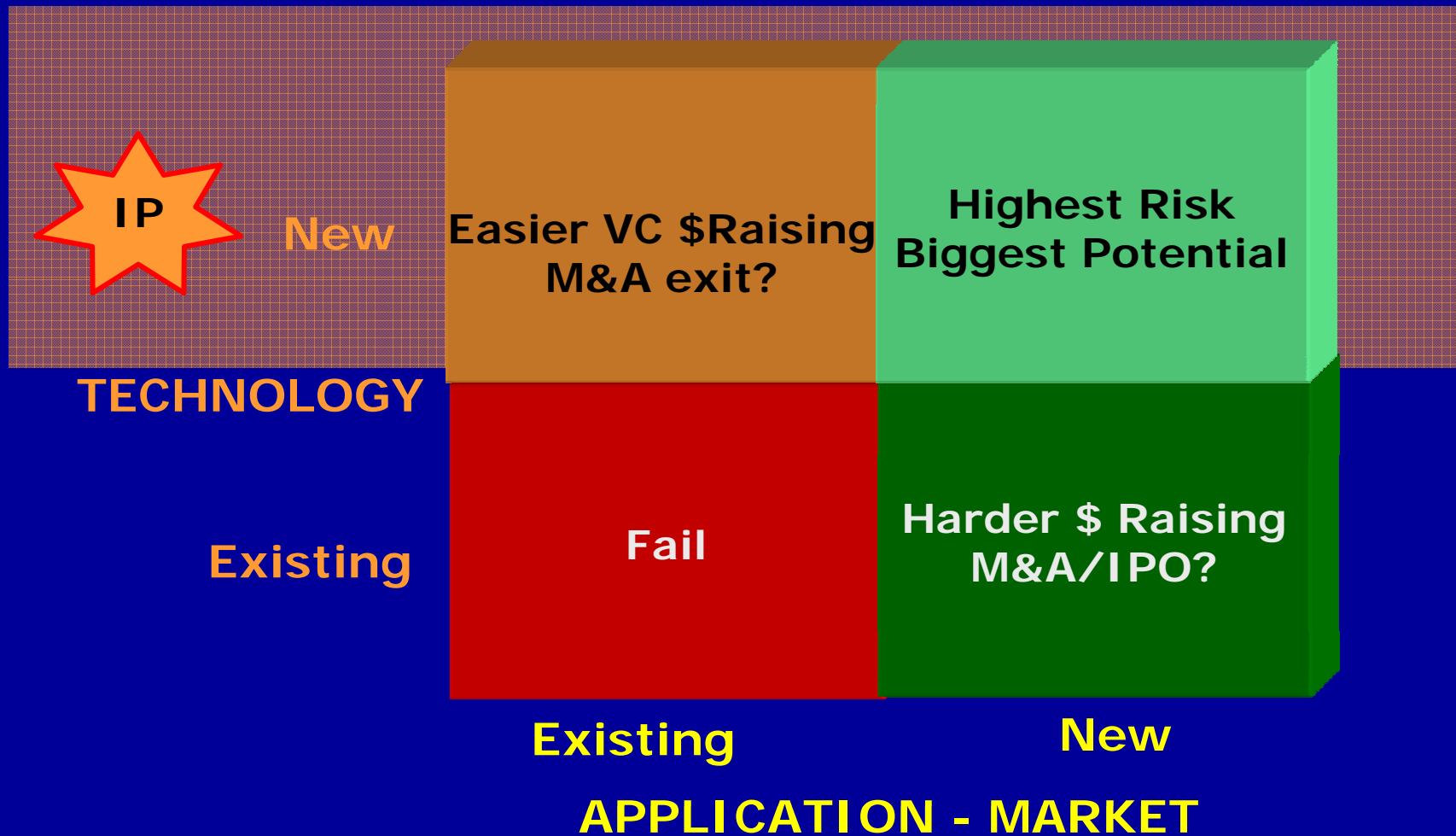
Technology or Market Driven?



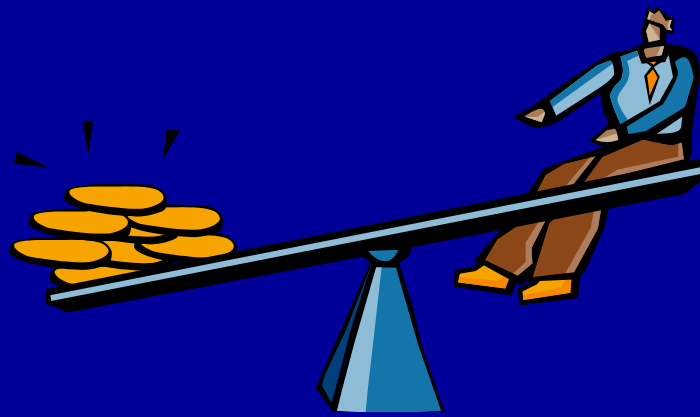
What Stage is the Market?



Risk: Technology or Application?



Creating Value: Success Criteria?



Liquidity: IPO, M&A 

Main Stream Market

Payers (Medicare, insurance)

Buyers (PBM, Hospitals)

Users (Patients, RN)

Early Prescribers i.e. MD's

FDA

Trial: Product Safety and Efficacy

Employees + Advisors

Early Investors: Angels → VC's



HOW BIG IS THE VISION?

- **New Company? → Big Co.**

- Technology with sustainable competitive advantage
- Line of products → multi markets
- IP: Technology Platform



- **New Product? → Acquisition**

- Rapid time to market + quick penetration
- Potential Acquirers
- IP: Product Design, blocking IP



→ Different Investors & Strategies

PRODUCT RISK

1. Defendable IP's



- Strong opinion from patent lawyer
- Freedom to operate

2. Proof of concept is now essential

- Milestones timeline

3. Research vs. Application Risk

- Safety: animal, human
- Efficacy: how do you prove it works?
- Regulatory path: FDA, CMS
- Clinical and market trials

MARKET RISK

1. Proof of market size & acceptance

- Clinical and Business Advisory Boards
- Investigators Credential-Support

2. Value Proposition

- Unmet Needs, benefits
 - Prescribers, users, buyers, payers
- Letters of intent

3. Competition will respond

- Bundle, promises, drop price, features wars
- Develop alternatives

PEOPLE RISK

- **CEO:**
 - if not proven, surround your weaknesses
- **Proven A Team vs. A individuals**
 - Track record of building team
- **Independent board members**
 - Operating background, track record

FINANCIAL RISK

- **Exit strategy**
 - M&A: Several Buyers?
 - Space/segment track record
- **Money needed to get to exit**
 - Return vs. Risk
 - \$ at work/VC
 - Number of investors + depth of pockets

Top Ten Legal Mistakes

10. Failing to incorporate early enough

- Forgotten founder
- Assign to the new corporation all invention
- LLC vs. C Corp.

9. Issuing founder shares without vesting

8. Lawyer not experienced in start ups

7. Failing to make a timely Section 83 (b) election

6. Negotiating financing solely on the valuation

- participating preferred with a high cumulative dividend, redemption rights exercisable after only several years, and ratchet anti-dilution protection with no cap.
- history of standing by the entrepreneur

Top Ten Legal Mistakes

5. Waiting for international IP protection

4. Disclosing inventions without a nondisclosure agreement

- Need filed patent application before fund raising

3. Starting a business while employed

- Hiring employees without first checking their agreements
- Cannot use or disclose the previous company's trade secrets

2. Failing to comply with state and federal securities laws

- Too many private investors

1. Thinking any legal problems can be solved later