Start-up basics + JPMorgan Chase workshop

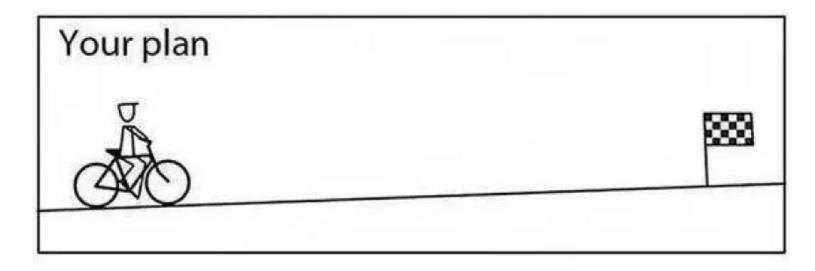
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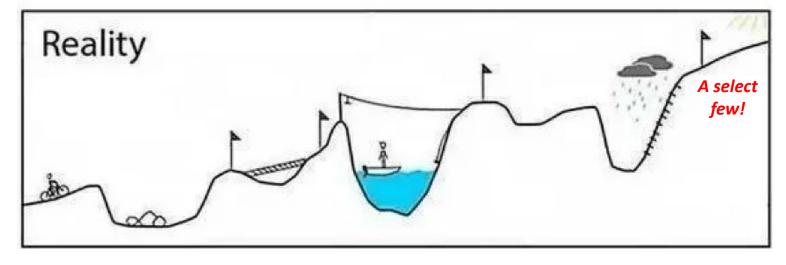






Biotech Journey





Let's raise money for Newco

How much?

Which instrument?

At what price?

How do I find funding?

How much should I raise?

- Amount needed to hit the next major value inflection milestone
 - Sample ranges:

\$1-\$2M Hit to Lead \$3-\$5M Lead Optimization \$5-\$10M Candidate Selection \$10-\$15M IND Enabling Studies

Variables driving cost: therapeutic area, formulation complexity, route of administration

- Al tools provide a good starting point for a budget
- Include:
 - Science + overhead
 - 15-20% contingency

What instrument should I use?



| | SAFE | Convertible Note | Priced Equity |
|---------------------|---------------------------------------|--|---|
| Description | Contract converting into equity later | Debt converting into equity later | Investors buy equity now |
| Value now | No | No | Yes |
| Debt? | No | Yes | No |
| Speed/legal cost | Fastest, Cheapest | Fast, Cheap but more negotiation | Slowest, most expensive |
| Best for | Earliest capital | Early capital with more investor control | Institutional rounds (Seed + Series A) |

How do I value my company?

(Necessary only in a priced equity round)

- Ultimately lead investor determines
 - Targets ownership post close ex.~20% for seed round investors
 - Considerations:
 - Quality of target + mechanism
 - Strength of in-vivo / translational data
 - Competitive landscape & IP barriers
 - Development plan clarity
 - Comparable financings
 - Probability team can deliver

Example:

\$2M raised / 20% ownership

= \$10M valuation (post-money = after investment)

- Company can propose/negotiate based on PitchBook data, recent deals, and strength of dataset
 - Example: Median Midwest oncology seed round pre-money valuation = \$8 M

What type of funding should I pursue?

Pre-Seed

- Founders
- Angels
- Friends/Family
- University Venture Funds
- NIH SBIR grants
- Accelerators

Seed

- Some venture capital funds
- Angel syndicates
- Family offices
- Corporate incubators
- NIH SBIR grants

Series A

(Preclinical – IND enabling)

- Institutional venture capital funds
- Corporate venture funds
- Disease foundations
- Family offices

How do I find investors?

Dive deep - extensive research

- Use PitchBook and AI tools to generate lists
 - Crunchbase, websites, and many, many conversations to evaluate
 - Confirm: early-stage investor with cash interested in your therapeutic area
- Monitor press releases and industry newsletters Fierce Biotech/Pharma, Endpoint News, LifeSci Startup who recently closed a fund? Who closed a round?
- Mine your competitor company websites who are their investors?

Network, network, network

- Use **everyone** in your network Advisors, other founders, friends, LinkedIn connections
- Ask for warm intros
- Conferences can help but partnering platforms are low-yield for early-stage companies

Tip: Create a tracking database

- Track everything especially feedback look for trends and modify messaging
- Revisit investors with new data based on feedback



Company Formation Building Blocks

Corporate formation and governance

Finance and controls

HR, Payroll and People

Operational and Branding Setup

Contracts and Legal

Ownership and Investor Readiness

Prepares the company to finalize intellectual property rights, raise initial capital, and begin operations

The Checklist

- Many versions online
- Sample will be provided with material

| Task Item | Who? | | Q1 | | | Q2 | | | Q3 | |
|---|------------------|-----|-----|----------|----------|-----|-----|----------|-----|-----|
| | | Jan | Feb | Mar | Арг | May | Jun | Jul | Aug | Sep |
| Governance Set Up | | | | | | | | | | |
| Select Legal counsel | CEO or CFO | | | | | | | | | |
| Determine legal entity structure | CEO or CFO | | | , | | | | | | |
| Create legal entity/articles of incorporation (DE or IN) | CEO or CFO | | | | | | | | | |
| Register legal entity with corporate agent (CT Corporation) - domestic and foreign | CEO or CFO | | | | | | | | | |
| Create By-Laws (C-corp) or Operating agreement (LLC) | CEO or CFO | | | | | | | | | |
| Establish board of directors | CEO or CFO | | | | | | | | | |
| Equity/Financing | | | | | \vdash | | | | | |
| Draft equity plan (inclusive of all types of equity - dependent on legal entity structure) | Controller/Legal | | | | | | | | | |
| Distribute grants and equity plan documents to grantee | Controller | | | | | | | | | |
| Model ownership scenarios based on various financing vehicles | CEO/Controller | | | | | | | | | |
| Draft financing documents | CEO or CFO | | | | | | | | | |
| Set up equity software (CARTA/Excel) | Controller | | | | | | | | | |
| Forecasting | | | | | | | | | | |
| Strategic forecast for initial equity rounds | CEO/Controller | | | | | | | | | |
| Tax and gaap forecast models (especially cash) | CEO/Controller | | | | | | | | | |
| Banking | | | | | | | | \vdash | | |
| Establish banking relationship (Life Science group - Chicago) | Controller | | | _ | | | | | | |
| Open bank account(s) | Controller | | | | | | | | | |
| Create banking profiles (separate initiation/approval profiles) | Controller | | | | | | | | | |
| Obtain credit card (if applicable) | Controller | | | H | 1 | | | | | |
| Bank reconciliations since inception | Controller | | | | | | | | | |
| Invoice payment process (including employees/contractors) | Controller | | | | | | | | | |
| Agreements | Controller | | | ++ | T- | | | | | 1 |
| Establish Contract approval process | Controller/Legal | | | \vdash | | | | | | |
| Negotiate Sponsored research agreements (SRA), if applicable | CEO or CFO | | | | | | | | | |
| Negotiate IP licenses and IP Assignments, as appliable | CEO or CFO | | | | | | | | - | |
| Create legal agreement templates, if applicable | 020 01 01 0 | | | | | | | | | |
| Consulting agreement | Controller/Legal | | | | | | | | | |
| MSA for service providers | Controller/Legal | | | | | | | | | |
| Confidentiality (CDA) - one way and mutual | Controller/Legal | + | | | - | | | | | - |
| Material transfer agmt (MTA) | Controller/Legal | | | | | | | | | |
| - Accounting/Tax | Controller/Legal | _ | | | | | | | | |
| Apply for EIN with IRS and state numbers (DOR/DWD/etc) | Controller | | | | | | | | | |
| Establish a DUNS number | Controller | | | | | | | | | |
| Select accounting software (QBO) & create chart of accounts/class lists | Controller | | | | | | | | | |
| | | | | | 1 | | | | | - |
| Establish monthly close checklist and standard financials format (internal & external) Review/generate documentation for entries since incention (if applicable) | Controller | | | | | | 1 | | | |
| Review/generate documentation for entries since inception (if applicable) | Controller | + | | ++ | | | | | | |
| Establish equity reporting process (cap table, options, LLC units, etc) | Controller | | | | | | | - | | |
| Select/RFP Audit and/or tax firm | Controller | | | | | | | - | | |
| Create PO template and tracking document | Controller | | | | | | | | | |
| Establish 1099 reporting process | Controller | | | | | | | | | _ |

Corporate Formation & Governance

How do you legally form the company and establish control structures?

| Task | Considerations/Tools |
|--|---|
| Select corporate counsel | Local (Faegre, Ice Miller, Taft) vs Larger (Cooley, Wilson Sonsini, Goodwin) |
| Choose entity type | C Corp most common |
| File Articles & Bylaws (Delaware) | Corporate counsel |
| Appoint directors/officers - establish signature authority | Corporate counsel |
| Hire registered agent | CT Corporation |
| Secure basic insurance | Ex. Marsh McLennon agency |

Finance and Controls

\$

How do you build a compliant, auditable financial system from day one?

| Task | Sample tools |
|---|-------------------------------------|
| Banking setup | JPMorgan Chase life science program |
| Accounting system | Quickbooks |
| Basic policies (cash management, expense, etc.) | Al tools, ask other start-ups |
| Finance calendar (all key due dates) | Excel, Outlook |
| Record retention | SharePoint, Box, etc. |

HR, Payroll and People

How do you staff and manage people without creating legal or administrative risk?

| Task | Sample tools | | | |
|---|--|--|--|--|
| Decide employee vs contractors | IRS and DOL guidelines | | | |
| Register with the state | Online portals | | | |
| Select payroll/benefits provider | PEO (Professional Employer Organization) versus in-house | | | |
| Create employment or consulting agreements | Al tools + outsourced corporate counsel | | | |
| Create HR policies & handbook (if hiring employees) | Al tools, ask other start-ups | | | |

Tip: Start lean and flexible until financing secured

Operational and Branding Setup

What systems and processes are required for the company to function day-to-day and present a professional image?

| Task | Sample tools |
|--|--|
| Office/facility setup | IBRI, sponsored research agreements, CROs (outsourced vendors) |
| IT basics (email, sharepoint, website) | IT: Microsoft, Go Daddy, BlackInk Website: Aero |
| Logo and brand | Online designers or via website |

Tip: Stay virtual/use shared space as long as possible

Contracts and Legal



How do you manage agreements and control legal workflow?

| Task | Sample tools | | | |
|--|---|--|--|--|
| Standard templates: NDAs (non-disclosure agreements) Consulting agreements Service agreements | Al tools, ask other start-ups, corporate counsel | | | |
| Contract tracking | Excel or software (PandaDoc, ContractWorks, etc. – paid) | | | |

Tip: Track everything from day one

Ownership and Investor Readiness



How do you prepare for investors and maintain compliance?

| Task | Sample tools |
|--------------------------------------|--|
| Establish founder equity and vesting | Varies with number of founders and relative contribution |
| Establish option pool | ~10-20% pre-Series A |
| Model cap table | Excel (free), Carta |
| Data room | SecureDocs, Box |