

# Raising Money from Angel Investors and Venture Capitalists

IEEE E-Net Presentation

Doug Daniels

President, CEO

HydroCision, Inc.

# Raising Money-The Challenges

- What is your strategy to raise money?
- When do you do it?
- How much do you need?
- Through whom do I do it?
- How do I get it done?

# Raising Money Strategies

- Raise enough capital to design, develop, protect, manufacture and sell your products profitably to make money for the company stakeholders.

# Raising Money-Background

Every company is different, every situation is unique  
Venture One reports:

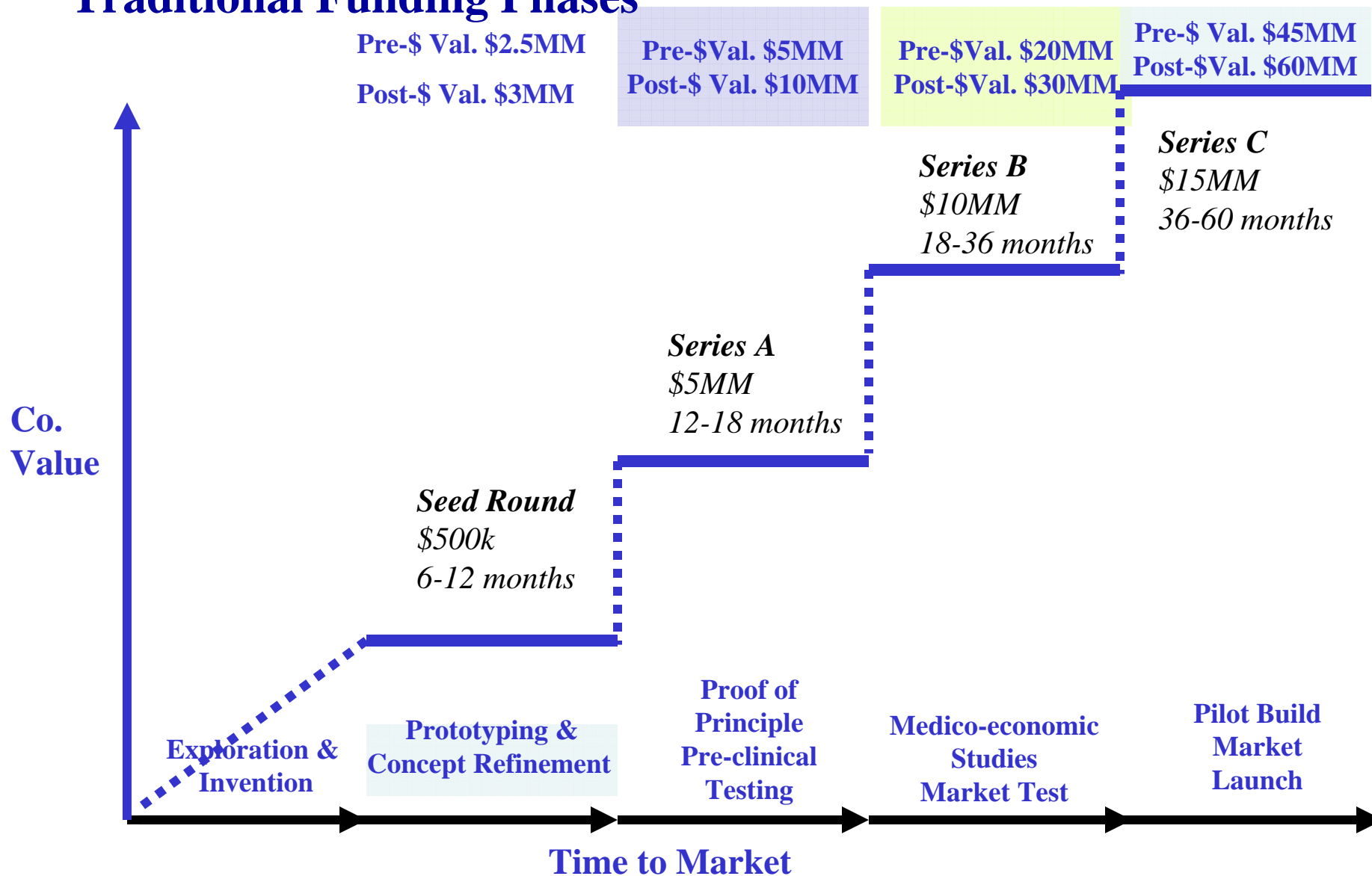
The medical device companies that achieved a  
positive exit between 2001-2006 (M&A or IPO)  
took;

Five to Seven years to a positive exit  
\$30MM to \$40MM to fund the opportunity

# Raising Money-Key Trends/2006

- Record funds (\$215B) in private equity
- Slower IPO market is delaying exits
- Angels investing (\$25.9B) but later/less risk
- VC's investing (\$25.5B) more earlier, or later to avoid dilution/bargain shopping
- Greater % invested in healthcare (32% by VC's and, 21% by Angels)

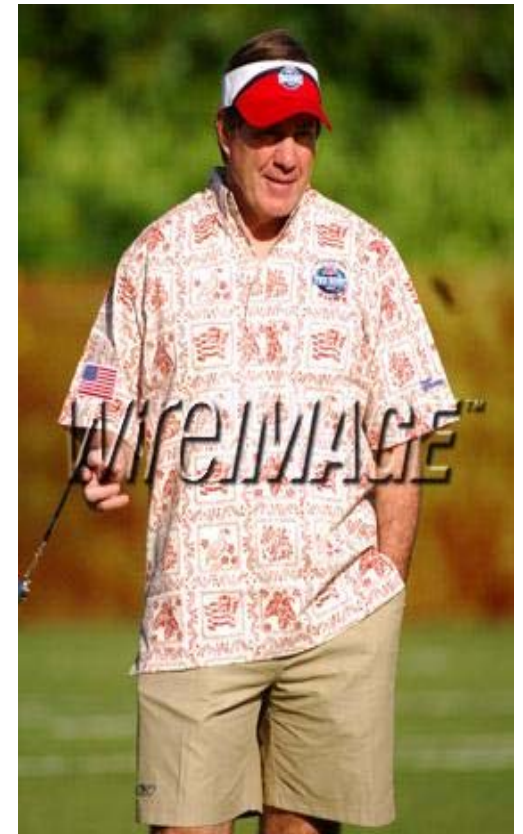
# Traditional Funding Phases



# Raising Money-Preparing for Success

## Exploration and Invention Metrics

- *Define an unmet clinical needs*
- *Research market potential*
- *Uncover economic needs*
- *Build initial prototypes*
- *Confirm the needs with experts*
- *Complete “New Product Screening”*
- *Prioritize opportunities/ need, speed and greed*
- *File provisional patents/SCA*
- *Establish the corporate entity*
- *Initiate the creation of a business plan*
- *Gain “Seed” funding /\$500K/6-12 Months*



# Raising Money-Seed Round

Seed Round Sources	Upsides	Downsides	Risks
Personal, Friends, Family	Non Dilutive Decision Making Easy Family Loyalty	May be Limited Capital Detriment to Relationships Credibility w/ Future Investors	Personal Assets Destroy's Relationships Difficult to Raise Additional Resources
Grants	Non Dilutive Create B-plan Discipline Strong Validation of Plan and Technology	Restriction on Spending Restricted to Advancing the Field Focus on Grant Writing and Not on Business	Restrictions May Box the Opportunity Limited Resources
Angel Investors	Cash + Experience a Plus Flexible in Deal Structure Follow on Financing/Bridge to Profitability	Dilutive Long Term Partners Limited Capital	Timing of Exit Conflicting Priorities Can Take Control of Business/"Angels" or Devils?



# Raising Money: “Good Angels”

- Knowledgeable of the market
- Great contacts in the industry
- Deep pockets
- Venture contacts
- Venture successes
- Reputation for integrity

# Raising Money

*What you must have to get your company funded by a venture capitalist?*

- Strong experienced management team/Leaders & Doers
  - What you know! –Who you know!
- Sizeable well defined market
- Unmet needs in the market
- Products/services that meet the needs
- Intellectual property to provide SCA's
- Optimal historical multiples in an exit

# Raising Money: Series A

## Phase Two: Prototyping and Concept Refinement Metrics

- *Define the economic benefits to hospital and payors*
- *Determine the ASP and COG's specifications*
- *Research the clinical and economic studies for procedures and products competitive in the area*
- *Confirm the medico-economic outcomes needed with experts*
- *Create the initial clinical /regulatory/reimbursement strategy*
- *Refine your competitive knowledge/SWAT analysis*
- *Submit patents in key countries*
- *Complete the company business plan*
- *Gain commitment from key Operations, QA/RA, Finance, Marketing*
- *Gain Series A funding-\$5-10MM/12 –18 Months*

# Raising Money- Series B

## Phase Three:Proof of Principle

- *Prove feasibility of prototype on bench*
- *Define product risk factors for procedure and manufacture*
- *Complete pre-clinical animal testing w/experts*
- *Test human factors*
- *Complete product and marketing specs*
- *Complete regulatory submissions for Europe, US, Key Asian Markets*
- *Plan initial scientific and need creation posters*
- *Create operational strategy/tactics for initial builds*
- *Define optimal labels, packaging, DFU's*
- *Gain Series B Financing- \$10-\$15MM/ 12-18 Months*

# Scale-up

## Phase Four: Market Test/Pilot Ramp

- *Gain regulatory clearances*
- *Finalize human factors for initial build*
- *Validate design/manf. process*
- *Assess manf./clinical risk*
- *Assess demographics for sales reps*
- *Complete short term studies*
- *Sell to key evaluation sites*
- *Present posters/presentations*
- *Create PR buzz*
- *Define sales strategy*
- *Create launch forecast/pricing*
- *Create mar. comm. support*
- *Gain Series C financing for sales ramp*  
*\$15M 12-36 Months*



# Raising Money: Series C

## Phase 5: Product Launch

- *Complete retrospective study-one yr. follow-up*
- *Ramp manufacturing to forecasted needs*
- *Gain publication in key journals*
- *Present interim CRT data*
- *Present products/gain leads from major trade shows*
- *Hire and train sales reps in key high volume areas*
- *Penetrate deep into high volume accounts/not broad*
- *Release full mar. communication package*
- *Demonstrate medico-economic value to clinical customers and key potential acquirers*

# Raising Money- Hindsight Lessons

- Ask experienced entrepreneurs to assess your status and help create your strategy to raise money
- Prepare for success/know what to expect, what to do to raise the capital, and how to get it done
- Find the “Good Angels” that meet your initial company needs
- Ask experienced entrepreneurs which VC’s that you should be contacting/Market knowledge, amount, timing
- Understand how you are going to get your fair share when the business exits