

The 2004 Private Equity Fund Technology Handbook

PRIVATE EQUITY
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Manager Interview: Christine Caruso, Quaker BioVentures

Technically speaking: A Q&A with Quaker BioVentures

Fundraising for a debut fund and hiring the right executive talent is challenging enough. But a first-time private equity firm must also deal with the challenge of setting up an efficient back-office system. Philadelphia-based Quaker BioVentures is one such recent entrant, having just closed its inaugural fund in September. The venture firm, founded in 2002, invests in multi-stage life sciences companies in the Mid-Atlantic region of the United States. We recently spoke with Quaker's controller Christine Caruso about how her firm has gone about implementing its technology infrastructure.

Given the type of fund that you are, what technology requirements had you envisioned when you started? How important was fund technology in setting up the operations of your firm?

Quaker BioVentures manages a group of four life science venture capital funds with \$280 million in combined commitments. In addition to its main fund, Quaker manages two geographically restricted co-investment funds and an early-stage fund. One of our top priorities is providing timely, high-quality information to our investors. In addition, we expect that information technology available to our investment team should provide virtual office features to allow effective computer networking and mobile communication.

In terms of IT infrastructure, Quaker BioVentures has benefited from being part of a group of almost \$3 billion in private equity funds, which includes Lubert-Adler Real Estate, LLR Partners and LEM Mezzanine. This group of funds shares back-office support services, including accounting, tax, investor reporting, human resources, risk management, regulatory compliance and information

technology. This was beneficial for Quaker BioVentures as a first time fund because we were able to immediately implement advanced, high-tech fund reporting and IT infrastructure.

What type of fund reporting system did you choose?

Our fund reporting system, when complete, will consist of three components: (1) an integrated accounting and financial reporting system, (2) an online investor communication system and (3) a portfolio management and investor reporting system.

What was the timeframe of your system implementation?

We have already implemented the accounting system and the online communication system and are currently in the process of implementing the investor reporting system. Again, this process has been seamless since our IT infrastructure was already in place and given the support of our shared back-office. Our next step in the process is to implement the investor reporting system.

Our selection process was approximately six months. The implementation of the accounting and online reporting systems was approximately three months. We anticipate that the investor reporting system will be implemented in approximately six months.

Was it important to be able to customise your system with different components as your requirements grew?

In selecting appropriate systems, we deliberately selected systems that would not require significant customisation. This not only minimises the cost of implementation, but also simplifies the upgrade process when new versions of the software are released. We also selected systems that were compatible with each other. For example,

our accounting system will fully integrate with our investor reporting system and our investor reporting system will integrate with our online investor reporting system.

Who monitors the system?

Our shared IT team monitors and supports our IT systems. This team consists of an IT director and several systems support individuals. They have extensive IT consulting and systems management and support experience. Again, we benefit from the shared services concept because we are able to cost-effectively maintain an in-house support group with the expertise of an outside consultant.

Do you provide online reporting to your LPs?

Just before the final closing of our funds, we implemented online reporting to our investors via a proprietary secure reporting and communication service. This system gives our investors 24-hour on-line access to all historical information such as partnership agreements, financial reports, capital account statements, K-1's, capital call notices and distribution notices. We have found the system to be an effective and efficient way of communicating with our investors. We have received very positive feedback from our partners, who appreciate the convenience of having ready access to their account information.

Are you happy with the system thus far? Do you have a long-term strategy for your fund reporting system going forward?

Our future plans include improvements to the back end of our investor-reporting system through the implementation of the investor reporting addition. Although our investors will not see significant changes as a result of implementing the system, it will further improve the efficiency of our investor reporting process. ■