

Los Angeles Daily Journal: Lawyer Goes Where The Fun Is - His Venture Capital Fund

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Victor Hwang was a young attorney in Irell & Manella's Los Angeles office seven years ago when he decided to quit to take a job at a nonprofit foundation.

Now, he's nearly back to the corporate world, this time as co-founder of a venture capital fund, T-2 Venture Capital.

Although many lawyers walk away from lucrative corporate practices in favor of even more potentially lucrative venture firms or investment banks, few, if any, launch their own venture capital firms.

"I can't remember someone who just planted their own flag," said Richard Kolodny, president of The Portfolio Group, a Los Angeles recruiting company.

Even starting a new fund is rare in today's market. In the first quarter of this year, entrepreneurs started 13 venture capital firms, compared with 17 the year before, according to the National Venture Capital Association.

Virtually all of those firms were started by businesspeople or bankers who had significant fundraising experience.

"It's somewhat unusual for someone to be raising a fund outside the industry," said Emily Mendell, a spokeswoman for the National Venture Capital Association.

Hwang, 36, was born in Baton Rouge, the child of a Taiwanese father and a Chinese mother.

Both were academics, so it's not surprising that Hwang has a resume that any parents could be proud of: He got his undergraduate degree from Harvard University and his law degree from the University of Chicago, was a law clerk for the U.S. Agency for International Development, then worked at Mayer, Brown & Platt and Irell & Manella, where he specialized in financing and mergers and acquisitions.

But Hwang began to identify more with his deal-making clients than his lawyer colleagues.

"You realize your clients are doing the fun stuff," he said.

Hwang quit the firm to become the president of the Larta Institute, a nonprofit company that specializes in commercializing new technologies.

Instead of focusing on a specific region or technology, the Larta Institute began looking for promising start-up ideas from government organizations by starting partnerships with the National Institutes of Health and Department of Defense and mentoring programs with universities.

Hwang thought that his deal-making clients had more fun than attorneys. He also gained valuable start-up experience at Larta.

But his decision to start a fund "only seems linear in retrospect," he said.

"I didn't have a grand plan. I thought I could bring a unique perspective to [a fund]," he said.

The T2 fund hopes to expand on that strategy to find promising start-ups but will shy away from bigger, established research universities like Harvard and Stanford, Hwang said.

"Those schools have been well-developed. The same isn't true for universities elsewhere," he said.

For example, one of the companies that Larta funded is Stonybrook Water Purification, a company formed from technology that was developed at Stony Brook University in New York. The company makes water filtration membranes that increase the speed and efficiency of purification.

"The trick is to identify brilliant minds. There might be a lower percentage than there is at Stanford or Harvard, but they're there," Hwang said.

T2 has invested in three companies so far and hopes to add another four soon, said Hwang, who declined to say how much capital the fund has.

Venture capital observers say that, although institutes of higher learning often anchor high-growth areas, such as Stanford in the Silicon Valley, many investors have a hard time developing relationships with universities or are leery of investing in nascent technology.

"It can be difficult to know where to start," said Krisztina Holly, the vice provost of the University of Southern California and the executive director of USC Stevens, a new institution which fosters innovation and investment at the school.

And because the new fund will focus on emerging technology throughout the nation, Hwang also saw little need for a traditional office like the ones that line venture capital

hubs like Sand Hill Road in Silicon Valley. Hwang lives in Chicago and plans to move to San Francisco soon, but he said his office is "wherever I happen to be standing."

"Conventional thinking is that the businesses go to you. I prefer to go to the businesses," he said.

Even though T2 appears to be concentrating on relatively untapped landscape, that's no guarantee of success.

"Not many partners or associates have the staying power and chutzpah to go out and open their own shop. It's high-risk, high-reward," Kolodny said.