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Quattrone may be charting return to tech-finance world

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By Constance Loizos

Frank Quattrone isn't laying out a roadmap, exactly. But as Silicon Valley insiders dish ever more loudly about what they believe will be his next act, Quattrone himself is beginning to hint at what to expect in coming months.

In an email interview with the Mercury News, Quattrone, once the world's most powerful technology investment banker, said that among other prospects, "a private equity fund focused on the technology sector is certainly one possibility that makes sense." He added, "I'm open-minded to considering any number of things and wouldn't rule out any interim possibilities. But I am focused mostly on what the next long-term opportunity will be (for me)."

So are a lot of people. Quattrone, 51, had been the focus of nearly four years of government probes that were primarily focused on commissions paid by hedge funds for IPO share allocations. He was twice tried in court for obstructing justice during an investigation into such deals -- the first trial ended in a hung jury and the guilty verdict of the second was overturned on appeal -- before prosecutors agreed in August to dismiss the case.

On the heels of two very public appearances -- at a recent luncheon on Sand Hill Road and at last week's AT&T Pebble Beach National Pro-Am golf tournament, where Quattrone competed close to the home that he and his wife own off one of the Pebble

Beach Resorts' four courses -- speculation about Quattrone's future has become a pastime for some.

Quattrone said that he's been enjoying time with family and friends, coaching his 18-year-old daughter's high-school golf team, and serving on several non-profit boards. And two sources who are friendly with Quattrone say they believe that he is, in fact, still mulling numerous options.

Yet others believe he may be closer to launching a new business than he has indicated. Indeed, two sources friendly with Quattrone say he is planning a merchant bank whose activities will combine investment banking with private equity investing. Both also believe that he will launch it with at least several of his former Credit Suisse First Boston colleagues.

Two obvious recruits would be George Boutros and Bill Brady, who worked closely with Quattrone throughout the 1990s. All three got their start in investment banking at Morgan Stanley. They followed Quattrone when he defected in 1996 with a dozen bankers and analysts to Deutsche Morgan Grenfell. Three years later, Quattrone defected with 130 bankers and analysts, including Boutros and Brady, to Credit Suisse First Boston.

Boutros, 46 -- said to be unhappy at CSFB according to three people familiar with his situation -- has already left the bank on a sabbatical, said one of those sources. Another said that he would "like to do something new."

Quattrone isn't telling, however. "George is one of my best friends and one of the most talented business professionals with whom I've ever worked, but I cannot and will not speculate on his future plans," he said in his email.

Quattrone said the same of Brady, 41, about whom one source said, "Bill is totally engaged and working very hard for Credit Suisse." Added this source, "He likes it. He's very competitive. I think he'd be very torn (if Quattrone wanted to work with him again). Now that he has split off from Frank, I don't think he wants to be a lieutenant of his again." Said a second source close to Brady, "It would not surprise me if he jumps ship to join them."

Calls to both men were not returned.

What Quattrone isn't shying from is sharing his thoughts on combining an investment bank with a private equity fund. "There may be opportunities to build a long-term business that includes both, like Blackstone, a private equity firm that's building an M&A advisory, or Evercore, an investment banking boutique building a private equity business."

"Based on what I hear, there's a dearth of experienced high-end technology M&A advisors who can really make a difference to clients' strategic programs," he wrote.

Either way, Quattrone's return will undoubtedly reshape Silicon Valley's competitive landscape. Should he reemerge with a bank, CSFB may lose more than talent, as might other tech-focused investment banks.

``I'm sure every investment banker who focuses on technology would pay a lot of attention," said Glover Lawrence, who worked with Quattrone at Morgan Stanley in the early '90s and five years ago cofounded the tech-focused investment bank McNamee Lawrence & Co. in Boston. ``There've been few bankers who've been so intimately involved in the growth of Silicon Valley from a banking financing standpoint.'`

Silver Lake Partners, Francisco Partners and Garnett & Helfrich also have reason to be watching Quattrone closely. The three are among a select number of firms targeting buyouts of small divisions within larger companies. If Quattrone's new investment vehicle raises what sources say will be between \$3 billion to \$5 billion, it would put his venture in their crosshairs.

Not that anyone will admit to being nervous. Sandy Robertson of Francisco Partners, who used to compete with Quattrone in his former life as a high-tech banker and may well compete with him again, applauds Quattrone. ``Most investment bankers couldn't hold Frank's lunch," he said.

As for a Quattrone-backed buyout shop that would rival Robertson's firm, which manages \$5 billion, Robertson said, ``Look, there's a great opportunity to do buyouts of a certain size, especially as many (other) firms raise bigger and bigger funds and are forced to do bigger and bigger deals."

Whatever Quattrone's next move, he faces an uncertain welcome from his peers.

One institutional investor from a prominent university said that he couldn't envision backing a Quattrone endeavor because of the continued scrutiny he may be under. ``I think Quattrone falls into the category of way too much baggage at this point," he said.

Many others will embrace Quattrone. ``I would be very happy to work with him," said venture capitalist Tim Draper of Sand Hill Road firm Draper Fisher Jurvetson. ``He's been exonerated and deserves a fresh start. And maybe an apology." Added Draper, ``Frank, come visit our startups anytime."

Perhaps geography will best determine who supports Quattrone, and who does not. Quattrone won't comment on how he has been treated by anyone over the last several years, but Bill Burnham -- a former analyst who worked at Deutsche Morgan Grenfell under Quattrone in the mid '90s and now manages a small fund in Menlo Park -- is among many who claim Quattrone was beat up most by those he left behind when he headed West for Silicon Valley in the early '90s.

“Frank basically showed up the East Coast investment banking establishment and the faster they could tear him and his operation down, the better,” said Burnham, “But he has a lot of supporters on the West Coast. I think it’ll be a big coming home party no matter what he decides to do.”