



PEI Manager:

**In-House Profile, Dror Futter, General Counsel and Partner, New Venture Partners
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BUILDING BRIDGES: Since it spun out from Lucent in 2001, New Venture Partners has seen itself as a sort of “bridge” between technology corporations and traditional venture capital, says general counsel and partner Dror Futter. “We did spend five years inside Lucent, we know what life is like inside a large corporation,” he said. “There are substantial similarities in large corporations in how they have to approach transactions like ours and constituencies that have to approve things, and one of the things that has taught us is a great deal of patience.” New Venture has looked to develop a niche in the venture capital world by partnering with corporations to identify promising technologies either in their labs or business units that for whatever reason aren’t being best developed within its parent. “Our real sweet spot is going to the point where the proposition isn’t really as developed as other venture capital firms are used to seeing,” he says.

SOLE RESPONSIBILITY: Since 2001 New Venture has completed over 50 spinouts from the R&D and business units of corporations including Philips, Boeing, Intel and Telestra. Its fourth and most recent fund closed in 2006 on \$300 million. Futter, who had previously worked on technology and intellectual property law at McCarter and English, joined New Venture in 2000 before it became independent. As the one and only member of the legal team, Futter is responsible for negotiating partnership agreements with corporate partners, asset transfer, intellectual property and commercial agreements that form the core of every spinout. “It turned out to be fortunate that my background included really significant exposure to a number of different practice areas,” he said. “There are a lot of things I can handle myself internally. I can do a lot of the IP work, due diligence, negotiating of IP terms, venture capital documentation by myself. When we are doing one of our larger deals and it becomes a multi-ring saga, at that point I tend to move into more of a managerial role.”

DUE DILIGENCE: While it can be unusual for a fund of New Venture’s to size to have an in-house general counsel, the firm’s M&A practice is extremely labor intensive and hands on, Futter says. “If you really had to engage outside counsel from minute one until you completed the deal, the costs would be prohibitive.” He adds that the technical diligence – figuring out whether the technology works, what the current customer base is, what the reception to the products is likely to be – tends to take longer than the legal diligence when looking at investment opportunities. “Because they are relatively small opportunities, most often in the 10 to 20 employee range, the pool of materials you need to get comfortable with is a lot smaller. Most of them do not have a 10-year operating history; you will have a handful of agreements and patents. We are talking about weeks in terms of the legal diligence cycle.” Futter says the process has gotten more efficient over the past decade, as the firm has figured out what a corporation wants to see in the term sheet. “We try to come up with a proposition that addresses a lot of concerns that they have because we’ve seen it in so many different other transactions.”