

Whether, When, and How do I Start a New Life Science Company?

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Disclaimer



- The following is informational only
- If you want to start a company, there is no substitute for engaging a good corporate attorney
- The current presentation is aimed at providing background information so you can properly engage legal council

Why, Whether, When & How to Start a New Life Science Company

WHY

- Why start a company?
- Difference between starting a company and licensing technology

WHETHER

- Research on market needs
- Scope, mission, and name of company

WHEN

- Securing access – presumably exclusively -- to core intellectual property (IP)
- When (what trigger) and where to incorporate
- Delineation of founders and their roles, including ability to fully-dedicate professional effort

HOW

- Type of company to form (LLC, S-Corp, C-Corp, PBC, etc.) and the pros and cons of each
- Equity allocation among founder(s) and set-asides for recruits and investors
- Sources of start-up capital (FFF, grants, accelerators, etc.)

Reality Check

- Once you start a company you're no longer in science – you're now in sales

MARKET

- Customer analysis -
Who will buy your product?
- Market size -
How many such people are there?
- Competitive Analysis -
Why will they buy yours instead of someone else's

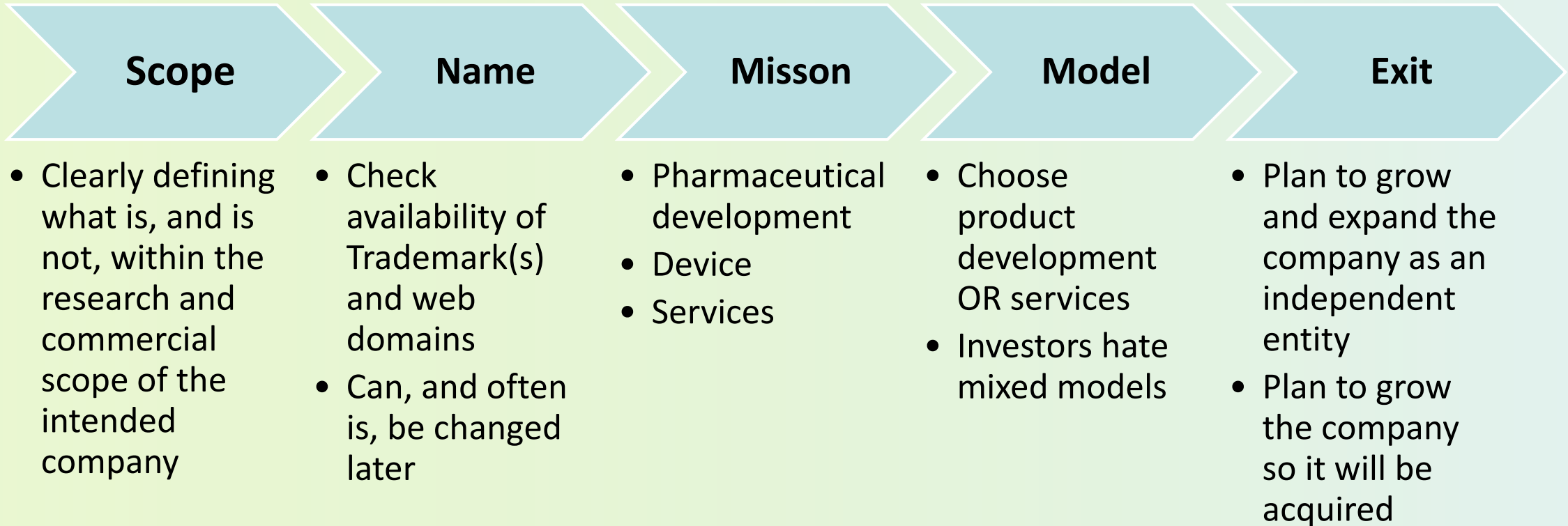
PRICING

- Risk/Benefit Analysis -
Will your product be safe and affordable?
- Pharmacoeconomic Analysis -
Will your product save money for patients, providers, and/or payers?

PROTECTION

- IP Analysis and/or other exclusivity -
Can you protect your product against competition?

Scope, Name, Mission, Model & Exit



Securing Access to Intellectual Property (IP)



Lack of Exclusivity generally eviscerates commercial value



Patents vs Trade Secrets



Copyright/Trademark



US vs Worldwide

When and Where to Incorporate



At what point does it make sense to set up a company?

Virtual vs brick and mortar?

Site of incorporation vs site of operations?

Which State? Local? Delaware (Chancery System)? Other (Nevada, Wyoming, South Dakota)?

-Tax Advantages, SBIR Matching

Founders & Their Roles



CEO

- Advantages/disadvantages of founding scientist
- Advantages/disadvantages of professional

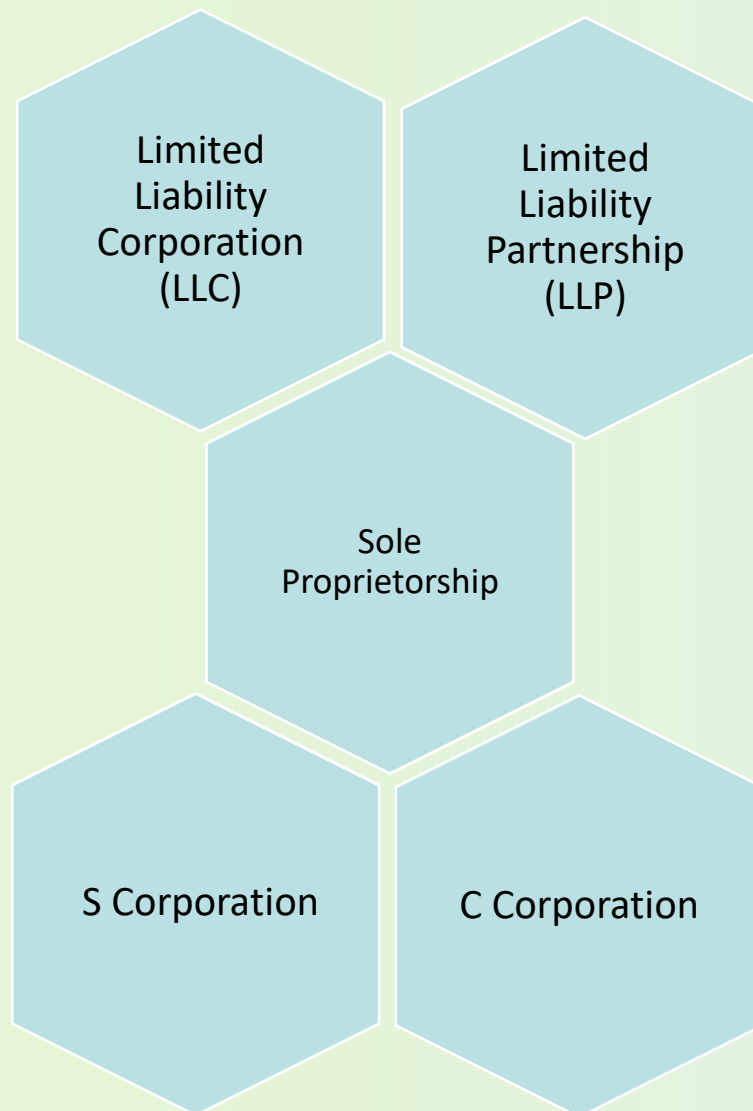
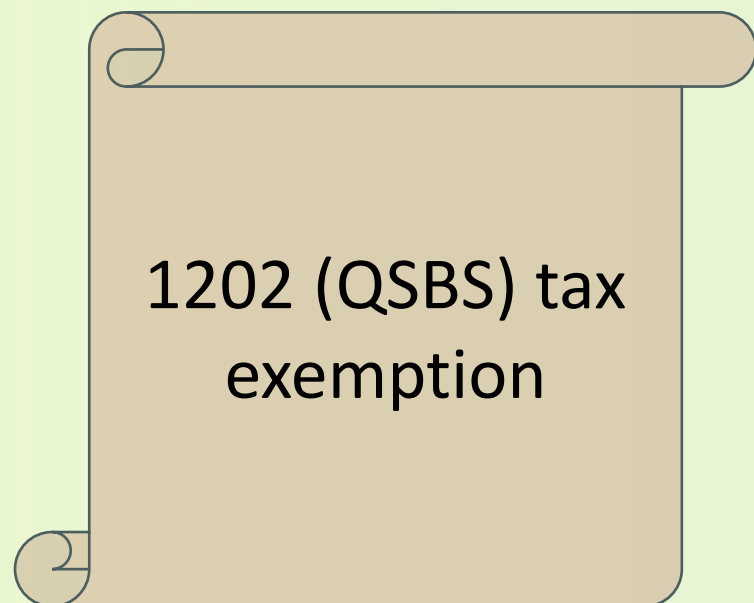
Board of Directors

- Governance
- Connections & Advice
- Fund-Raising

Scientific Advisory Board

- Credibility & Advice
- Access to other key opinion leaders

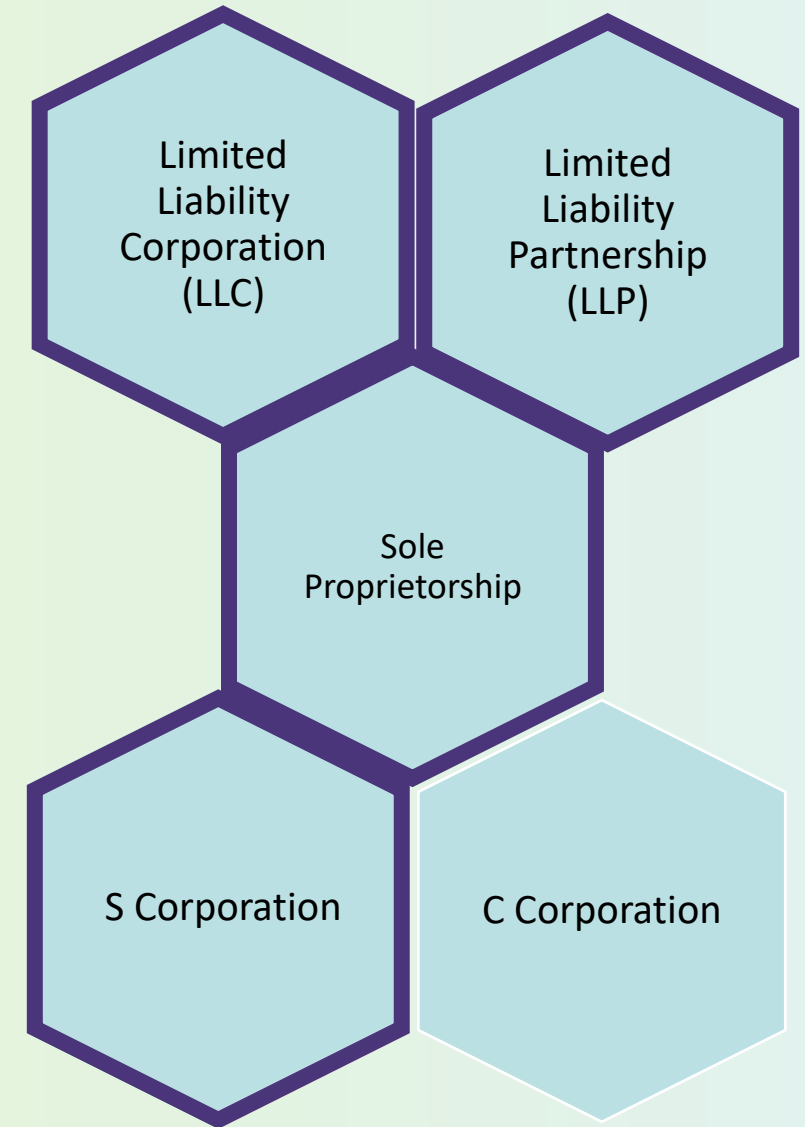
Type of Company to Form



Type of Company to Form For *Services*

Correct Answer:

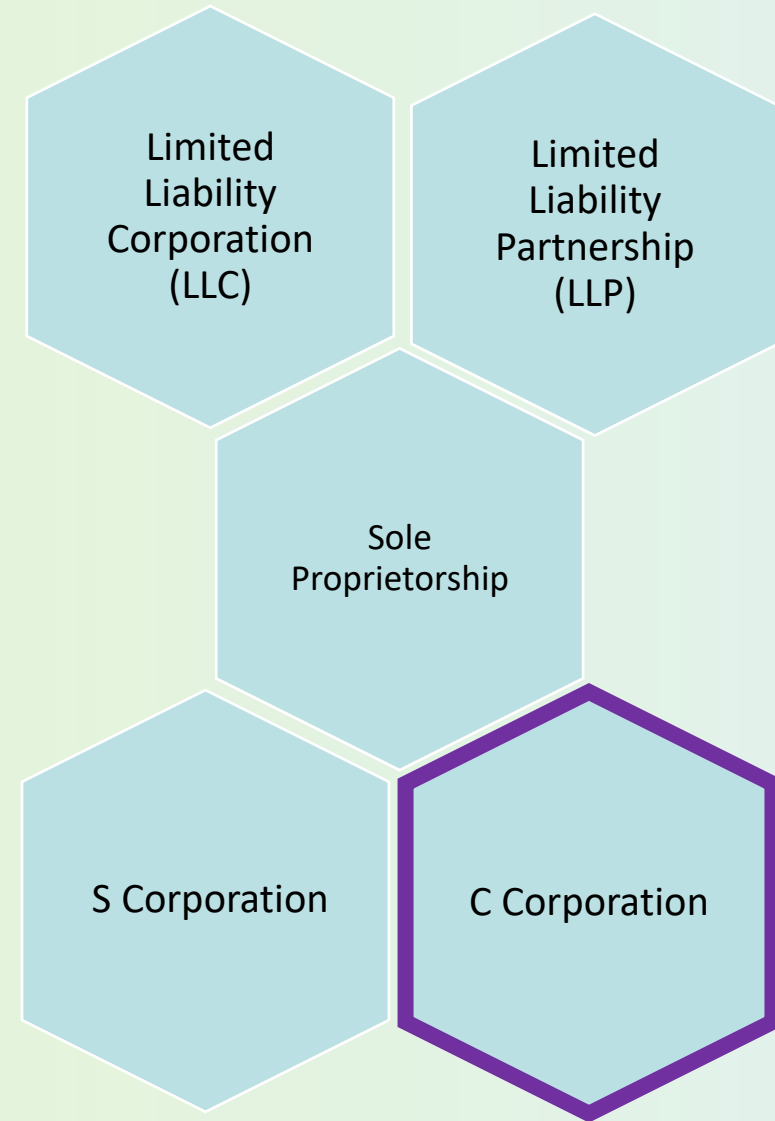
- Multiple options, unless you need VC funding
 - Avoids double taxation
 - Sole Proprietorship/LLC/LLP
 - Simple pass-through
 - Need to file K-1
 - S-corp
 - Reduce self-employment taxes (Social Security and Medicare)



Type of Company to Form For *Product Development*

Correct Answer: C-Corporation

- Much easier for, and usually demanded by, investors
- Enable capital gains tax treatment of appreciated Qualified Small Business Stock (QSBS)
- Delaware C-corp is the standard



Equity Allocations: Founders & Recruits

- Founder stock
 - Who had the idea(s)? – earns an allocation
 - Who's working to turn them into a business? – earns the **MAJOR** allocation
 - Vesting – often required by investors
- Restricted stock vs Incentive stock options
- 83b Declaration
- Value of your company stock
- Dilution
 - Non-dilutive funding vs dilutive



Sources of Start-Up Capital

Non-Dilutive

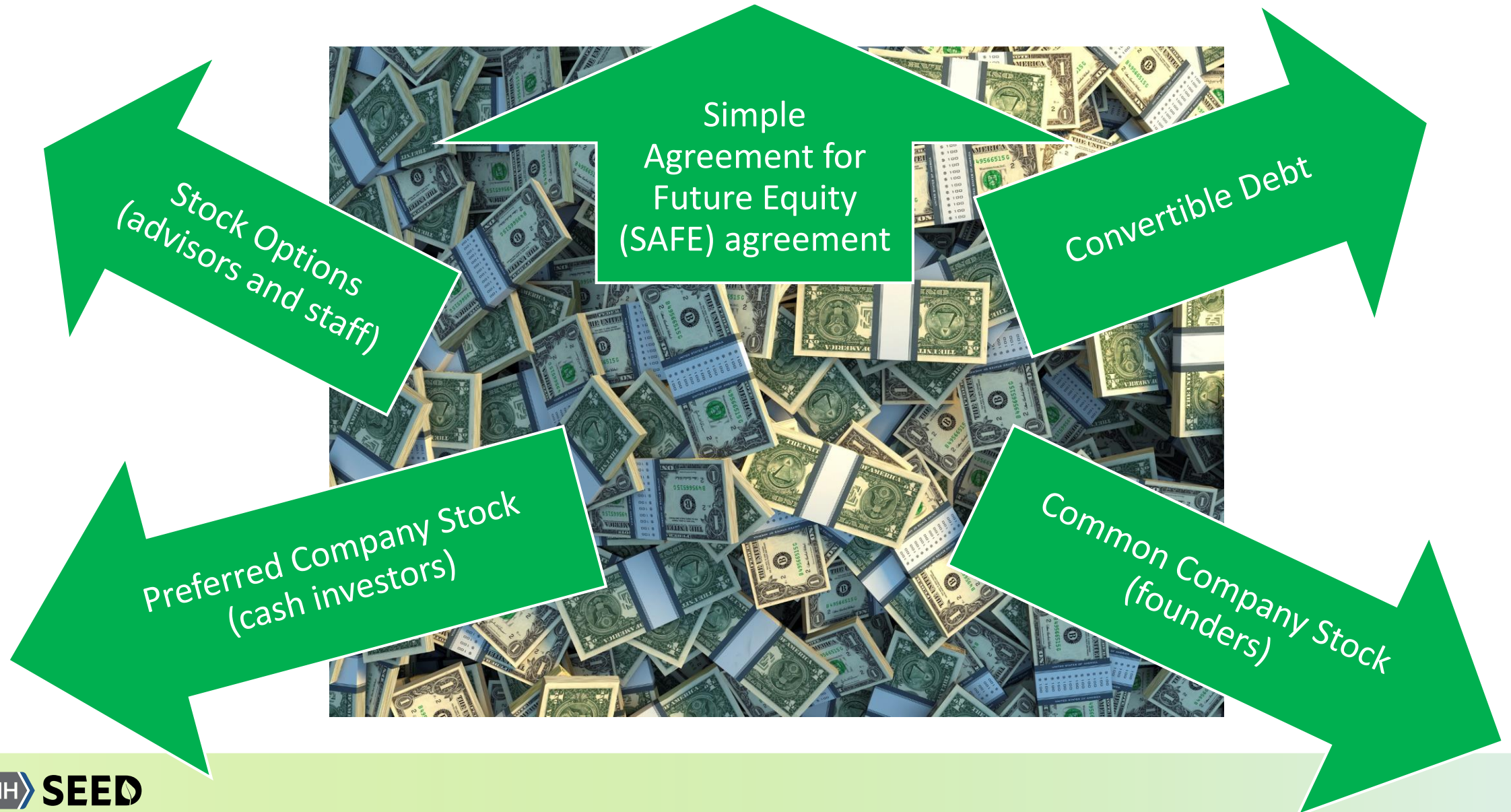
- No ownership or voting shares
 - Grants & Contracts



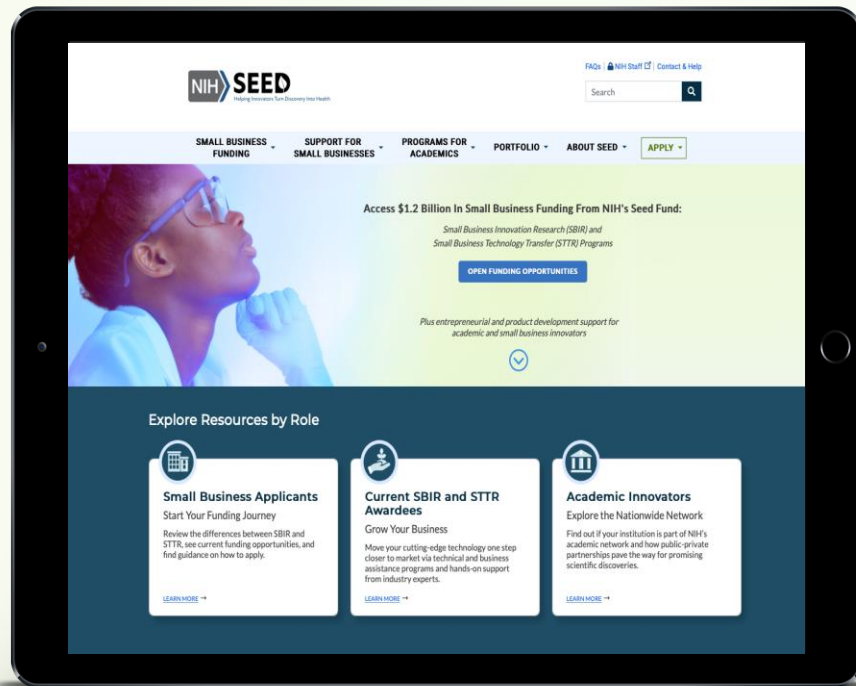
Dilutive

- Convertible debt, SAFEs, stock
 - FFF: Friends, Family and Fools
 - Angel Investors (individually and in organized groups)
 - Family Offices
 - Venture Capital
 - Strategic Partnerships

Types of Dilutive Start-Up Capital



Additional Resources



- NIH SEED Website

- <https://seed.nih.gov>

- Y-Combinator Startup Studio

- https://www.startupschool.org/?utm_campaign=ycdc_header&utm_source=yc

- Y-Combinator SAFE

- <https://www.ycombinator.com/documents>

- Pillar VC

- <https://www.pillar.vc/playlist/industry/biotech/>

- Scispot

- <https://www.scispot.com/blog/from-zero-to-one-building-a-biotech-startup-toolkit>

Questions?

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