

Law firms assist the growth-oriented

By: Bernadette Starzee April 16, 2014



Helping clients meet their growth goals is the main thrust of a new business incubator practice group launched by law firm Davidoff Hutcher & Citron.

Culling resources from several practices at the Garden City firm – including corporate, intellectual property and banking and finance – as well as outside management consulting and accounting firms, the incubator group is designed to “help businesses figure out what they need to do to move to the next level,” according to Davidoff Hutcher & Citron partner Thomas Mohen, who cofounded the practice group.

“We were looking to leverage relationships to meet a need we saw in the marketplace,” Mohen said, adding the timing was right due to “tremendous pent-up capital” among potential investors. But investors remain extremely cautious about taking chances on companies.

“Before they invest, they want to kick all the tires and test all the hypotheses,” Mohen noted, and that’s where the business incubator group comes in – helping a company terminate a business line, for instance, or otherwise reorganize.

“We help them reposition their business so that investors are receptive and happy to move forward,” Mohen said.

The firm targets businesses with a track record of at least one to three years that have gone through the initial financing phase, as well as more established companies that have had success but need help taking a leap forward.

It’s not the only Long Island firm providing such services. Through its HITS program (for “high-tech startups”), Mineola-based Meltzer, Lippe, Goldstein & Breitstone has provided similar services since the 1990s – focused, naturally, on technology startups.

“Startup technology companies need a lot of legal advice and business counseling, and they don’t have cash to make payments for these types of services,” said Ira Halperin, a partner who heads Meltzer Lippe’s corporate law group.

Having been down the road with other tech ventures, Halperin and his colleagues are able to help clients in the HITS program avoid pitfalls and get off the ground, he said. The firm will waive its fees until an agreed-upon event occurs, such as an equity investment or sale of a business, Halperin said.

“In exchange for doing that, we get a warrant for a small amount of equity in the company,” he added. “It’s a risk – we put in a lot of time, and sometimes these companies don’t succeed, and the warrant is worthless.”

But some of the startups in the program have gone on to be sold in the \$10 million to \$20 million range, he said.

Some Meltzer Lippe partners are angel investors, and they have relationships with additional angels.

“More important than the direct relationship with the angels is the advice and guidance we can give about what is needed to be successful in the angel round of financing,” Halperin said. “Many entrepreneurs have a good idea but aren’t very good at explaining it so that it makes sense for someone to put money into it.”

Also, the firm helps prepare new company owners for the terms that angels or venture capital firms will likely demand.

“When they’re well aware of what’s anticipated, they’re ready to handle it,” Halperin said. “Surprises can cause a transaction to die.”

For many years, the emerging companies and venture capital practice at Uniondale-based Farrell Fritz has also focused primarily on high-tech startups.

“Companies that start out developing technology don’t have the kind of hard assets – such as a retail store or fixtures – that would facilitate getting a commercial loan,” said partner Alon Kapen, who leads the group. “The firms need to get a lot of capital upfront to develop the technology and recruit talent, and they need to attract equity investors. It’s a unique ecosystem – the law firms and others that serve these companies have to have a keen understanding of what their needs are – and we consider ourselves to be a very important player in the ecosystem.”

To help develop its reputation as thought leaders in the field, the firm developed the New York Venture Hub blog, which Kapen edits, and its attorneys have done public speaking on relevant topics.

“We have represented both investors and companies in different transactions, and we know how to approach the deal from both sides,” said Kapen, adding the emerging technology ecosystem is growing on Long Island.

“It’s a great time to be a technology entrepreneur,” he said. “The research institutions we have here are the envy of other regions around the country.”

Protegrity Advisors in Ronkonkoma also assists emerging technology and other growth-oriented businesses. The company, which provides a combination of legal and merger-and-acquisition services, was formed in March by the merger of General Counsel Solutions and Protegrity Managed Professional Services.

“We act as a single point of contact,” said Gregg Schor, president of managed legal services.

In addition to providing “legal triage” to help growing companies determine their legal needs, the advisory firm provides general counsel services and manages the clients’ relationships with outside law firms as needed. Services include making introductions to banks and private equity investors and preparing businesses for financing presentations.

For companies looking to grow through acquisition, the firm also provides an outsourced corporate development professional to identify, approach, value and negotiate with target businesses, among other tasks.

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