

A new way for (some) Rochester startups to get funds



Christopher J. Brooks, @AmericanGlow 1:11 a.m. EST December 13, 2015



(Photo: David Anesta)

If you have a medical startup in upstate New York and you need some money, copy down this name: Omar Bakht.

Bakht, who works for the University of Rochester (<http://www.rochester.edu/ventures/about/who-are-we/#Bakht>), has started an angel investor group specifically for medical startups. Bakht's group, the New York Medical Angels, opened in September and now has 30 to 40 investors. Bakht is looking for more investors to join his group.

The New York Medical Angels invests in companies centered on medical devices, medical diagnostics, new research tools or medical technology. Bakht said his group, which is primarily a group of doctors, will even entertain drug and vaccine companies. If the product is about anything else, don't waste your time.

"Someone could come in with a great idea for new sneakers, but that's not us," Bakht said. "It might be interesting, but that's not us."

Although both methods involve giving money to startups, Bakht's group and angel investors in general are slightly different than venture capital firms like Cranberry Capital (<http://crancap.com/>) or Excell Partners (<http://www.excellny.com/>).



Omar Bakht has started the New York Medical Angels, an angel investing network just for medical startups. (Photo: University of Rochester)

Angel investors are basically a group of people with a substantial amount of wealth who feel philanthropic enough to give money to a young company they believe has potential. A group of angels typically give no more than \$1 million and most times don't want any day-to-day involvement with the company in question.

Venture capital firms are staffed by financial managers who keep tabs on large pots of money and have business analysts who research the likelihood of a startup succeeding. When a venture capital firm gives money, the firm likely wants a seat on the startup's governing board or some money returned after the company becomes profitable.

The New York Medical Angels joins an existing list of outfits giving funds to local startups. Excel Partners and Cranberry Capital are the most known venture capital firms, and the Rochester Angel Network is the largest angel network in the city.

Bakht sees his group as one of several places a startup could visit for a piece of a larger investment round. His group wants to give \$250,000 or less per company, in tandem with other investors.

"If a company is looking to raise \$3 million, we might be a part of that investment round (with) \$100,000 or \$200,000," Bakht said. "We'll most likely, at least at the beginning, not be the only group doing the investing."

An angel network just for medical startups is new to Rochester, but it's not new in the venture capital world.

More and more medical angel networks are popping up because it takes a special type of investor to help a medical company grow, said Marianne Hudson (<http://www.angelcapitalassociation.org/data/Root/HudsonBioParagraph2015.pdf>), executive director for Angel Capital Association (<http://www.angelcapitalassociation.org/>). Hudson said an investor with a medical background understands that money needs to be dedicated to clinical trials, FDA approval and marketing to health care providers.

"Investors need to invest in what they know and understand, and entrepreneurs need someone who understands their space and can help them think through strategy, make the right connections and introduce them to larger companies that might acquire them," Hudson said.

Hudson said a majority of the nation's angel networks invest in companies from different sectors. However, there's a small yet growing number of industry-specific investor groups, Hudson said, particularly in clean energy and medical/health care. She pointed to the North Coast Angel Fund (<http://www.northcoastangelfund.com/>) near Cleveland, the Mass Medical Angels (<http://www.massmedangels.com/>) in Boston and the Life Science Angel Network in Manhattan (<http://www.lsanfund.com/>) as prominent examples.

Milena Adamian, a physician who started the Life Science Angel Network, said she moved to New York City in 2010 and found no medical-focused places for venture capital even though there were startups with promising products in medical technology and devices.

Adamian said it's good that Rochester has a pool of money for medical startups now. As long as there are local universities doing high-quality research, the new angel network should flourish.

"People who are investing in health care, they know what they're getting into," she said. "It's not going to be a quick run."



Jay Rand, a law partner at McCarter & English, who represents startups, venture capitalists and angel investors. (Photo: Ronak Mistry, McCarter & English)

Because the startup activity in Rochester is smaller than Boston, New York City or Silicon Valley, Bakht's group has a real chance to quickly grow in prominence, said Jay Rand, a New York City lawyer whose firm represents startups and entrepreneurs. To help spread the word, Rand suggests Bakht attend medical industry conferences, talk on panels about venture capital or lean on word of mouth.

Bakht said any startup that wants to pitch their company or any investor looking to join should email him at Omar_Bakht@URMC.Rochester.edu (mailto:Omar_Bakht@URMC.Rochester.edu). Bakht said he's looking for U.S. Securities and Exchange Commission-approved investors or companies that can apply with a complete overview of their business plan, also known as a pitch deck.

Bakht said two companies, one in Rochester and the other from Buffalo, already pitched his group. Next month, they will entertain another three companies.

Bakht isn't coming to the venture capital arena with no experience. He worked for the Mass Medical Angels before moving to Rochester two years ago.

When he first arrived in town, he was disappointed that the medical startup scene here wasn't as bustling as Boston. But then he started looking at the research coming from UR, the University at Buffalo and Cornell University. From that, Bakht believed upstate New York's medical research activity rivaled any other U.S. city with the same emphasis.

Then he wondered why there weren't a mountain of startups in the medical space. The answer, Bakht felt, was that there are few medical scene entrepreneurs and no institution focused on giving money to medical startups. His group is trying to plug that hole in Rochester.

"At some point, I had to stop complaining that this place wasn't Boston," he said. "So I could either complain more or do something about it, and this is my way of creating it."

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