

MEDICAL DEVICES

Panel: How to Secure Funding in Today's Marketplace

Presenters: [Jeffrey Kraws](#) – Crystal Research

[Sean Schanzten](#) – Healthfundr

[Rick Baron](#) - Zynerba

In collaboration with [Joe Hage](#) and the LinkedIn Medical Devices Group

Joe Hage: I'm not really good with introductions and you deserve one hell of an introduction and as do you. Jeff is ... I'll dramatically understate. Jeff's an analyst and Sean is in the crowdfunding space. Fairly represented. You'll tell us more. Rick you've met. Gentlemen.

"I'm a startup. I got 20 year-olds on staff. We're excited about things. We need to raise money. It's so hard. I get a lot in my position, 'Joe, do you know anyone who can...?'"

Where do you start? Thank you.

Jeffrey Kraws: I think we've got a very interesting panel here. Obviously from the experience standpoint, everybody sitting on the stage here has been doing investing, worked at companies and been very successful doing it.

What I'm going to try and do is I'm going to talk to you a little bit about things that you should do and things that you shouldn't do as a company out there looking for money. Both a private and a public company. This pertains to you.

And Rick is going to go through a lot of the things that we just touched upon which is some of the things that he sees that they like and some of the things that they don't like.

I mean he has it from all angles as well both being the CFO, both having headed up a company, being a money manager. He and I both look at things I think it's safe to say more from a public company standpoint because we deal with a lot of public companies.

And then we've saved sort of the best for last which is the guy in the middle who has a crowdfunding application and company that he's doing right now to really help private companies get out there and anything in between.

We work a lot with a company that's doing a lot of the crowdfunding in the crowdfunding space and that's the Reg-A people. Bill Hambirk, the WRH and like them a lot, I think they've been able to do a lot for private companies. If you're on the bigger size and you're getting ready to go public, then you should definitely be talking to me.

But just a couple of anecdotes that may seem pretty simple, Rick and I were both on a presentation that will go nameless for now but I had asked the CEO a very pointed question which was I think it was how much does this cost and when will you be able to get it to market or when it's going to market.

And I preceded to get like a 10-minute non-answer and I can tell you speaking for myself and for Rick that I see probably 8, 10, 12, 16 company one-on-ones today.

So just assume that I already know this.

- I already know that you're going after a large medical market with unmet medical needs.
- I already know that you think you have the best medical doctor out there on planet Earth and he's the world's expert in this area.
- I also know that your management team has gazillions of years of experience and are the best at everything they do and have a proven track record and have done this.
- I also know you have strong IP and I also know you're going to do this at a cheaper cost than anybody else.
- Faster, better and oh my God, do you know that company A and company B got sold for this much? Their stuff is crap. Our stuff is the real deal. We got all that.

I hear that everyday all day long.

So one of the things that I would encourage you to do is just assume that Rick and I and Sean have been in presentations like that. I've been in thousands and thousands and thousands of those presentations.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

It's funny when I looked up at Bill Gates the other day and was watching the video. I always used to say when I started doing this in the 80's that we had not cured a major disease in the last 100 years. Of course smallpox, Gates you heard him say one, right?

So imagine all the presentations I sit through and imagine the fact that that's pretty much where we are right now.

So one of the things for the companies and the CFO's and the CEO's and the BD people probably keep in mind here is that when you're dealing with business professionals, when you don't answer a question, it's not good.

You want to answer the question very specifically and very succinctly.

And if you don't know, Rick and I like hearing those words. I'm sure Sean does too. Don't take me on a 10-minute story. Just say I don't know. I'll get back to you. And then get back to the person.

When it comes to presentations, it's very important that your presentations also are succinct.

I told Rick a story the other day and it was a true story. I'll even mention the guy's name. It was Pat McBaine of Gruber-McBaine. I consider him to be one of the toughest brightest portfolio managers on planet Earth.

I was a young spry kid who was named number one on Wall Street for picking stocks. I've been top ten now for the last 29 years. It's a pretty good accomplishment in the healthcare and I figured I'm going to walk in, I'm going to talk to this guy and I'm all ready for this presentation and the guy walks in literally takes his watch off and goes, "You've had 60 seconds, go."

At the end of 60 seconds, I said to him like 10 seconds, "Are you kidding me? I've got 60 seconds?" He goes, "You've got 50 seconds." Got up at the end of 60 seconds and left the room.

So you're not going to always run into those people but you have to get your slide presentation down to where it's not 30, 40, 50, 60 slides. If you're going to get into a due diligence meeting and you want to do that, that's great.

But guys like Rick, guys like Sean and guys like me, we're not trying to be difficult with you. It's just that if you can't tell your story in a few minutes, then you know, it's like a Shark Tank thing.

You need to be able to tell your story in a succinct fashion. Make sure your slide presentations don't have mistakes in them.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

It sounds simple but I can't tell you how many slide presentations we run into where percentage signs are missing. Numbers are inverted, persons' names spelled wrong, the title spelled wrong. Count on this being professional.

You're going at people and trying to get them to write you a check. So when you're going at people trying to get them a check, you want to answer the questions that are being asked.

Don't do a long-winded story.

When you get to a personal level, then you can talk to them about your family, et cetera.

We're in a presentation a while ago and the guy said, "You want your resume to be like Bill Gate's CV." They don't want to see "loves fishing." You can talk about that sort of stuff but just keep it crisp. Keep it business. Keep it professional. Because you're asking these people to write a check for you.

The other thing that you want to do is you want to keep in mind the perspective of what these people have... which is you want to keep in mind the perspective as they probably own a lot of companies in the space.

So they're probably aware of the competitors and in fact the company that you're going to refer to as garbage... may be one of their largest holdings.

So you probably don't want to do that.

Portfolio manager told me once, he goes, we're in the business of determining whether something's cheap or expensive so we'll tell you whether something out there in the marketplace is cheap or expensive and...

... don't make a reference to it that if they sell for a billion dollars, we're so much better than them. Our market valuation should be X.

It isn't right now. It's okay to make a comparison and say that there are competitors in the marketplace that have 3.7 billion dollars' worth of market valuation and we think we'll be competitive in the marketplace and we think we've got a good product and here's why.

But bashing is just not sort of looked upon favorably when you're going in there.

It's sort of, carry yourself with class, and just be confident in what you're doing, make sure you've thought everything through from beginning to end and have people on your team ask you questions that would be difficult questions that you may face when you walk in to us so that you've actually practiced those answers.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

So that when I say to you where do you see your growth coming from in the next three years, how big do you think you're going to be, what are your revenues and what sort of cost is it going to take you to get there from a capital standpoint, you can say, we think in three years we'll be doing a 150 million in sales. We'll have whatever, whatever, whatever. Our margin should be here and I think it's going to take us \$18 million of additional capital to get there.

Practice those sort of questions. We look at horizons of 1, 3, 5 years and usually beyond that, you're usually guessing.

So just those are thoughts that we have as far as things that we see that I think can help you and be persistent. I mean don't be overly persistent. Understand that we get gazillions of emails and we're not ignoring you.

But if you approach somebody with a standard straight short succinct letter and you can address it in a short fashion what you think the area of opportunity is for us, we're interested in making money. We're interested in having investors make money.

And that's one of the things that the research that we write actually does for you.

So that's what I have. Rick?

Rick Baron: I'm going to actually act like a real CFO now. But with one thing, before I go into a meeting, I actually Google the person I'm meeting with and I try and find out whether they're investing in industries like me. That's if I'm not out with a bunch of bankers who can get me that information.

So in this case, Google is your friend. So you know what companies people have been associated with and you know perspective and you know whether the person's PhD, an MD, a BS or has no formal education beyond high school.

So that's one thing.

The other thing is, as a CFO, these two guys to my right are my best friend all the time. I don't really like them a lot. I met them a little bit. No. But they're my best friend and I'm going to be really differential to them because I'm the guy that goes to them and asks for something.

So I'm more interested in what they do and how they do it sometimes and then letting them know what I can do.

So I'm more interested for instance because I think this group is largely at the angel and the crowdfunding level and like what do you do for a living? It's your turn.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

Sean Schanzen: My turn?

Rick Baron: Yeah.

Sean Schanzen: I'm actually going to ask a question real quick to get started. Who knows what crowdfunding is? Who knows what angel investing is? Okay. Everyone know there's different types of crowdfunding. Somewhat familiar with that? Okay.

So Kickstarter is what everyone knows in crowdfunding. Go out, you put your little campaign up and you raise money sort of pre-orders for what it is. There's also another type of crowdfunding that's donation crowdfunding like what's going on for Nepal right now. And then there's a third type which is relevant to what I do which is equity crowdfunding.

And so, my company Healthfundr is a bit of melding of traditional angel investing and crowdfunding.

So we're like a force multiplier for offline success. Not Kickstarter.

So that's kind of the baseline I'd like everyone to understand a little bit before I get into much details that we take traditional offline investing and make it better with technology by you get a really good investor in. That first angel that you've been trying to hustle and bother for months and months and they finally write that check. You can then take that success and say, "Look, I've already got someone that really knows my space, what I'm doing and reach a broader audience of potential investors."

And that's the reality if you've heard of Angel List or any of these other platforms out there. The reality of how deals get done on these platforms is exactly that. I maintain relationships with all sorts of offline angel investors and angel groups and other places and most of the companies end up getting traction on the platform come from someone that's already invested in the company offline.

And so that's a bit of a ... I know there's a lot of misconceptions typically about crowdfunding that it's this, if I make a pretty video and lots of pictures and throw it up, it will take off.

That's very much the exception and most angel money does not end up in companies that way. It ends up in companies online by someone hustling offline. Getting an investor that has a signaling value to them.

Either because they're prominent or they know your space really well and then taking that online and reaching a broader audience of potential investors.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

And I know it sounds like a lot of people are at the angel stages. Has anyone ever presented to angel groups or individual angels or anything like that? It's a very small number.

So maybe we can focus a little bit on kind of the angel world. Angels typically are part-time investors. They're not VC's, they're not spending all their time doing things. They don't take meetings for a living.

And so Jeff here takes 8-16 meetings a day. Angel investors do not do that.

In fact, typically, they want to be warm introduced to them through someone they know and trust because they're giving up golf or they're giving up time with family or something else to meet with you.

And so the incentives are slightly different as to why they're meeting with you. But when you do get meetings with them, they're typically going to be much more likely to close than a meeting with a VC or someone else that takes meetings for a living. That's what VC's and bankers, they take meetings for a living. Essentially.

And when companies come to us and they already have that investor, it's a good demonstration that they know how to hustle and impress people because they've been able to attract someone that knows their space pretty well and say, "I'm going to put my money in at a very early stage. When you're likely highly risky."

And pitches to angels are often going to be slightly different than pitches to purely financial investors or to VC's because their incentives are different.

They're investing their own personal money. It may not be a large amount but it's a meaningful-to-them amount and it could be as small as \$25,000. It could be as high as \$250,000. But it's typically meaningful but they're also typically investing especially if they're your first money in because they really really like what you're doing and they really really like you and can see themselves being involved with you for a while.

Most of the really good angels I know are able to really dive into a company and help them sort out regulatory issues. Help you get your pitch down. Help you get financials in order because you probably don't have your financials in order like Rick does or your plan on how you're going to get to market and we see lots of that.

Really great angels are passionate about whatever you're doing, can help you sort through that at the earliest stages, can help you make introductions to people that can help you prevent making bad mistakes.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

And so when you're pitching angels, there's as much pitching the actual 'we do this, this is why we're better than that, this and this. But this is why you should be involved because we're doing something that's really great and this is why.'

You want to be especially honest with them because angels all know each other in a typical region. And if you are not straightforward about what you're doing or about the status of where your product is or whatever, anything. Like it'll spread like wildfire. Especially here in San Diego for example where there's a very large, very tightknit group of angel investors in the life sciences as compared to other places in the country.

So that's a little bit of kind of the offline pitching type world. The whole online world is all very fragmented right now. It's not mature. I'm a startup just as much as any of you that are starting startups. I mean I left my big law firm job a couple of years ago to start this.

And so a little bit of understanding about the different types of platforms that are out there might be valuable to understand what to look for and where you're at.

We talked about the different types of crowdfunding. You've got rewards kind of the pre-orders. Kickstarter doesn't allow medical devices on it. You have to go to Indiegogo.

So that's a simple thing.

Also if you're not consumer-oriented, don't waste your time. We'll just put it that way. You need to be consumer-oriented because that's what drives Kickstarter and Indiegogo and pre-order campaigns. You're not going to get a lot of traction most likely if you're building a very clinical device or something else that's a little bit more hard to understand.

Joe Hage: You want to tell them about Scanadu just as a point of reference? They won't all know.

Sean Schanzten: Scanadu is a really good point of reference because you can literally say, "Oh it's that tricorder from StarTrek thing that like you put in your head and it tells you whether you're going to get cancer." It doesn't actually do that and they haven't represented that but that's the storyline that kind of makes it out into the world. It's science fiction. It gets picked up by CNN Money. It gets picked up by kind of general populous type PR outlets.

And as a result because it is very consumer-oriented, something you can have at home to help diagnose your own sickness, that's how the public took this. And they really latched on to that because there is that storyline that I could control my health a lot better than I would otherwise and if you look across any of the rewards crowdfunding campaigns that are even ostensibly related to healthcare, they've all have this very consumer element.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

So if you're not that, maybe that market's going to develop in the future, I don't really think it is. I think it's going to continue to be more like what Healthfundr does which is kind of online amplification of offline angel investing.

So you're going to be on the equity side. In equity, there's a couple of different models. There's, I always use Angel List because everyone knows what Angel List is or most likely to know and that they are very much you attract an investor that's very prominent and you can then reach into the kind of the insider Silicon Valley network to help fill out your round. And that's how Angel List rounds happen, how syndicates happen.

So you need to get a syndicate lead or someone very prominent on Angel List and they're not in the business of selling your deal.

There are other platforms like Seed Invest or Onevest. Ones like that that are bankers essentially. Online bankers. They will sell your deal. You pay them a commission. They're underbroker dealers and they're going to take a much more active approach but they're going to cure it really heavily upfront as well.

And so it's either going to be venture model type like Angel List where it's some sort of syndicate or it's going to be a banker model and you need to kind of understand what that is because the way that you approach getting traction is going to be substantially different in each of those.

Jeffrey Kraws: I think one of the important things also that Sean and probably Rick would agree with is that a lot of the angel people that we see, it's because somebody in their family was affected by it or it's because they have some commonality whether it was a kid, whether it was them, whether ... there's a lot of times the angels will take a very attached approach to this.

So don't be afraid to really as he said, be very honest and be very open about what it is you're doing because when we talk about ... Gates talks about only one major disease being cured in the last 100 years, these people are in this because they have a vested interest in doing it. They're just not financially into it the way necessarily maybe with the public company but they have a very vested interest in getting this out there.

The other thing that I would mention is that when you take a look at these platforms, you really want to if you can with your device, try and get somebody who's actually very big in the area you are either to endorse it, to be a shareholder, to be a supporter, to be very vocal behind it because of the PR.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

If you can get somebody at USCD or USC or Stanford or wherever it is who actually does a lot in the space in the area, it will help bolster your credibility and also help moving you towards the next level which is even though you're early, you may also get some traction and some help than in partnering or getting bigger companies to take a look at you.

It's tough to get a big company to take a look at you if you say, "Hi. We have \$30,000 in the bank and we've got this sort of idea and we're not there yet."

But if you can actually get somebody who's a thought leader, who's an expert in the space who actually looks at these things and does the scientific research for a living, if your science is that good and as long as you have IP to protect yourself and you get them to sign the appropriate NDA's et cetera, don't be afraid to bounce it off the 800-pound gorilla because your champion is going to get a reach of a lot of people.

I mean Rhonda referenced me as the analyst when she was talking about the analyst the other day. Well, and any given TV appearance depending on where I am, I get 300 million, 600 million viewers. My Aljazeera appearance, my CMBC global appearances 3,000 plus times on television. I'm getting 600 million people.

I don't know who's out there watching it. There's some people watching it making cakes but there's some people watching it who are very interested in the space and the idea.

So get a spokesperson. Get somebody if you can who has a vested interest in the area who can reach the bodies because it is a numbers thing.

Rick Baron: So I'm going to defer a little bit. Startups are hard. Angels and investors are harder. In a startup mode, I honestly would say provided it was coming from appropriate legal source and under the right regs because I've never met anybody who would want to invest in a company that I won't talk to. It's exhausting.

Joe Hage: Say that again? I don't follow.

Rick Baron: No, you want to ... you're funding a startup, the three of us here represent a really high-fluting and successful element. Look, I've raised a lot of money but my experience in the beginning was very much like any entrepreneur here and you're going to want to talk to people that have money.

So you take meaningful meetings, you try and find someone with a passion for your product, define the product by perhaps the disease. If someone has diabetes and it's an insulin pump, your first audience of investing is maybe a person with that disease.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

Alzheimer's, go look at the Alzheimer's association for people who want to cure it or at least define it.

Some of the products do that. But don't turn down meetings with people that have money.

That's the first step.

Jeffrey Kraws: I did not say turn down meetings with people with money.

Rick Baron: No, no, no. No one did. Always meet and be persistent. When you raise that last round that you just finished, when you get your \$3 million or \$5 million, you're on your next round.

Jeffrey Kraws: Right? That's how it starts. Just when you finished.

Rick Baron: Yup.

Jeffrey Kraws: It's time for the next.

Joe Hage: Sean you wanted to ...

Sean Schanzten: I was just going to say, and depending on where you live in the country or depending on the prevalence of this is there's ... it's worthwhile thinking of the different types of angels. There are the passionate kind of what Rick and Jeff are talking about right here and then there's a very very small subset of angels that are sort of professional but at least active. They make lots of investments.

From the tactical perspective actually, moving your company forward, those ones can be extraordinarily valuable and then they tend to really like what you're doing but it kind of goes along with the Google who you're meeting with because if you see someone that's made 30, 40, 50 investments as opposed to no investments, your pitch is going to vary dramatically based off of that.

Jeffrey Kraws: And just realize that once you get out there and you do this, I mean we've had some exceptions. I mean WRH Hambrick did very great job taking ex-biotech public with us a couple of weeks ago raising them \$180 million at the \$700 million valuation mark in the New York Stock Exchange. They never had a dollar of easy money put into them. Very difficult to do that. To be able to get a company that far.

Realize and be able to accept in your own mind that once you go out and you're taking this money in that yeah it's your baby but if you really want to get it someplace, owning a small portion of something that can be really big is more important than owning everything and

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

thinking you're going to hold on to every single share you've got and you're not giving it up because it's worth more and not getting it anywhere.

Sean Schanzten: Research valuation online.

Jeffrey Kraws: Right. We're ready for questions.

Joe Hage: Yes. Ross has one.

Ross Bundy: Hi! My question's for Sean. So I've known a number of angels over my life and then was talking to quite a few as I was raising the round that I'm at and actually been raising this round for over a year even though I started a few months ago.

And one of the things I heard a lot about from angels was they'd invest in a company and then they may not hear back from that company for 3, 4, 5, 6 months, they're like, "What happened to my money?" Like, "I don't know what's going on."

And so what I realized and what I've tried to do with our investors is I do a newsletter to give them updates every single month and I email them personally and I've done events at our new facility when we open it so they can see like their money is being spent well or making progress and my reluctance when I've looked at equity crowdfunding wherein it's mostly because I'm not seen ... maybe I'm just not seeing it but is that I realized that the check-writing is in the middle of that investment process and there's the ongoing long-term engagement with the investor.

And so from an equity standpoint, my concern, I've tried to stay very geographically around where I'm at so I can go meet people and talk to them in person even after they've written me checks.

And my concern with equity crowdfunding is someone goes in Montana. It's kind of hard for me to go out to Montana to meet with them on a regular basis when I'm working here in San Diego.

So how does the equity crowdfunding platforms address that after check-writing, ongoing investor engagement?

Jeffrey Kraws: Actually I'm going to help with that.

Well one of the things that has been very helpful is you need to have some sort of communications program in addition to your regular writing.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

I mean the reason that Rhonda pushes the research angle, the reason that Rick talks about research because I don't know where those audience is going. We've written on 30 somewhat private companies but being able to have that sort communication and that dialogue and have the product out there is very helpful afterwards.

Otherwise you're going to spend your entire budget just trying to see somebody in Montana. And the private investors usually love this sort of thing because it's something they could usually only get with a public company.

Sean Schanzten: Yeah. So the broad answer to your question varies from platform to platform. Some don't do anything. We actually package all the investors into a single purpose investing vehicle and we act as their institutional investor essentially to maintain that relationship. And so when it comes to like a formal shareholder actions, my signature of somewhat of the company, when it comes to ongoing communications and introductions and someone through Healthfundr and we think that the whole equity crowdfunding concept of how everyone kind of understands it in the layman's term is a bit overblown.

What we think the actual future of this is is that there's technology can make financial institutions exist that wouldn't exist otherwise and part of that is ongoing relationships.

I mean a bunch of our compensations tied to carry interests. At least up until now it has been. And because of that, we haven't sent to stay involved with you and we will act like a normal investor. Like a more institutional investor and kind of harass you and ask for updates and all those sorts of things but also make introductions more proactively and think strategically about the things that the company needs because startups are sucky in a lot of ways.

Jeffrey Kraws: And remember what Rick was saying because it was very very true. Right when you finish that round or whatever you get in there and you're working on it, you're automatically starting to work on that next round. You know.

It always takes longer. It always costs more and it's just always, it's more difficult.

So try and lay out some targets for yourself that you're really going to achieve because it'll help you when you go back to those people. Don't think you're going to be some sort of superhero and say you're going to do it in six months when it takes a year because if you really think that thing's going to take a year, you might go a little bit longer than that because that way if you do it ahead of time, it's great. You're not going to be punished. But you're starting to work on that next round already.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

Rick Baron: And from an investor perspective, I would recommend you look at it from their eyes. I rarely know of any company that does monthly reporting. My quote would be, if the SCC wanted me to, they'd tell me.

So you might want to look at what you're capable of doing from a CEO perspective and what is reasonable. A year is too long. Monthly maybe really too frequently. Frequently I would recommend that it'd be based upon normal calendar or corporate milestones.

So if you say that I will be in trials in a quarter or something, sometime in that quarter you should send out a newsletter. Or annually.

So be careful what you promise. It's overpromise and underdeliver. At some point you're going to be too busy to do it monthly.

Signal everybody in advance of stopping monthly and say I'm going to move to quarterly.

So just tell people and deliver.

Joe Hage: One of the things that struck me about what you've been saying is there's – and I'm a marketer – so I hear what I want to hear. There's a lot of marketing in approaching you. You are our customer and we are persuading you that we have the best product that's worth your dollars.

I really liked what you said before Sean because you used the word 'amplify.' That your platform is an amplification platform and if you'll indulge me a quick marketing moment, social media, a term I detest, is just other places to say, "Hey everybody, go look over there."

And so, there's been some ... in my group, we've talked about crowdfunding and just as you said, I'd mentioned Scanadu. "Hey everybody, it broke records. But you got a prize at the end." And there was a lot of back and forth. "Yeah well that won't work for me."

And you're kind of saying the same thing. I think. But, recognizing at the same time that just as I can ... we're recording this. I'm going to put it on my website. And at some point, I'm going to go on LinkedIn and say, "Hey everybody. Go check out this amazing content that I have somewhere else."

Same thing for your platform, right?

Sean Schanzen: Yeah and platforms are a highly regulated area right now.

Joe Hage: What is ...

Sean Schanzten: Highly regulated?

Joe Hage: No I heard you. What do you mean by that?

Sean Schanzten: Well there's lots of rules that the SCC puts forth about how you can raise capital in private markets. And without going to too many details, essentially in the past, you cannot talk about it. Even now, a lot of companies don't talk about it.

And so we have to walk this fine line about we amplify what Healthfundr is to bring people through the door but then on any given deal, we're not going out and broadcasting to the world. We're going to the investors already on the platform and saying and so it's reaching a broader audience because people have trust in Healthfundr the platform as a source of potentially good deal flow on things to invest in.

So it's a unique type of amplification.

Jeffrey Kraws: I mean in March 25th 2015, when Reg-A Plus came into being, in the SCC cleared the way for people to do basically two tiers of financing.

The first tier of financing is offerings up to \$20 million and the second tier's offerings up to \$50 million. And they very closely regulate what you can say, how you can market, what type of investors you have to go to, you have to remember that for these type of offerings, you have to go to accredited investors and you better not be soliciting someone who is not an accredited investor or you'll have big problems.

Joe Hage: Cesar, you have a question?

Cesar DelAguila: With all respect, I have never been in a meeting with investors or angel investors so I don't know how really that goes. But I've seen several chapters of the Shark Tank and I don't think they are angel investors precisely.

So what's the difference between your meetings and a Shark Tank meeting?

Jeffrey Kraws: Well I'm actually good friends with Barbara Corcoran. We just had dinner not long ago. She'd appear to the WPO, YPO thing. And I think that there isn't a whole lot of difference I think other than that may be sort of amplified for television but it's your same sort of meeting where it's what I said at the beginning. Which is it it's concise. It's to the point. You're trying to sell them in a short period of time. They're all very successful people who are making their own decisions about doing it and I don't know what everyone else wants to add to that.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

Sean Schanzen: So yeah I think I agree. It's very much amplification of typical investor meetings but and the reason why Jeff's talking about staying high level is you're just trying to get people to take the next step with you.

And so if you think of Shark Tank, it's kind of that initial quick coffee meeting that's going to get someone intrigued and willing to spend more time with you. You very much want to have that same I mean I actually have a friend that pumps himself up like playing like loud fast music before he goes into investor meetings. I mean and he treats it just like he's working out because he wants to get that excitement and story across in that first meeting so that person will take that next discussion with you.

Shark Tank I think most mimics in a kind of dramatized for TV version that first, I want to get you to think that what I'm doing is sexy so that you want to take to have a longer conversation with me about it.

Rick Baron: I think they do a good job in the array of personalities. You have a little bit more time than two minutes to pitch something when you go into a situation. Generally they have some information in advance whereas it seems sharks don't have that. I kind of think of raising money as have you ever been in a job interview or have you ever done an interview of someone for a job?

I mean either side of that is you're pitching yourself, your company. And that's what you're going to do and you're going to get some people who are totally disrespectful. I wouldn't have had the patience that Jeff had with the gentlemen that put down his watch because what Jeff didn't tell you was, 2, 3, 4, 5 years later, he had an opportunity to go back to that same person in a much more challenging situation and he was prepared for the 60-second question.

So you learn from each one and you know, investors have reputations too. You can get an idea of who you're talking to by talking to lots of people. I'm sure there's a book and please, no disrespect. There's probably a book on pitching investors for dummies. It'll lead you through the way that you do it and then you got to do it what's comfortable for you.

Jeffrey Kraws: Hey, and you know what, entertainment value, I mean I love Shark Tank and I was actually watching it last night while I was doing some work. But when Barbara comes out to dinner and talks to our YPO group and I get to attend and stuff, it's phenomenal because what those sort of things teach you and I think my panel would agree with me is those questions that you see like when you see people go, so what's your plan for growing your business? You only have 10,000 in sales. How are you going to get to or who's going to manufacture or what are your thoughts?

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

Those questions that they're asking and Rick's absolutely right. It'll come in a longer fashion but those are questions you're going to get asked.

So if you want to have like a practice run and I don't know if you need a ... you're going to pump yourself up with music, that's great and go in because it is what Rick said which is, it's an interview.

But the questions that you're seeing asked on television, I'm not saying those are the exact questions you're going to get but I've never seen one of the questions asked out there that you're ... unless you're doing it for a fact. Those are the types of questions you're going to get when you get in there.

And some of the problems that some of these people have had when they've got on Shark Tank where they've gotten the investment or whatever is a lot of their sales have gone through the roof.

There was this lady who had cake sales and you're talking about the success she had but then that almost ruined here because it was great that her and Mom are making cakes and they can make like I don't know, 150 cakes, 200 cakes, 250 cakes every two weeks or something but in Shark Tank and there's orders for 5,000 cakes or you guys don't face that with your medical device type things necessarily out of the box but you really have to think about really having yourself involved with what the long-term planning is.

It's great if you can learn from the experience of your meetings and it's great when you can do something but you have to think about whether you can scale something and you've heard that over the last couple of days too.

Joe Hage: Jon Bengtsson is Chief Operating Officer for Naked Prosthetics. He's self-funded. He's just South of Seattle. He has a question for you.

Jon Bengtsson: I've been through a few startups. This is my first medical device one. We make a prosthetic for finger amputees and so far we've been organically growing and self-funded. And I was just curious as to what your take on taking ... we've been approached by VC's and angels and giving up that kind of control for what we're looking at as more of a funded growth to do something globally.

At what point in when you're looking at companies do you consider that that's the right time to do it?

Sean Schanzen: I mean really it's up to you like what type of company do you want to have because as soon as you take someone else's money, you're going to feel this responsibility to

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

turn it into a lot more money and usually raise money even if you raise money at a reasonable valuation, you're raising it at a valuation that has the expectation of you being 10 to 30 times larger than what you are at that point. And if you don't want to be that type of company, don't raise outside money and sometimes you just need that much and that's the only path that's available but some don't.

I don't know that there's a right time other than you see a potential opportunity to supercharge growth for one reason or another or you need it to get to market or whatever and you're willing to say I want my company be 10 to 30 times larger than it is today.

Jeffrey Kraws: I'd add to that that when you run out of room as far as you've gone to your friends and family and you're sort of exhausted that you can't go any further and you realize you're about ready to have a partner, i.e. boss, i.e. someone who's going to have a say about what you do and you're okay with that and you don't have any other alternatives but to do it, then that's probably your time.

Rick Baron: I'm going to give you a much different answer. How much money do you need? Please don't answer these questions. How much money do you need and for what purpose?

So there was an interesting group on LinkedIn. A discussion of when do I raise money about 60-90 days ago and I don't really participate as someone that enters the blog and what I found lacking was, what's the plan? What do you need it for? Those types of things.

Ross is now finding the fact that he raised money he now has to write a freakin' newsletter once a month.

Joe Hage: It sounded like he likes it though. He likes it? He likes it.

Rick Baron: I'm one of those investors. I'm really upset it only takes you 20 minutes but it's how do you want to devote your time? What do you need the money for?

The more informed and experienced the investors, sometimes there comes other demands like control. That's when they might want to put in a CFO and there's goes your life because you got to hang out with someone like me. There's a whole slew of things that it's a give and a take.

The other thing I'd like to say to everybody is that your batting average in raising money only needs to be 1 out of 120. It doesn't have to be Hall of Fame baseball. 3.33 might get you in the Hall of Fame but if you just get, you could be 1 out of 1. That's 1,000. So you're persistent, you find and you come up with the best deal over time.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

Joe Hage: Does it fall on C-suite yes, but does it fall specifically on the CEO to be on all those calls? Because you're making stuff too. You're their boss. You're at the head of a lot of the decisions.

Ross: I would answer that to say that it depends on the type of CEO you are. But a lot of CEO's especially at like our stage, I'm setting the soul of the company and the vision of the company so you need someone who's out there to pitch that. Some CEO's are really more on the operational side. So maybe you have your marketing person do it or whatever if you have that. But right now, I do all that.

So yeah. I have to be there because at the end of the day, a lot of investors aren't investing in you maybe have a great idea but they're really investing in your ability to execute on that idea. So they want to at least know that you're there and you have that vision.

So I would say yeah.

Joe Hage: And you're a new father. And you look surprisingly well-rested. I don't get it.

Brett Goldsmith: Okay so I'm Brett. I'm Ross' technical counterpart and I wanted to add to this part of the discussion. So there's some doctors and engineers in the room and this kind of stuff while interesting, I do not find fun.

So I recruited Ross to fundraise and his job was to get me the money to build the lab and build the chips and all that kind of stuff. And so for my point of view, that works great. And even at that point I give up a lot of control in what I was doing just to bring out a business partner, so after that step, losing more control to bring on financial investors was a small step for me.

Joe Hage: That's interesting.

Sean Schanzten: So the worst part about fundraising is having a CEO? That's what you're saying? I'm just kidding. I'm just kidding.

Rick Baron: Well Ross you raised the money so what's your next job? No I'm just kidding.

Jeffrey Kraws: We like to have, you know, it's really the nine funds that I'm working with and from a research perspective from our company, we definitely like to have the involvement with the CEO. We like to have the key decision people, the founder, the science people. We like to have them all partake because you really ... one of the things that helped made me successful and Rick eluded to it earlier and it's true which is surround yourself and betting at a good team. And it is the team that did that but I surround myself with people who don't have my skills but when I'm making an investment, I always always bet on the jockey. Always.

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

I've seen many many examples in my career of things that have gone and it blown up where the CEO and the CFO have been able to go back and address it and change and fix something and make something out of nothing.

We won't sight companies that I thought were disasters that ended up being huge successes. And I've seen guys who are terrible jockeys. Take things that should've have been a given and just destroyed them.

So having the CEO involved to me and having the founder involved is very important because if I'm writing a check for myself where I'm thinking about writing you on research, I want to make sure I know who's driving the ship because I can't watch you at the end of the day and I don't want to be in the front page of the Wall Street Journal with you having done something really stupid and me being the large investor having written that report.

Sean Schanzten: Angels typically hate meeting with non-founders and non-CEO's.

Rick Baron: My deal going into at least one company was, look, I love doing the investor stuff. It's obvious to you that I'm not really introverted and too shy. But my deal with any company is that you don't want to hear from a finance guy. You want the visionary especially at the stage companies that we're all in. Those are the people that sell. Those are the people that are really driving. It's not some guy that can count numbers.

So you signed on, it's yours.

Joe Hage: What I really enjoyed about our conference is, to a speaker, I want to hear more. But we're out of time. I'm really grateful. You have such diverse backgrounds. As we close, I want to give the mic one last time to Sean for the people out there in TV land to tell us about Healthfundr so that they know should I get in touch with Sean and how would that help me?

Sean Schanzten: So raising angel rounds sucks. For the investors, for the entrepreneurs, it's just ... it's like hurting cats on cocaine. I mean it's terrible. Everyone's running off on other directions and so Healthfundr, what we're trying to do is through technology and relationships take that process and make it more efficient so that once someone has funding into their company that represents kind of smart money as it were, you can get more smart money or more just kind of financial investors falling into you.

And so the best way to get attention on Healthfundr, anyone can go and create a profile. It takes 15 minutes. That puts you into the workflow but to be blunt, you're probably not going to get a lot of attention unless you've raised a bit of money offline, you've pulled together a great

MedicalDevicesGroup.net • Join us at the [10x Medical Device Conference](#), May 2-4, 2016 • San Diego

board of directors, you get a team like all around you because otherwise, you're just data through a website, to our review team. That's not anything tangible.

And 10 to 1 we probably if you pulled together someone good, you probably know or degree away from them.

Joe Hage: Jeff you wanted to make a comment?

Jeffrey Kraws: Yeah. Anybody out there looking to go into the marketplace needing help growing their business, looking for advice, looking to garner that increased exposure, to utilize the analyst, feel free to contact me at Crystal Research Associates. Jeff@crystalra.com.

Joe Hage: That's very generous. Can we hear it for our panel? Thank you very much.

[Applause]
