

Seed and Angel Capital: The Case for Convertible Notes

Third Thursday Emerging Company Webinars

LiveMeeting

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SEED AND ANGEL CAPITAL: The Case for Convertible Notes

Thursday, May 20, 2010, 12:00 p.m. - 1:00 p.m. (PDT)

Presented by John Tishler, Partner, Sheppard Mullin

"I've found some angels who like my story and are ready to invest, but we can't agree on valuation. I think my company, with its protected IP, visionary business plan and top-shelf validations, is worth at least \$10 million, but the angels want one-third of the company for a \$1M investment. Why can't they see what I see? I need the money but I just can't stand giving away that much of my company for so little money. What do I do?"

The technique of using convertible notes for seed and angel financings has a number of advantages over a traditional Series A structure. While the notes initially seem more complicated, the structure is actually simpler to document than a typical Series A preferred round and has a number of advantages. The biggest advantage for founders is the deferral of the valuation decision to a future time when the company will have more accomplishments to ground the founders' valuation expectations.

We'll discuss the advantages of convertibles notes and many of the negotiating parameters for convertible note rounds, including discounts and warrant coverage.

We hope you'll log in for a timely and lively discussion.

This activity complies with standards for Minimum Continuing Legal Education prescribed by the California State Bar and is approved for 1.0 hour of MCLE credit. Sheppard, Mullin, Richter & Hampton LLP is a State Bar of California approved MCLE provider.

This program has been approved in accordance with the requirements of the New York State Continuing Legal Education Board for a maximum of 1 credit hour which may be applied toward the Areas of Professional Practice requirement, and is suitable for non-transitional attorneys.

The WebEx link and dial in will be e-mailed to you once you register. MCLE certificates will be distributed following the webinar.