

## Advisory Boards For **Biotech Start-Ups**: Ten Key Points

In all types of businesses vast knowledge may be required to develop new techniques. Scientific knowledge is exploding and often it is through networking and collaboration that the best solutions are found.

“Present your company in a manner that intrigues experts and makes them want to be a part of your success.”

**Advisory boards provide** significant value to companies, but are crucial to the success of a Biotech company. This issue will discuss how to get the most value from advisory boards.

### 1. Why Have Advisory Boards?

The old adage is often true: it's not what you know, but who. Valuable technology is not sufficient to build a company. You need to surround the company with human talent. Advisory Boards add a great deal of value to a company at low cost, so they can be particularly valuable to a start-up that may not have funds to pay a full staff. A Biotech start-up might form both Scientific Advisory and Business Advisory Boards. Members of both boards should be experts in their fields.

### 2. What Can Advisors Do?

Advisors can:

- a. Provide expert advice in their field
- b. Introduce you to other experts in their field
- c. Introduce you to potential investors and assist with fundraising
- d. Assist in business development and execution of strategy

- e. Assist in research and development
- f. Assist in product and marketing plans

Networking is one of the most important functions advisors can assist with. In all types of businesses, but Biotech in particular, vast knowledge may be required to develop new techniques. Networks can help bridge gaps in knowledge among your primary team members. Scientific knowledge is exploding and often it is through networking and collaboration that the best solutions are found. Use your advisors to build networks that increase the collective intelligence of your firm.<sup>1</sup>

### 3. Why Would Experts Assist A Start-up?

Experts enjoy being on the cutting edge. If your company has an exciting product or technology, scientists and business experts would enjoy assisting your company. Also, they are likely to receive equity for their services, so they would share in the company's success.

### 4. How Do We Find World Class Experts?

Networking is a good way to locate advisors, because if someone recommends a particular expert, introducing yourself with the name of the intermediary provides you with some instant credibility. You can also use the web to learn who the experts are in a particular field. Search for conferences related to your company's technology to identify the industry's experts. Search published literature to see who is writing the cutting edge articles. Some academics may hesitate to serve as an advisor to a company, but most are very willing. I know world-class scientists, the absolute top people in

*(continued on page 2)*

their field, who have joined advisory boards of start-up companies.

### 5. How Do We Convince Experts To Serve?

Present your company in a manner that intrigues experts and makes them want to be a part of your success. I know world-class experts who have agreed to serve on advisory boards based on discussions that lasted less than ten minutes. It is the value or excitement surrounding your technology that will influence their decision.

### 6. How Do We Present The Company To Potential Advisors?

Approach experts via a scientific, intellectual or corporate path. Ask experts to help you with a particular question. The vast majority of scientists are willing to take cold calls to discuss their area of expertise. You can follow up a few days later, to thank them for their time. Establish and build relationships. With time you will form relationships with experts in the field, and with time these people can be approached to serve on your advisory boards.

When I was establishing a customer list for a medical product, I cold called physicians who were experts in the field and asked if they would write an opinion of the technology, and whether they or their hospital would consider purchasing the product described in the patents. This method led to many relationships. Once the relationships existed, I was able to approach individuals and ask if they would accept a position on an advisory board.

In one case, I cold called a physician-scientist because he published an article in an area related to the company's technology. His interests were so aligned with

---

#### **Viridian** LLC

210 West 89th Street, Suite 6G  
New York, New York 10024

T/ 212.787.2161

F/ 212.787.1994

[www.viridian.com](http://www.viridian.com)

the company's, that within minutes I felt comfortable asking him if he would join the company's Scientific Advisory Board. He agreed immediately. He is one of the leading experts in the field and has provided great value.

### 7. How Do We Check Out Advisors?

Tell individuals that you are considering offering them a position on your advisory board and you would appreciate if they would forward a resume to you. The resume will usually solidify your decision, though on rare occasion it may make you hesitate. Either way, you should always review a resume before offering an advisory board position.

### 8. How Are Advisory Board Members Paid For Their Services?

Advisory board members are usually given equity in the company, for two reasons. First, these individuals tend to serve because they feel the company has an exciting product. This allows them to share in the company's success. Second, advisory board members are part-time advisors and as such need be paid only small amounts of equity. You could offer anywhere from 1/4 of 1% to 1/2 of 1% for three years of service, so if you have twelve board members you will have given away a maximum of 6% of the company.

If you will have a professional management team in the future, why should you give up an extra 3-6% of the company early on? Because Advisory Boards can make a major difference in positioning your company so a professional management team will want to come on board at a later date. The quality of your advisors may also influence investors to invest. Your start-up may not have a full team in place when an investor comes in, but if you have excellent advisory boards it shows there are experts who believe in your product.

### 9. Letter of Agreement

Advisory Board Members should be sent a letter of invitation to serve on a board. A mutually signed agreement should stipu-

late the terms of the position. Though not necessarily as specific as the terms above, the letter should generally state areas you believe the board members can assist with.

It is wise to offer compensation with a vesting schedule. For example, an advisor would receive a total of 0.5% equity in the company after three years of service, vesting in equal parts over three years. The agreement should state that the CEO has the sole right to determine if an advisor is not performing their role and that the CEO has the sole authority to terminate the advisor's position on the board. Usually vested interests are maintained if a position ends prematurely. For example, if an advisor fulfills his role appropriately for one year and then becomes regularly unavailable, and the CEO terminates his position, or the individual removes himself due to a new job that he feels represents a conflict of interest, the 1/3 of the 0.5% total that vested the first year should remain with the advisor.

Other stipulations might include that you wish to have regular contact among and between board members, and that this may entail travel once or twice a year (at the company's expense). But be careful. The more onerous the advisor's responsibilities sound, the more difficult it will be for you to sign them up. These are only guidelines and specifics should be worked out with your company's legal advisors based upon your company's specific needs.

### 10. Confidentiality Agreement

Always require advisory board members to sign a confidentiality agreement. You may need to disclose sensitive company information when speaking with advisors. If an individual has a reason why they cannot sign a confidentiality agreement, they probably should not be advising the company.

In summary, advisory boards can add great value to your company. Spend the appropriate time and effort to create and develop them.

---

1. Metcalfe RM. It's All In Your Head.  
In *Forbes*