GETTING FUNDED: THE ART AND SCIENCE OF STORYTELLING FOR THE LIFE SCIENCE COMPANY

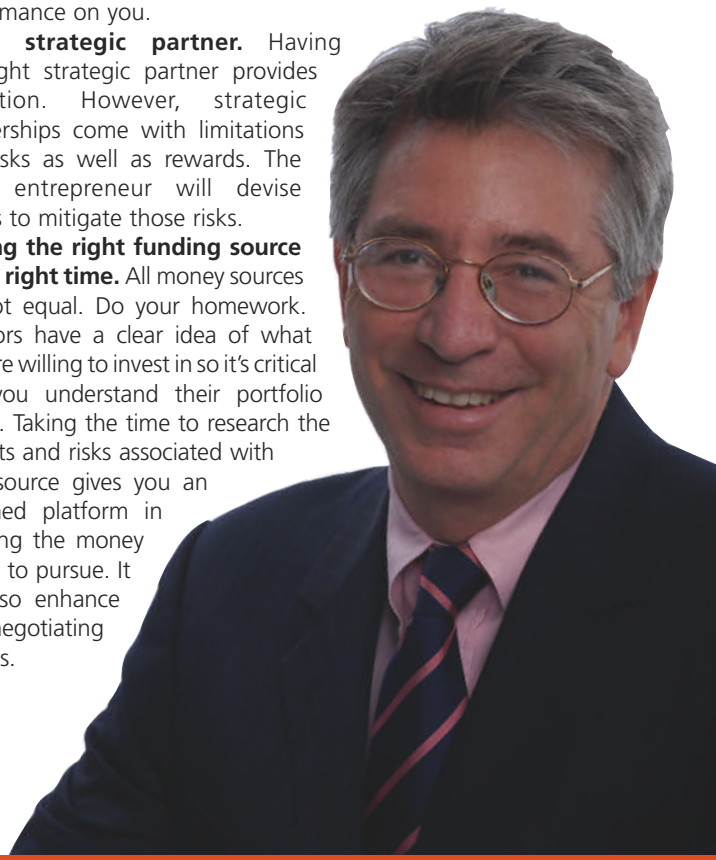
BY JEFFREY NICHOLAS, ESQ.

"It was the best of times; it was the worst of times."

Charles Dickens' words from 150 years ago certainly apply to today's funding environment. Life Sciences companies in particular face difficult challenges in raising capital due to the overall economic environment and the lengthy time required to bring products to market. Investors are more critical and risk averse than ever before but they are also more open to great opportunities recognizing that tough times are often the catalyst for great innovation.

Demonstrating that your company is a great opportunity often depends on how well you tell your story, which is part art, part science. Venture capitalists will tell you that being well introduced matters. Over the years I have worn many hats: legal counsel to investors and early stage companies and as an angel investor with Delaware Crossing Investor Group. The companies that were successful in getting funded, and getting funded again, share several key characteristics when they told their stories. Here's a brief look at the strategies they employed:

1. **Stay focused.** Recognize and then tell investors what they need to know about your business and the problem you are solving, your clinical pathway, size of the market, distribution plans and the cycle from innovation to market. Be specific.
2. **Credibly explain the market uptake process.** Why is the customer going to change what they are doing? Investors know full well the inertia surrounding customer buying behavior and change patterns. The market share you anticipate will not just happen because you have a better product—there is a world of marketing and communications to get you there. If you are not inside the head of your customer and what it takes to convert that person into a customer, you'll never see the inside of an investor's wallet.
3. **Know your competition.** Demonstrate succinctly how your product/technology is different/better. Anticipate an investor's concerns regarding freedom to operate. Be able to explain why your competition hasn't taken the path you are on.
4. **Build a management team that is second to none.** Be passionate when describing your team. If you are not jazzed about your partners how can an investor be? Entrepreneurs who hire and surround themselves with great talent are head and shoulders above everyone else. You may have a great product or technology but it is your people who are going to drive the success of your company.
5. **Tell the beginning and ending right up front.** Know your inflection points and exit scenarios and the three or four companies who are likely buyers. Think like an investor and help him/her see your journey as well as the exit.
6. **Establish meaningful milestones.** Tell investors the milestones you expect to reach and the role the milestones play in the growth of the company. This is evidence to demonstrate traction.
7. **Know the financials.** Investors want to understand your thinking, your assumptions, and your game book. Recognize that, inevitably, things take longer to happen than they should, and how that will affect your burn rate. Hire a CFO with fund raising experience as soon as you can.
8. **Deal terms aren't what they used to be.** This is the time to think like an investor. Do your homework and get a sense of the current market – which is never static. For example, investors who doubt your ability to meet milestones are now seeking more explicit linkage between milestone achievement and the pre-money. This is one way the valuation gap can be closed, but it puts the risk of performance on you.
9. **Think strategic partner.** Having the right strategic partner provides validation. However, strategic partnerships come with limitations and risks as well as rewards. The savvy entrepreneur will devise means to mitigate those risks.
10. **Finding the right funding source at the right time.** All money sources are not equal. Do your homework. Investors have a clear idea of what they are willing to invest in so it's critical that you understand their portfolio profile. Taking the time to research the benefits and risks associated with each source gives you an informed platform in selecting the money source to pursue. It will also enhance your negotiating abilities.



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