



Cultivating New Opportunities: Short-Term Strategies for Long-Term Growth

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Innovative Deal Structures for Use in Challenging Times

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Panelists

- Moderator: Richard A. Kaufman, Partner, Foley & Lardner
- Mark Benedyk, Head of The Pfizer Incubator LLC
- Donna Tempel, Ph.D., President and CEO, Drais Pharmaceuticals
- Jack Lief, Co-Founder, Director, President & CEO, Arena Pharmaceuticals
- Michael White, Deal Team Leader, Silicon Valley Bank



The AkaRx Exit Transaction

The AkaRx Exit Transaction: Combined Deferred Merger and Product Development License

Donna L. Tempel, Ph.D., MBA
Drais Pharmaceuticals, Inc.

The logo for AkaRx Inc. is displayed in white text on a green background. The background of the slide features a photograph of a person in a dark suit and white shirt on a baseball field, with a green field and brown dirt base visible. The text "AkaRx Inc." is centered in the upper portion of the slide.

AkaRx Inc.

- VC-backed spin out of the Yamanouchi-Fujisawa merger
- Incorporated and launched in 2005 with 1 asset from Astellas and \$11M Series A
- Deal was signed 2 yrs later, in August 2007



Deal Structure

- 2 parallel transactions
 - A pre-approved merger agreement
 - Development and License agreement



Merger Agreement

- Buyer was granted and paid upfront for a “merger option” – the option to fully acquire the company through merger at a later date (2 yrs out)
 - Shareholder and regulatory approvals were gotten at the time the merger option was granted (2007)



Development & License Agreement

- Buyer licensed the rights to develop the asset during the option term
- Buyer responsible for all costs associated with maintenance and development



Option Termination

- If the option is exercised, the full cash payment is made by buyer and AkaRx is fully merged into buyer.
- If option is not exercised, the asset and all improvements automatically revert to AkaRx



Silicon Valley Bank

Silicon Valley Bank Corporate Finance & Banking

Mike White, Team Leader, Life Sciences, SVB



Lending: Debt Financing Solutions

- Growth capital
- Equipment financing
- Working capital solutions
 - Unsecured Cash Flow Lending
 - Traditional and asset-backed lines of credit
 - Ex-Im Bank Working Capital Guarantee Program
 - Invoice purchase facilities and contract financing
 - Non-recourse asset purchase facilities
 - Structured trade finance (letters of credit, international A/R financing)
- Acquisition financing
- Syndicated loans



Case Study - diaDexus

- Late stage diagnostic company - revenue generating
- Series D company that has raised approx \$100.0M from VCs
- Company had recently commercialized product and was looking to add additional headcount (sales & marketing) without deviating from current budget.

Solution

- \$10.0M Growth Capital facility, 48 month term
- 9-month draw, 9-month interest only, 30-month amortization

Benefit to Company

- Provided the ability to increase sales & marketing staff (thereby increasing revenue ahead of budget) while still managing to their originally budgeted cash number.



Case Study - Plexxikon

- Early stage drug discovery company – clinical stage
- Series B company that has raised \$54.0M from VCs
- Secured a multi-year collaboration deal with global Pharma (milestone based)
- Company looking to secure additional capital between milestones payments to ensure sufficient runway and operating capital

Solution

- \$9.5M Growth Capital facility, 42 month term
- Funding tied to milestone payments

Benefit to Company

- Provided additional capital between milestone payments to bolster operating cash and provide real run-way to the next milestone payment



Case Study - Sanarus

- Late stage medical device company – revenue generating
- Series D company that has raised \$58.0M from VCs
- Company needed working capital financing as well as additional run-way to reach milestones that would drive next round valuation

Solution

- Provided \$12.0M in total financing - \$2.0M Working Capital and \$10.0M Growth Capital (\$5.0M at close with balance available based on specific milestones)

Benefit to Company

- Provided working capital as well as several months of run-way to achieve pending milestones and delay equity raise – Company closed additional equity post-milestone at an increased valuation.



Case Study – Venture Debt

Bay Area-based cardiovascular therapeutics company. Series C company that has raised approximately \$90M from VCs

Solution

- Closed a \$20M venture debt deal with \$12M funded at close and \$8M available upon reaching specific clinical milestone.

Benefit to the Company

- Provided company with 5 months of additional “runway” to close major collaboration deal or IPO.



Case Study – Working Capital

- Bay Area-based tools Company with rapidly growing revenue base was seeking working capital financing in lieu of additional equity as they positioned for an IPO or trade sale
 - Monthly Cash Burn of approximately \$1.2 million
 - Company was seeking 12-18 months of runway
- SVB provided \$18.0 million in debt financing by leveraging A/R and inventory
 - Debt facility provided a strong cash position and bridge like financing
 - Company was able to negotiate through three key financing events (IPO, PIPE and same) while utilizing the low cost and flexible financing alternative



Case Study – Liquidity Backed

- Bay Area biotech company seeking to postpone capital raising by 6 months to achieve milestone and achieve better pricing
 - Company has \$100.0 million in cash on balance sheet, aprox. 12-18 months of burn
 - Company manages to 12 months of cash at all times

- SVB provided a \$35.0 million term loan based on strength of balance sheet
 - Provided the company with over 6 months of additional cash
 - Company was able to postpone a \$75 million convertible debt transaction for 6 months while still maintaining its 12 month cash target
 - Did not provide “real” runway, but served as a lower cost of capital and with more flexible terms (interest only for 2 years, 7 year amortization)
 - Company was able to achieve its milestone and secure additional financing at more favorable terms



Case Study – Liquidity Backed

- Bay Area Biotech company seeking large equipment financing deal
 - \$100.0 million in cash on balance sheet representing about 12-18 months of burn
 - Company manages to 12 months of cash at all times
- SVB provided a \$25.0M term loan based on strength of balance sheet
 - Flexible structure: 12 month draw with a 48 month amortization
 - Very low cost of capital utilizing unique pricing/collateral structure
 - No lien position on the Company or its physical assets
 - Continue to increase commitment year-over-year