

# Private Equity Week

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## Quaker to Fuel Mid-Atlantic

Life science companies in the Mid-Atlantic region are getting a boost from Quaker BioVentures.

The Philadelphia-based firm earlier this month announced the close of its inaugural fund — Quaker BioVentures LP at \$280 million. The fund was oversubscribed by \$80 million.

The firm didn't disclose LPs, but according to documents filed with the Securities & Exchange Commission, investors include the Pennsylvania State Employees' Retirement System, Pennsylvania Public School Employees' Retirement System and the City of Philadelphia Board of Pensions and Retirement.

Quaker was founded two years ago by Ira Lubert, a longtime private equity and real estate investor, who was the founding partner of LLR Equity Partners, Radnor Venture Partners and TL Ventures. Lubert then recruited Brenda Gavin, former president of GlaxoSmithKline's corporate venture fund, S.R. One Ltd., and Sherrill Neff, who was previously the president and COO of the biotech company Neose Technologies. The three serve as Quaker's managing partners.

Having come from S.R. One, which has a worldwide presence, Gavin says she joined Quaker because she was attracted to the firm's idea of catering to the Mid-Atlantic market.

Quaker's investment premise holds that the Mid-Atlantic life sciences industry has been underserved by VC. The region — defined by Quaker as states from New York to North Carolina — boasts some of the world's largest pharmaceutical companies, many research institutions, and key government agencies, such as the National Institute of Health and the Food and Drug Administration. But venture investing in life sciences has lagged when compared to the nation's biotech hotspots, such as Silicon Valley, San Diego and Boston.

Last year, the Mid-Atlantic was the eighth most active region nationwide for

life science deals, according to the MoneyTree Survey from PricewaterhouseCoopers, Thomson Venture Economics (publisher of *PE Week*) and the National Venture Capital Association.

In 2003, investors participated in 29 Mid-Atlantic life science deals (or just over 2% of all deals nationwide), compared to 139 deals for Northern California and 85 in New England. The 29 deals last year also ranked Mid-Atlantic a few deals behind the Great Plains (33 deals), the Southeast (32) and the Ohio valley (32). For the six months of 2004, VCs have invested in 18 Mid-Atlantic deals, ranking it sixth behind Northern California (72), New England (46), Southern California (37), Ohio Valley (27) and New York/Tri-State (24).

"Clearly, the time is right for a life sciences venture fund with a regional focus on the Mid-Atlantic," Gavin says.

The firm, which focuses on biotech companies in varying stages of development, has already invested in six companies, and Gavin says Quaker is close to finalizing a deal with a seventh.

One of its first deals was to back the startup BioRexis Pharmaceuticals, a King of Prussia, Penn.-based company that develops novel protein and peptide therapeutics. BioRexis raised nearly \$40 million from Quaker, ProQuest Investment, Prism Venture Partners and Johnson & Johnson Development Corp.

Of the six deals already in its portfolio, five are in Pennsylvania and one is in North Carolina. But the firm will soon make headway in New Jersey.

Besides the inaugural fund, Quaker late last month announced it has partnered with the New Jersey Economic Development Authority to manage the \$10 million Garden State Life Sciences Venture Fund. The fund aims to make investments in New Jersey companies in the life sciences sector. Quaker will leverage an additional \$30 million for the fund, meaning it will invest \$3 of its own funds for every \$1 it invests from the New Jersey fund. —A.G./M.S.