

Quaker Raises Inaugural Biotech Fund

By Alastair Goldfisher, Managing Editor

Don't dare tell Brenda Gavin that more and more VCs are focusing on life sciences. Even though her firm just raised a new life sciences fund, it's a pet peeve of hers to hear about the investment surge in that sector.

"The actual amount of life science investments hasn't gone up and down over the years, just the percentage of overall VC deals," says Gavin, managing director of Quaker BioVentures, which closed its inaugural fund at \$280 million in September. "We're not talking huge swings like in the IT space. In fact, if there's a stable industry to invest in, it's our business."

Certainly, there's enough anecdotal evidence to point to more VC interest. New Enterprise Associates closed a \$1 billion life sciences fund at the beginning of the year. The Sprout Group has shifted from IT to begin raising a \$400 million fund for health care deals going forward. And firms Burrill & Co., OrbiMed Advisors, Three Arch Partners and Abingworth Management have in the last year closed on more than \$1.3 billion in commitments combined for their funds.

But, says Gavin, life sciences is a steady industry and is not experiencing an upswing. Citing statistics from the MoneyTree Survey from PricewaterhouseCoopers, Thomson Venture Economics (publisher of VCJ) and the National Venture Capital Association, Gavin points out that biotech investments have ranged from about \$2 billion to \$5 billion a year from 1999 through 2003. But, overall VC investments spiked above \$100 billion in 2000, then dropped to less than \$20 billion in 2003. So it's the proportion of life science deals that has changed, not the total investments, she says.

Still, Gavin's firm is a new player in the life sciences sector. Founded in early 2002 by a group of biotechnology industry veterans, Quaker will provide capital to life science companies in the Mid-Atlantic states, from New York to North Carolina.

Since its first close on the fund 18

months ago, the Philadelphia-based firm has invested in six companies in the region already, as deal flow has exceeded expectations, Gavin says. All the companies are pharmaceutical developers, which isn't surprising considering the fact that the Mid-Atlantic is known more for drug development rather than medical device manufacturing. But Gavin says the firm would be interested in a device company.

In raising \$280 million over nearly two years, the firm said the fund was oversubscribed by \$80 million. The firm didn't disclose LPs, but according to documents filed with the Securities & Exchange Commission, its backers include the Pennsylvania State Employees' Retirement System, Pennsylvania Public School Employees' Retirement System and the City of Philadelphia Board of Pensions and Retirement. Gavin describes the remaining LPs as "institutional investors, including state and city pension plans, corporate pension plans, university endowments and other community leaders."

Quaker was started by Ira Lubert, a longtime private equity and real estate investor. He was the founding partner of LLR Equity Partners, Radnor Venture Partners and TL Ventures. Lubert then recruited Gavin, former president of Glaxo-SmithKline's corporate venture fund, S.R. One Ltd. Before that, she was a general partner with EuclidSR Partners. In addition to Gavin, Lubert brought on Sherrill Neff, who was previously the president and COO of Neose Technologies, a biotech company.

In addition to closing the new fund, Quaker announced in September that it has partnered with the New Jersey Economic Development Authority to manage the state's \$10 million Garden State Life Sciences Venture Fund. The fund aims its 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.

The New Jersey fund is Quaker's second such foray into a state-specific venture vehicle. The firm also manages the Quaker BioVentures Tobacco Fund, a \$20 million fund it operates on behalf of the Commonwealth of Pennsylvania, which invested a portion of funding it has received from tobacco companies.

Matthew Sheahan contributed to this story.

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Quaker BioVentures

www.quakerbio.com

Founded: 2002

Locations: Philadelphia, Pittsburgh and New Jersey.

Fund Name: Quaker BioVentures LP.

Fund Size: \$280M

Managing Partners: Ira Lubert, Brenda Gavin and P. Sherrill Neff.

Principals: Richard Kollender and Matthew Rieke, M.D.

LPs: Pennsylvania State Employees' Retirement System, Pennsylvania Public School Employees' Retirement System and the City of Philadelphia Board of Pensions and Retirement. Other investors include corporate pension plans and university endowments.

Focus: Life science companies in various stages of development, from early stage to publicly traded. The fund is particularly interested in biopharmaceuticals, including companies developing human therapeutic products as well as those pursuing platform technologies. Quaker also considers opportunities related to medical devices, human diagnostics, bioinformatics and other health care information technologies and services.

Sample Investments: BioRexis Pharmaceuticals, a King of Prussia, Penn.-based company that develops novel protein and peptide therapeutics; Biolex, a North Carolina-based company developing new production technologies for high volume and hard-to-make proteins.

Fund Profile