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TRANSLATIONAL MEDICINE SYMPOSIUM 2013: Business Strategy and Financing Panel

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BUILDING A VENTURE THAT CAN RAISE MONEY
AVOIDING RED FLAGS

- Substance over promotion
- Business factors – working prototype, paying clients, etc.
- Experienced team – at least a technical leader and a business manager
- Simple, Clean structure
- Accounting and financial systems and management reporting
- Open to input
- Careful documentation
- Be focused
- Don't ignore business to search for money
- Confidentiality/Proprietary Information Agreements
- Ownership/protection of intellectual property
- Vesting arrangements

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- Corporation
  - Best-developed body of law, but less flexible and harder to maintain
  - Liability protection for stockholders and directors – but avoid risk of "piercing the veil"
  - Governance: Officers, directors and stockholders/Directors and officers have fiduciary duties
  - Federal taxation: Corporations can be taxed as a "C" or "S" corporation
- Limited Liability Company
  - Newest and most flexible form of business, both in terms of governance and taxation
  - Liability protection for members and managers – but avoid risk of "piercing the veil"
  - Governance: - Member-managed or manager-managed/Operating agreement provides much flexibility
  - Federal taxation: - By default a flow-through entity, but LLC can "check the box"
  - State law governs the rights and obligations of members/managers

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- Limited Partnership
  - Newer than corporations
  - Limited partners not liable for the debts of the company, but general partner has full liability
  - Governance:
    - General partner (who manages all aspects) and any number of limited partners
    - Fiduciary duties
  - Federal taxation:
    - Taxed as a pass-through entity
    - Like the "S" corporation, partners taxed on partnership income, even if not distributed

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