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## Phila. venture-capital firm bursts onto biotech scene

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Quaker BioVentures Inc., a Philadelphia venture-capital firm, said yesterday that it had raised \$280 million from investors, including \$115 million from state and city pension funds.

The firm, founded in 2002, focuses on biotechnology investments and already has made commitments to six small companies, most of them in the Philadelphia region.

The amount is unusually large, especially for a first-time venture fund, said John Taylor, head of research at the National Venture Capital Association. In the last year and a half, Taylor said, no first-time fund has reported raising more than \$180 million.

And at one go, Quaker has become a major presence in Pennsylvania's biotechnology industry, said Fritz Bittenbender, president of the Pennsylvania Biotechnology Association, a trade group. While the Philadelphia region, in particular, is home to large health-care companies and is bursting with industry talent, "it has been underserved by venture capital," Bittenbender said.

Already, he said, the six companies in which Quaker has invested \$44 million have attracted \$188 million in investments from outside the state.

Venture investors typically back risky young companies that are trying to bring new products to the market. Among the companies backed by Quaker are Eximias Pharmaceuticals of Ber-

wyn, which has a cancer therapy in late-stage clinical trials, and BioRexis Pharmaceuticals of King of Prussia, which is working to develop more efficient methods of producing and administering drugs.

P. Sherrill Neff, a managing partner at Quaker, said the fund had received \$75 million from the Pennsylvania Public School Employees Retirement System and \$20 million each from the State Employees Retirement System and the Philadelphia city pension fund. Other investors include the Dow Chemical Co. pension fund, the Wallace H. Coulter Foundation of Miami, two insurance companies, and a number of university endowment funds, Neff said.

While Quaker is too new to have a track record, the state retirement system's decision to invest with it was swayed by the track records of Neff and his partner, Brenda Gavin, both veterans of the pharmaceutical industry, said Nicholas J. Maiale, the pension board's chairman.

The board also factored in the background of Ira Lubert, who helps run Quaker as part of a conglomerate of funds, Maiale said. Plus, he said, it seemed biosciences are "a hot investment area."

Another Quaker investor is the state's Tobacco Settlement Invest-

ment Board, which allocated \$20 million to Quaker when Bittenbender headed the board and has since given it \$10 million more.

"One reason the state was willing to invest in Quaker was a policy decision" that the state's life-sciences industry needed "a homegrown fund" to invest in it, Bittenbender said.

A competitive process led the tobacco board to invest with Quaker and two other firms, Bittenbender said. Among other things, the firms had to demonstrate their ability to raise money from other sources.

While biotechnology ventures take a notoriously long time to yield profits — only one of the six companies funded by Quaker has a positive bottom line — they do not have to be profitable to be considered successes, Neff said.

Typically, each milestone the company reaches — such as an experimental drug's progress through clinical trials — attracts new capital, he said. And that means jobs, Bittenbender said.

BioRexis, which was founded in a Philadelphia business incubator "grew from two jobs in the Port of Technology to 40 in King of Prussia in two years," he said.