Entrepreneur Resources
October 2019

• Each month we’ll highlight resources, founder conversations and hot topics to help you move your ideas forward.
• If you have resources that you’d like to share, please reach out to your licensing associate or EIR to have them included in the next update.
• And please reach out with any questions. We’re here to help!
• This month we have of updates on local programming and short course options.
This is a summary of a conversation with Tina Boville, a former Caltech Postdoc, CEO and founder of Aralez Biosciences, a company that manufactures non-canonical amino acid (NCAA) raw materials and catalysts. Tina is open to sharing her experience with new founders.

• Tina successfully won the life science spot in the 2019 Cyclotron Road cohort this year for Aralez and is realizing all the benefits of that program.
• Her advice is to get the support you need from the beginning and consider an accelerator program (like Cyclotron Road) that consistently produces results if you are mobile and flexible in location.
  – With a 3-month intensive training and mentoring on all things start-up (including having to tackle P&L and hire and fire staff) and 2 years residency with access to National Lab capabilities, it was a clear advantage for her young company.
• Tina also recommended the I-CORPs program for learning Lean Start-Up fundamentals. Several I-CORPs workshop opportunities are available at Caltech every year. She did hers through the Resnick Institute’s FLOW program.
  – Even if you don’t submit an STTR or SBIR for non-dilutive funding, she recommends the I-CORPs training in customer discovery and rapid development for start-up success.
Hot Topics—Stock Type Basics

*Standard Disclaimer: This is a primer. Specific cases and their impact should be discussed with a lawyer.*

- **Common Stock** has the lowest priority in the event of an exit where proceeds are distributed. These also come with a right to vote the stock (board appointments/auditors). Non-voting common stock (NVCS) is the standard form of equity compensation to employees. It’s just what it says it is.

- **Preferred Stock** protects investors, limiting the down-side and maximizing the up-side.
  - Preferred stock also typically comes with a board seat and a few other rights that will be spelled out in the term sheet—see links to sample terms sheets for seed and Series A on tools slide.
  - Non-participating preferred stock allows an investor to choose what would be a better return: taking the invested money back or taking the equivalent company ownership. If you invested $1M for 20% of the company, and the exit was $4M, you could take the higher of $1M or 800K. Which would you choose?
  - Participating preferred stock comes with added power to ensure that the investment is recovered before any distribution is made to holders of common stock (after debt). Plus (double dipping) an investor gets the % of the company as common shares. So if an investor puts in $1M for 20% of the company and the company exits for $2M, they get the $1M plus the 200K from the 20% ownership.
  - Multiple liquidation preferred stock provides investors with a *multiple* of their invested capital before anyone else gets a share. The most common is a 2X multiple but some investors push for higher.
  - Participating multiple liquidation preferred stock gets investors both options. All investment is returned at a *multiple* that is secured over time.

- **Try a modeling tool** to see how the preferred options play out against your common stock. Convertible notes are even trickier. See the link on the Tools page for how some of these (and liquidation preference) can play out and impact your goals for a Series A round.
  - If preferred stock is so bad for founders, why do they agree to it? You need capital to make your start-up happen. VCs want to mitigate the risk they are taking through their investment. That’s not to say you can’t (and shouldn’t) negotiate to limit the impact of preferred features (eg multiple liquidation features in particular and the use of a cap to control their up-side at your expense). When reviewing term sheets, this is often an area of differentiation between potential investors.
  - When you hear a follow-on investor say that the “cap table spiked the deal” or “the earlier round killed it for me” —the terms for the early investors made in unattractive for others to come in, so understanding the consequences of the deal for your company *as well as for yourself* is critical for success.

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Short Courses

TechStars Toolkit
This virtual on-demand course is available covering topics ranging from “20 ways to blow up your company” to “Build your Lean Canvas”
Articles and Tools

- How CFIUS’s expansion into Chinese investment in genomics start-ups could impact funding
- Practical Valuation and Funding Tips—Mass Bio panel advice
- Where the Bodies Lie: Advice for Life Science Start-ups and Common Mistakes
- Sample Seed Term Sheet
- Sample Series A Term Sheets and other documents
- Modeling Convertible Notes and terms (participating, preferred, liquidation preference, valuation cap) impact on subsequent rounds and other investors
Incubator News

BioLabs LA at The Lundquist
This rebranded (LA Biomed) incubator on the Harbor UCLA Medical Campus opened this summer and already has 8 tenants. With the only open vivarium space in LA, this is a new option for life science companies that need in vivo capabilities.

Evonexus-Orange County
This tech and life science incubator features 2 yr. residency, tailored programming and support from a team of executives in residence with minimal equity requirements.
Registration
This networking event at BioLabs is available for life science companies to connect with BI, other entrepreneurs and some LA based VCs.

The company's key areas of interest are: respiratory diseases, metabolism, immunology, oncology and diseases of the central nervous system.
Registration
This networking event at Cross Campus is available for start-ups in the LA area. The topics range across general start-up topics to those that are specific for tech vs. life science companies. Check out their schedule and consider attending.
Registration
Innovate Pasadena has a lot of different events coming up in October including Innovation Week and a Tech Happy Hour on October 8th. Keeping checking for new events as they become available if you’re in this space.
Apply for Activate at Cyclotron Road and join fellow Caltech/JPL start-ups that have leveraged the experience to commercialize their technology. We had 3 teams be admitted in the 2019 cohort!

We operate each Activate location in partnership with a world-class host laboratory and supported by a dedicated local team. Activate Fellows embed at the host laboratory where they can collaborate with world-leading experts and access facilities to advance their project.

Cyclotron Road

The birthplace of the Activate Fellowship, our Berkeley, CA location is hosted by Lawrence Berkeley National Laboratory, a multiprogram science lab supported by the U.S. Department of Energy. Technologies developed at Berkeley Lab have generated billions of dollars in revenue and thousands of jobs. Activate has supported Cyclotron Road in partnership with Berkeley Lab since 2016.

Life Science teams can apply! Generally one slot is available for a life science company that can utilize National Lab resources in each cohort.
There are events each month across the tech and life science arena. Check out EventBrite for new ones each month. If you want to practice in a safe space to see how your value proposition resonates, it can be a good change to get rapid feedback.