

## “Let’s Talk Cash!”

### How to Effectively (and Compliantly) Communicate Your Funding Needs at a Pitch Event

All innovative ventures require funds to grow and meet their important goals! For NIH-backed SBIR/STTR companies, these costs include people, facilities, research, regulatory, clinical, intellectual property, supplies, legal, administrative, manufacturing, marketing and a wide range of additional expense categories. Communicating this part of your story to investors and strategic partners is critical when seeking investment or partnership as your company grows. However, it is also critical to stay in compliance with both federal and state securities laws and regulations while doing so. This information sheet for our NIH company showcase companies contains a few key guidelines to keep in mind to help you avoid any “general solicitation” risks while making your pitch!

#### Why this is important?

Federal and state laws prohibit “[general solicitation](#)” of securities to public audiences, unless a company qualifies for exemption under SEC [Regulation D](#). Unless you are **absolutely** sure (validated for each attendee) that the audience you are presenting to consists of 100% “accredited investors” (a [defined SEC term](#) based on income and net worth levels), or can independently validate your investors accreditation in all of your company’s subsequent rounds – then you should not describe any details of your equity round in your presentation. Even NIH Company Showcase events targeted specifically to investors do not meet the 100% accredited investor requirement, as there are typically other types of people in attendance who do not meet the accredited investor criteria. If you do present to the public, you would have to go through the [IPO](#) process and follow the strict reporting requirements required by the SEC for a company selling stock to the public. To qualify for Regulation D exemption (i.e., presenting only to audiences with 100% accredited investors), you would have to file a Form D to the SEC to qualify for the exemption, and show your diligence in validating that all your investors are accredited. To avoid the risk of these costs and high level of administrative burden, we strongly recommend you follow the guidelines below when preparing your pitch for NIH Company Showcase events. If you have specific questions about what is acceptable or unacceptable to include in your pitch, please consult your legal counsel.

**Guideline 1:** Talk in terms of “Cash Needs”, instead of equity investment dollars being raised – and connect those cash needs to how they will support your key milestones.

Examples:

- “To submit our IND and fund our clinical trials through Phase 1, we have cash needs of \$3M.”
- “Our financial plan requires funding of \$5M, which will allow us to complete our preclinical work and file our IDE.”

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- “We have raised \$3M in non-dilutive grants to date; future cash requirements will be \$5M for sales force expansion, establishing manufacturing capacity and additional technology research.”

#### Guideline 2: Avoid current round specific language/terms

Words to avoid include: Series, Round, Equity, Seed/A/B/C, Valuation, Shares, Convertible, Stock, Preference, Investors, etc.

#### Guideline 3: You can include these investment level terms when talking about previous, already-closed rounds.

Since you aren't raising money for those rounds, it wouldn't qualify as a solicitation.

#### Guideline 4: Save the financing details for later!

Your goal in these short pitches is to create a compelling story so investors/partners will want to follow up with you. In those later, personal meetings, you can go into specific details about your round – since everyone in the smaller meeting will be accredited investors (angels), or the firm itself will be an accredited investor (VC or medtech/pharma company). For these initial, brief, high-level pitches, the investors in the audience mainly want to understand your innovative technology, target market, important problem you are solving, regulatory path, competition/IP, commercialization strategy, business model, executive team and potential exit opportunities. The strong value of your company, your team's credibility, and the great momentum you are building, will all come through clearly in the pitch, and those points are what will drive follow up discussions and a future successful financing!

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