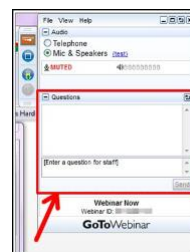
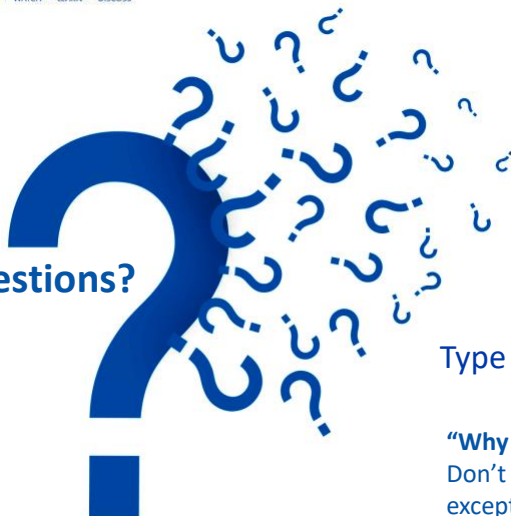




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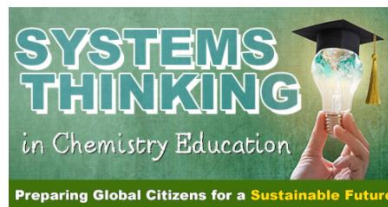
Wednesday, December 2, 2020 at 2-3pm ET  
Speaker: Leah Askarinam, National Journal's Hotline

[Register for Free!](#)

What You Will Learn

- What Biden's coalition means for the future of the Democratic Party
- How Trump's coalition differs from that of down-ballot Republicans
- What to look for in Georgia's runoff elections in January

Co-produced with: ACS External Affairs & Communications



Thursday, December 10, 2020 at 2-3pm ET  
Speakers: MaryKay Orgill, University of Nevada, Las Vegas and Peter Mahaffy, The Kings University, Edmonton  
Moderator: David Constable, American Chemical Society

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What You Will Learn

- What a systems thinking approach looks like in chemistry education: its essential characteristics and the benefits of its use
- How a systems thinking approach differs from and extends upon a context-based approach to chemistry teaching and learning
- How a systems thinking approach can prepare students to become global citizens capable of taking informed action to support planetary sustainability

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# STARTING A COMPANY:

# WHERE DO YOU GET FUNDING?



THIS ACS WEBINAR WILL BEGIN SHORTLY...

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Starting a Company: Where Do You Get Funding?



**Jim Skinner**  
President & CEO, Terregina Inc. and Chair-Elect,  
ACS Division of Small Chemical Businesses



**H.N. Cheng**  
2020 ACS President-Elect and Research Chemist,  
USDA Southern Regional Research Center



**Diane Grob Schmidt**  
2015 ACS President and Chair, ACS Division of  
Business Development and Management

*Presentation slides are available now! The edited recording will be made available as soon as possible.*

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## Chemistry Enterprise – Growth, Collaboration and Advocacy

- Chemistry is a central science. A strong and growing global chemistry enterprise is good for the profession and its members
- Some possible actions:
  - Innovation, application R&D
    - entrepreneurship, industrial engagement
  - Sustainability (and Green Chemistry)
  - International cooperation, communication, mutual assistance
  - Collaboration
- Need continued public and government support



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## Innovation and Entrepreneurship

- **Innovation is the engine of growth for any civilization and society**
  - Innovation and discovery are at the core of ACS through the efforts of its members
  - The key is to transition these innovations and discoveries from bench to market
  - This requires entrepreneurial and business skills not usually taught in grad schools
- **An innovation and entrepreneurship educational program is needed by ACS and its members**
  - Educate our members on the skills needed for entrepreneurship and business management
  - Increase collaboration, networking/interactive relationships. Promote new enterprises
  - Recruit and retain members who see innovation and management as integral to their professional goals and recognition
  - Thanks are due to ACS Industrial Member Programs, SChB, BMGT, and also Corporation Associates and CTA on this collaborative effort.



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## Two ACS Webinars in 2020



Wednesday, October 28, 2020 at 2-3pm ET  
 Speakers: Jim Skinner, Terregina, Inc. and H.N. Cheng, 2020 ACS President-Elect  
 Moderator: Diane Grob Schmidt, 2015 ACS President

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### What You Will Learn

- Why it is critically important to have detailed Business Plan
- What are the sections of a Business Plan
- What is the goal of the Business Plan

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Thursday, November 5, 2020 at 2-3pm ET  
 Speakers: Jim Skinner, Terregina, Inc. and H.N. Cheng, 2020 ACS President-Elect  
 Moderator: Diane Grob Schmidt, 2015 ACS President

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### What You Will Learn

- The many sources of funding and their impact on ownership
- The importance of milestone achievements for valuation purposes
- The criteria and terms that investors use to make investing decisions

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## Diane Schmidt, Moderator

- **2015 ACS President. Currently Chair of ACS BMGT Division [BMGT.ORG](http://BMGT.ORG)**
- **Former R&D Executive at The Procter & Gamble Company**
  - Worked at P&G for 33 years. R&D Section Head for 17 years
  - Key roles in such brands as Tide®, Head & Shoulders®, Pert Plus® and Safeguard®
  - Responsibility for health, safety and environment and regulatory affairs before retiring from P&G in 2014



- **Inventor/co-inventor on numerous patents. Author/co-author of many publications**
- **Recipients of many awards and recognition**
  - ACS Fellow, AAAS Fellow, Fellow of National Academy of Inventors, Fellow of Chemical Health & Safety Division, Henry Hill Award, Distinguished Scientist of Cincinnati (first woman so honored).

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## Jim Skinner, Presenter

- Chair-Elect, ACS SCHB Division [pr@acs-schb.org](mailto:pr@acs-schb.org)
- President and CEO of Terregena Inc. (biotech company)
- Consultant and contractor with the Federal Economic Development Agency of the Canadian Federal Government
- Adjunct Professor, College of Business, Western Carolina University
- Previously Chairman, President and CEO of three publicly traded companies
- Previously President, Corporate Vice President and General Manager and Vice President of Sales and Marketing for several multi-national corporations including Phillips Medical Systems and Becton Dickinson
- Earlier successful career with Johnson and Johnson and Bayer



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## Audience Survey Question

ANSWER THE QUESTION ON BLUE SCREEN IN ONE MOMENT



**Did you attend the webinar two weeks ago that unexpectedly ended part way through it?**

- Yes
- No



## Will you be a Small to Medium Enterprise (SME) or a large company?

Your sources of funding may be different

But

You still need a comprehensive, detailed Business Plan:

- To manage your company
- Establish valuation
- Raise money



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## How much to raise?

It takes **\$1.5 – 2.0 billion** and **12–14 years** to get a new drug to market!

An SME may require several million \$\$ to reach commercialization

Plan your funding over the long term – at least three rounds.



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## Raising money

1. FF&F (Family, Friends and Fools)
2. Private investors
3. Angel funds
4. Government Grants or Loans
5. Corporate sources
6. Debt
7. Sophisticated investors



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## SME Raising money

1. FF&F (Family, Friends and Fools)
2. Private investors
3. Angel funds
4. Government Grants or Loans
5. Debt



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## SME Terms

**Equity** – sell shares of your company - you no longer 100%

Valuation is a key issue

Structure your equity (stock) – voting shares and non-voting shares

But...

How do the providers get their money back with a good return on investment?



## SME Terms

**Debt** – borrow funds that have to be repaid

But....

How do the providers get their money back with a good return on investment?





## SME Terms

It is absolutely, critically, important to match your equity or debt term sheet to your Business Plan Revenue and Profit Forecast

Can you buy back the stock or repay the loan that meet the terms and your financial forecasts?



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## SME Terms

1. **If loan** – principal plus interest
2. **If equity** – company buys back the stock – but at what price?

**What are the terms? They could be very onerous!**



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## SME Terms

### Some repurchase or repayment considerations:

1. **Revenue sharing** – possible negative impact on financial viability of your company
2. **Profit Sharing** – gross or net – possible negative impact



## Family, Friends, and Fools

- Usually \$100,000 to \$1 million. May be too little to be of value
- Valuations are frequently “wrong”
- Future issue for “professional” investors
- **Terms - - Nothing has a more negative impact on friends and family than money issues**





## Private Investors

- Valuation issues
- Possibly only the seed round
- Future issue for “professional” investors
- Deal terms



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## Angel Funds

- Seed/early-stage funding
- (Usually) Not there for future rounds
- May include excessive due diligence process
- Deal terms



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## Government Grants

- SBIR/STTR Very inexpensive source of funds <https://www.sbir.gov>
- Good source of technology validation
- Timeline
- Could be distracting



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## Government Loans

- SBA - these are loans that must be repaid <https://www.sba.gov>
- Many terms - may include collateral



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## Corporate Sources

- Excellent validation
- What do you give up for what you get?



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## Debt

- May be available for SME
- Usually not available for the amount of funds you need for larger new company



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## The business of raising money:

You may see yourself as a scientist

or a CEO

or an entrepreneur

but,

You are a salesperson



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And

Sophisticated Investors

Are

Your Customers



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## Venture Capital Funds

- The source for short- and long-term funding
- **They are professionals!!**



- What is a Venture Capitalist?
- Where do they get their money?
- What do they do with it?
- What is their objective?





## Venture Capital Funds

- VC's raise their funds from pension plans, endowments and wealthy individuals
- Investment funds focus on high risk – high return investments
- Range in size from millions of dollars under management to several billion
- Range of skills – financiers, scientists, executives



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## How does a VC make money?

They eventually sell your stock

- Initial Public Offering (IPO)
- Acquisition
- Up to 10 X return in 3 to 5 years



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## VC

- VC Funds designate the number of investments from each Fund
- When a **VC makes an investment, she/he is allocating an amount from the fund to the company for participation in three or more rounds**
- VC's want to participate in each round to avoid a "cram down" from new investors
- **A VC firm is measured on its return on investment for each fund, which affects the raising of its next fund**



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## Who gets the money?

- The VC's earn a **management fee of ~ 2.5%**
- At a liquidity event the investors (LP's) receive their investment and 80% of the gain
- The VC's receive 20% of the gain
- Losses are written off



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## Profiling the Venture Capitalist

- Type of investment – Biotechnology &/or Tech
- Industry segment – drug discovery, tools, devices
- **Stage of investment – seed, early, late**
- Geographic concentration – **local**, national



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## Contacting the VC

- Qualify the VC's you intend to contact
- **Contact only those that fit your criteria**
- **Networking – get a mutual friend to make an introduction**
- **Identify possible “lead” investors early**
- More is not better – **minimize the “pass”**



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## Your Presentation

- Same sections and layout as the Business Plan
- Usually 20 –25 slides
- VC presentation – 30 to 60 minutes



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## The Presentation

- REHEARSE REHEARSE REHEARSE
- Ensure the VC's have a copy of your Business

### Plan well in advance of the meeting

- Bring hand-outs of slides
- Have back-up material
- Be prepared for interruptions – basically, a 15 minute presentation stretched to 60 with their questions
- They will leave after the allotted time



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## The Presentation

- Obtain list of attendees
- Know what their decision-making process is
- **Know who makes the decision**
- Focus on the commercial opportunity – how your company makes money - how they will make money
- **Ask for the order**



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## Next Steps

- Begin **due diligence process**
- VC's visit company site
- Interview Board, SAB Members, consultants
- Review licensing agreements, patents, etc.
- Bring in technical experts
- Present a Term Sheet
- Fill out investment consortium – VC's never invest alone
- Negotiate terms and valuation



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## Terms

- They will invest \$X in a \$Y round
- Board seat
- Preferred shares
- Liquidation preferences
- Decision approval process
- Management selection



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## Dilution

Your startup's first round investment will generally result in the investor getting about 20% equity in your company.

Generally the next round investors still get about 20% depending on the company's progress.



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Why do I need to know the value of my company?

We have no revenues therefore we have no value.

There's no way to determine the value.

How much money should I raise?



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## Audience Survey Question

ANSWER THE QUESTION ON BLUE SCREEN IN ONE MOMENT



**There's no way to determine the value.**

- True
- False



## The following are some of the methods for valuing your company

**Asset Valuations:** Calculates the value of all of the assets of a business and arrives at the appropriate price

**Liquidation Value:** Determines the value of the company's assets if it were forced to sell all of them in a short period of time (usually less than 12 months)

**Income Capitalization:** Future income is calculated based upon historical data and a variety of assumptions

**Income Multiple:** The net income (profit/owner's benefit/seller's cash flow) of a business is subject to a certain multiple to arrive at a selling price

**Rules Of Thumb:** The selling price of other "like" businesses is used as a multiple of cash flow or a percentage of revenue



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## The Comparables Valuation Method

**The Comparables valuation method** derives a value of a company by looking at the value of comparable companies/products. If the comparable is a product that is in the market, the valuation can be based on sales. If the comparable is a company, look at the valuation and deal structure of previous funding.

Because many life sciences products are pre-commercial, the method generally evaluates similar assets, and not product sales. For example, to value an oncology asset in Phase II clinical development, you would look at the acquisition or licensing deal terms of other Phase II oncology assets.

There are often widely varying deal values of existing comparable products. It's therefore important to have the ability to push back against what you perceive as an unfair comparable analysis and be able to show that you may be superior to another Phase II oncology deal to which you're being compared.



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You need to know the value of your company so that you can negotiate how much of your company an investor will get for each \$ he/she invests

If you have no idea what your company is worth, you could end up **“giving”** your company away



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Estimated Company Value	Stage of Development
\$250,000 - \$500,000	Has an exciting business idea or business plan
\$500,000 - \$1 million	Has a strong management team in place to execute the plan
\$1 million – \$2 million	Has a final product or technology prototype
\$2 million – \$5 million	Has strategic alliances or partners, or strong BoD and SAB
\$5 million and up	Has clear signs of revenue growth and obvious pathway to profitability – <b>this is shown by your Business Plan and professional presentation – your ability to answer all questions</b>



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## Valuation

- Negotiate pre-money valuation
- Based on comparables
- Based on market conditions

**Be as informed as the VC**



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## The biggest determinant of your startup's value are:

- ✓ **It is in a hot sector:** investors that come late into a sector may also be willing to pay more
- ✓ **If your management team is hot:** serial entrepreneurs can command a better valuation. A good team gives investors faith that you can execute.
- ✓ **You have an excellent data of a functioning product** (if you are an early-stage company)
- ✓ **You have traction:** nothing shows value like “customers” telling the investor you have value
- ✓ **The level of desperation** of the entrepreneur looking for money



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## You are worth what the market says you are worth

If investors are telling you that your startup is worth \$1 million, then that's what it's worth.

You might think it's worth more.



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## Audience Survey Question

ANSWER THE QUESTION ON BLUE SCREEN IN ONE MOMENT



### How much seed money (initial funding) should I raise?

- \$500,000
- \$1,000,000
- \$5,000,000
- \$10,000,000

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## Summary

- ✓ Your Business Plan will show you the money you need to get to a major – value add - milestone PLUS 6 months – you need time to raise the next round
- ✓ Know the value of your company and be prepared to defend it
- ✓ Partner with investors who can stay with you for several rounds
- ✓ Know the potential investors before you meet them – do they do seed rounds? Are they lead investors? Reduce the number of “passes” .....it’s a small investor world!



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**ACS** Technical Division

Small Chemical Business (SCHB) <http://acs-schb.org>

**"To aid in the formation, development,  
and growth of small chemical businesses."**

**THANKX**

[pr@acs-schb.org](mailto:pr@acs-schb.org)



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### Starting a Company: Where Do You Get Funding?



**Jim Skinner**  
President & CEO, Terregina Inc. and Chair-Elect,  
ACS Division of Small Chemical Businesses



**H.N. Cheng**  
2020 ACS President-Elect and Research Chemist,  
USDA Southern Regional Research Center



**Diane Grob Schmidt**  
2015 ACS President and Chair, ACS Division of  
Business Development and Management

*Presentation slides are available now! The edited recording will be made available as soon as possible.*

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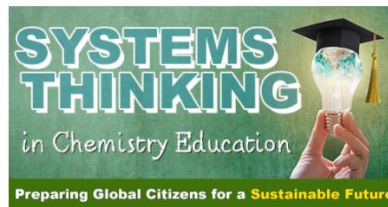
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- How Trump's coalition differs from that of down-ballot Republicans
- What to look for in Georgia's runoff elections in January

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- What a systems thinking approach looks like in chemistry education: its essential characteristics and the benefits of its use
- How a systems thinking approach differs from and extends upon a context-based approach to chemistry teaching and learning
- How a systems thinking approach can prepare students to become global citizens capable of taking informed action to support planetary sustainability

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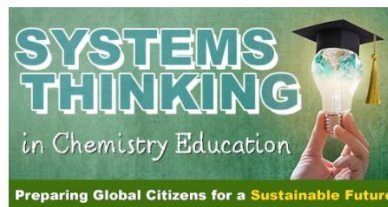
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