

# Observation of Angels

## Investors Seed LI Start Ups



by Vivian Leber

“Valuation is a touchy thing. People think their idea is worth millions. You must meet somewhere on a value that you can defend,” according to Michael Faltischek, who chairs the board of directors of the Long Island Angel Network (LIAN). He has a passion for seeing entrepreneurs succeed on Long Island, and also knows a thing or two about valuation, having worked with dozens of promising startups and like-minded angel investors.

He credits Stony Brook University with providing the spark to create the investor group six years ago. Stony Brook had then started to make strides (and now has an even bigger footprint) to become the Stanford or MIT of Long Island and beyond. He recalls a conversation with Dr. Yacov Shamash, Stony Brook’s Vice President for Economic Development, along the lines, “We can throw out great ideas, but we need to have angels here to develop those businesses.” That is exactly what LIAN does, thus far with impressive results.

“LIAN is on the right track,” said Faltischek, and noted that it invested in three companies in 2012 and two in 2013. During its first two years, he explains, LIAN had to experiment until they discovered the right structure, brought more people on board and improved its vetting process. The concept of LaunchPad-LI coalesced during this maturation process. LIAN has been an anchor tenant and sponsor since LaunchPad opened a year ago in downtown Mineola. He also plays a key role as an Advisor, and Ruskin Moscou Faltischek, PC, the law firm where he is a senior partner, is a contributor. More than just seed money and coaching, LaunchPad provides co-working space and services – a LI version of the booming incubator hives of downtown Manhattan.

LIAN has a board of 18 and has 30 accredited investors as members. It participated in the first investment round of \$1.3 million for eGifter, the online social-gifting tool launched in 2012 (see related article in this issue), with additional participation by LaunchPad and its co-founder, Andrew Hazen.

eGifter, led by co-founder Tyler Roe, has just relocated to the new LaunchPad location in downtown Huntington. In December of last year it was readily able to secure an additional \$1.7 million, led by another LIAN Director, Bob Brill of Newlight Management, a Long Island VC firm. When eGifter presented at a LIAN meeting before completing that second round, several audience members jumped in to offer capital. “eGifter is well on its way,” Faltischek declares, and a dozen major national retailers have contracts for its service.

LIAN fits into the hierarchy of raising capital by providing early seed money, coming in after an entrepreneur first has tapped into personal savings and “family and friends.” An individual angel may want to invest from \$25,000 to \$100,000, an angel fund somewhat more. However, LIAN may also play a role with more sophisticated and proven entrepreneurs such as Roye and may join later in the startup’s lifecycle. For typical startups, once the entrepreneur credibly presents the business plan and substantiates the funding request, LIAN vets the business, mentors it and if they go in, LIAN would place a board member-- usually the lead investor and someone who has expertise in the same field—on the startup’s board.

The next steps along the capital spectrum are Venture Capital funders, who, with a somewhat more structured investment set a higher bar. LIAN considers its exit strategy from the outset. In the startup world, it takes an average of six to seven years, but anywhere from 3 to 10 for a profitable exit. Biotech tends to be risky and capital-intensive, requires the original angel investor to maintain its position through a number of capital rounds, which makes this one area—despite being one of LI’s hottest—that LIAN tends to leave to others.

LIAN also continues to be involved with ThermoLift, whose founder Paul Schwartz is a seasoned businessman and a scientist. The two men met at a Stony Brook University class for entrepreneurs where Faltischek lectured. Indeed the University’s research centers and programs continue to work with LIAN, each playing a key role in launching new tech on Long Island.

SolarCool, another technology incubated at Stony Brook, makes a solar-powered portable cooler for the consumer, which began with a win of a \$10,000 prize. It has now built up to about \$1 million in angel funding and has started production. Faltischek is currently working with founder Ryan McGann on the commercialized business model.

Each month LIAN vets a group of startups, and has several already in the pipeline for 2014. The Stony Brook incubators continue to provide great opportunities, and LIAN is considering other revolutionary technologies, both nascent and mature.

Visit LIAN’s website at <http://www.liangels.net>. The administrator can be reached at 631-631-7006.