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Battery Co-Founder Is Charged Up About Financial Technology Ventures

By Alistair Christopher, Senior Editor

What do you do when the venture capital firm you helped build into a powerhouse has a new guard that wants to go in another direction? Do you dig in your heels or hang up your wingtips?

If you're Bob Barrett, you bow out

Bob Barrett
General Partner
Financial Technology Ventures

Born: Aug. 24, 1952.

Education: Bachelor's, Harvard College, 1966; MBA, Harvard Business School, 1968.

Work History: Investment banker, Hayden Stone, 1968-73; commercial banker, First Chicago, 1973-81; co-founding general partner, Battery Ventures, 1981-2000; co-founding general partner, Veracity Capital Partners, 2000-01; interim CEO, Personic, 2000-02; general partner, Financial Technology Ventures, 4/1/02-present.

Investment Focus: Enterprise software, Internet infrastructure and communications.

Personal: Married with three children in "mid-20s." Home in San Francisco sports a "world-class view."

Recently Read: A biography of Theodore Roosevelt and "anything from The Hoover Institute."

Did You Know? Barrett likes to take venture associates rafting to see how they operate under pressure.

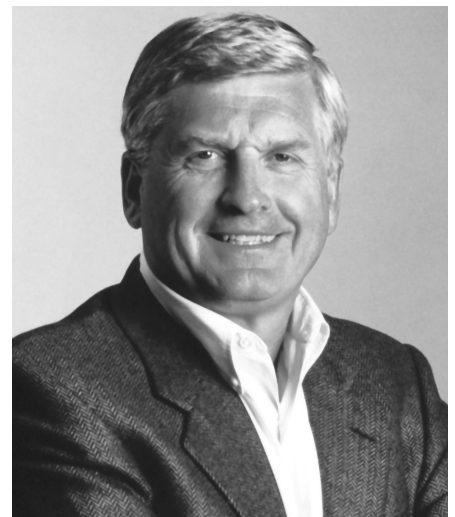
gracefully and focus on repeating your success someplace else. Barrett, a founding partner at Battery Ventures, recently joined Financial Technology Ventures (FTVentures) with the hope of building the stature of the little known San Francisco-based firm. But, as star athletes can attest, making a comeback is difficult, even for someone who's had more than his share of success.

Barrett's story should become increasingly common as the venture industry goes through a transition to a younger generation of leaders.

Barrett, 49, co-founded Battery with Howard Anderson and Rick Frisbie in 1981. As a managing partner for five of the firm's six funds, he helped grow the firm from a first fund of \$34 million to a fifth fund of \$400 million. "Battery has never really had a bad fund," he says. "Virtually all of the funds to date have been top quartile for their vintage years, except for Fund III which is marginally below that and could still get there."

Barrett played a role in that success with solid performers like Marcam, a software play that returned 15 times the firm's investment, Vastera Inc., which returned more than \$60 million on Battery's investment of about \$8 million, and Supplier-market.com, which returned \$225 million to Battery during the Internet craze.

Direct and to the point, Barrett doesn't claim he hit 1,000 at Battery. He freely admits to making bad choices, like plunking \$9 million into Petstore.com.



Bob Barrett

Eight years ago, Barrett opened Battery's West Coast office, opening a new market to the firm. He also continued to manage the firm's associate program. "Besides TA Associates and Summit Partners, we were one of the first firms — the first in technology — to build a company that used a leveraged management structure to aggressively go out and look for deals," he says.

By the time 2000 rolled around, Barrett and his partners were disagreeing about his and Battery's future. The differences of opinion ranged from the size of its staff to what sort of deals the firm should pursue. "Basically, the young guys wanted to run the firm," he says.

Rather than fight it out with the new guard and risk hurting the firm, Barrett

accepted a buyout offer and left. He tried to get back into the venture business right away, founding Veracity Capital Partners in late 2000 with some younger investment professionals from BCI Partners.

The technology-focused fund had four general partners with offices in San Francisco and Boston. Veracity planned to do early- and late-stage deals and attempted to raise a \$200 million-plus fund. The group managed to secure commitments for \$100 million in a series of dry closes. However, the firm ran into a wall as the venture industry began to suffer from an Internet hangover. "We didn't think the fund would get to the size we needed, so then we had two choices: merge with somebody else and change the structure of the firm, or just shut it down," Barrett says. He and his partners chose the latter option, releasing LPs from their commitments about a year ago. Veracity never made any investments.

Prior to joining FTVentures, Barrett was interim CEO of Personix Inc., a human capital management software company, for about six months. Part of his arrangement with Battery includes maintaining relationships with his portfolio companies, like Personix, to help get them reach liquidity.

"I've been rebuilding Personix's management team, and recently hired a new, industry experienced executive to be a real CEO, thank goodness," he says, laughing.

Once he had Personix's management woes sorted out, Barrett was free to join Harvard Business School class of '68 sec-

tion-mate Bob Huret at FTVentures. In addition to knowing Huret, one of FTVentures founding partners, Barrett had co-invested with the firm on at least one occasion when he was at Battery, and he came to appreciate its style and approach. He spent a few months working at the firm part time and getting to know the rest of FTVentures' partners socially, then formally accepted an offer to become the firm's fifth partner in April.

"I got into this business in the 1980s primarily because I wanted to do something I enjoyed — work with exciting companies, as well as having a goal of creating a venture firm that would live on past me," he says. "I still want to work with young companies, because that turns me on, and now I also have the opportunity to help build another firm."

Founded in 1998, FTVentures focuses exclusively on financial services technology companies like iXign Corp., a provider of financial supply chain applications. The firm closed on its \$435 million second fund in February and has a total of \$623 million under management. All of the firm's 39 limited partners are financial institutions, like Bank of America, The Hartford and AIG.

FTVentures is banking on the fact that its relationships with its LPs will help it garner insights into exactly the kind of technology and products financial institutions want to buy. Those relationships give the firm a knowledge base that other VCs do not possess, Barrett notes. "And

that makes our money a different shade of green."

When he's not working, Barrett likes to hit the links. He boasts a threatening six-handicap. But the CEOs of FTVentures' portfolio companies may never get to challenge him. Chief executives should be thinking about growing their businesses, not about going for the pin, he says.

Barrett himself isn't thinking much about golf these days. He's focused on trying to make FTVentures a brand name like Battery. "I am most interested in building a brand awareness of our firm in the marketplace that translates into increased deal flow," he says.

He is also interested in creating an associate program at FTVentures that's similar to the one he oversaw at Battery. "Every year at Battery, I used to take the younger people on hikes, like climbing Mount Rainier," he says. "Maybe I am getting a little old for that now, but working with the principals at FTVentures and mentoring them is important, so I've got to find out who might want to go and hike with me somewhere."

Despite what happened at Battery, Barrett doesn't seem too concerned about what happens when they reach the top. Guess he figures if the younger partners decide they no longer need a guide he can just blaze a new trail someplace else.

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