

## Harris Looks to Grove Street's Future

### PEOPLE IN PRIVATE EQUITY

Clint Harris considers himself a lucky man.

Just months after Mr. Harris founded **Grove Street Advisors LLC**, a financial advisor based in Wellesley, Mass., the firm landed a dream assignment: managing a \$350 million captive venture capital fund of funds for the \$148 billion **California Public Employees' Retirement System**.

Since then, Grove Street has built a more than \$3 billion portfolio by modeling its business practices along those of the VCs it backs: combining industry expertise with the ability to say "no" without jeopardizing future deal flow.

But the 54-year old Mr. Harris admits that the timing of his firm's early commitments to venture capital funds was less than ideal. "In hindsight, 1999 will not be the best year to start a venture capital track record," Mr. Harris said.

Indeed, some industry observers expect venture funds created in 1999 to perform worse, as a group, than the 1982 vintage-year funds. The latter, after herding into Winchester disk drive companies, produced extremely disappointing returns.

Mr. Harris, however, believes Grove Street's portfolio will outperform those put together by rival advisors during the same time, in part because Grove Street's GPs were able to cash in at least some of their chips before the technology boom turned to bust.

For example, Mr. Harris said, Santa Monica, Calif.-based **Clearstone Venture Partners** (formerly Idealab Capital Partners) returned hundreds of millions of dollars to LPs by exiting from eToys Inc. before the latter went out of business.

The son of an American diplomat, Mr. Harris

entered the private equity industry in 1984 as one of five founding partners of **Advent International Corp.**, Boston.

During fund-raising campaigns, he said, "I watched how Advent was treated by the gate-keeping community, and thought there was a much better way to run a business, both in the type of skills required and in the way that they treated general partners."

The lengthy questionnaires and protracted due diligence process that financial advisors often imposed on general partners not only alienated the best firms, Mr. Harris said, but also did not seem to lead to wise investment decisions.

When Advent founder Peter Brooke retired in 1998, Mr. Harris left to form Grove Street. He teamed up with three other partners, including Dave Mazza, a veteran recruiter in the private equity industry and former section mate from Harvard Business School. Last year, Grove Street recruited a fifth partner, Barry J. Gonder, who previously ran the private equity program for Grove Street's client, Calpers.

A key component of Grove Street's strategy is to maintain good relationships with general partners by delivering an investment decision quickly and politely. "We have to say 'no' all the time," Mr. Harris said. "But we want to do it in a way that would maximize future deal flow."

Tapping Mr. Mazza's background, Grove Street also helps to solve a major problem for Calpers and other institutional investors: gaining access to brand-name venture capital firms. Mr. Mazza not only opened doors to venture firms but also recruited partners for promising new private equity groups.

Calpers awarded Grove Street a \$400 million second mandate in 2000, and a \$500 million third mandate in 2001. Last year, **Oregon Public Employees' Retirement System** became the firm's second client when it hired Grove Street to manage a \$250 million captive fund of funds.

To date, Grove Street has backed more than 75 funds. It also helped put five young private equity firms into business with commitments of up to \$200 million each to their debut funds.

Mr. Harris believes that the GP relationships and due diligence skills that opened doors during the boom years will help Grove Street identify the firms likely to thrive in the future.

"It's difficult to measure the recent performance of a team because companies are dropping in value so quickly," he said. "The ability to dive in and do good due diligence is more important than ever now, and we're better positioned to do that because we come from that side of the business."

### BRIEF STATS



Clinton P. Harris

**Select General Partner Relationships:** Austin Ventures, Austin, Texas; Battery Ventures, L.P., Wellesley, Mass.; North Bridge Venture Partners, Waltham, Mass.; Summit Partners, Boston, Sevin Rosen Funds, Dallas; and VantagePoint Venture Partners, San Bruno, Calif.

**Hobbies:** Golf, gardening, photography.

**Last Book Read:** *The March of Folly*, by Barbara Tuchman

**Quotable Quote:** "You're never as good as you think you are when things are going well, and you're never as bad as you think you are when things are going poorly."

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