

Proquest Investments LP

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Written By Jeff Dvorin

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Summary: Proquest Investments is a \$100 million oncology-focused investment fund, partnered by Jeremy Goldberg and Jay Moorin. The firm aims to leverage its specialization and focus to create a brand that will make it the preferred VC firm for Internet, device, biotech and pharmaceutical companies with products that advance the treatment and cure of cancer, its founders hope.

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Proquest Investments LP

- 600 Alexander Park, Suite 204
- Princeton, NJ 08540
- Phone: (609) 919-3560
- Fax: (609) 919-3570
- Web site: www.proquestinvestments.com

Most medical venture funds look focused enough for the traditional pension fund manager, who in general likes to spread his venture disbursements among a variety of investing specialists. Indeed, health care may have been too specialized for many investors in 1998, when ProQuest was trying to raise its fund. Exit opportunities in health care were scarce: the public markets had been virtually closed to new issues for five years; the acquisition market was, at best, sluggish.

That Jeremy Goldberg and partner Jay Moorin decided to start not merely a medical fund at the time, but a cancer fund, seemed, on the face of it, challenging. Where groups like Domain Associates, CW Group, or Frazier & Co. had the entire health care industry to choose from, Goldberg and Moorin were seemingly limiting themselves to a small piece of that universe.

But they argued that by focusing on cancer, **leveraging clinical and market expertise** through opportunities in pharmaceuticals, devices, diagnostics, and services, they would have more than enough investment opportunities covering a great variety of risk profiles. "The accidental tourists who do one cancer deal every five years are going to have a much harder time assessing rapidly which technologies have value and are worth betting on," Goldberg contended. Moreover, unlike most venture firms, **ProQuest would also diversify in terms of the stage of their investments, putting money into both early-stage companies as well as later-stage firms with marketable products, which would thus be closer to finding a buyer and providing the fund with a good exit opportunity.**

Their arguments were apparently convincing. With a mission to "advance the care and cure of cancer in the broadest sense," says Moorin, they raised \$100 million in 1999. Some of their funding came from heavy-hitting individuals, including **Michael Milken** and Andy Grove, investor names which certainly helped market the fund. **ProQuest also got an investment from Domain Associates, whose general partner Jim Blair has also worked with the fund to plot its strategy.**

Goldberg stresses that, the big name investors notwithstanding, only 20% of the fund's investments came from individuals. Institutional sources provided 60% of the funding, corporate investors supplied the remaining 20%.

Nearly two years into the fund, the partners have indeed created a rather well-diversified portfolio—and have even seen some of their late-stage investment strategy pay off. ProQuest put money into the troubled public **US Bioscience Inc.**, buying in at \$7.44 a share in January 1999 [W#199910183].

The fund put money in nine investments, most, though not all, focused clearly on oncology, and in a variety of industry segments. In devices, it put money into four-year-old **Ablation Technologies Inc.**, which uses a heat-energy device to ablate solid tumors. In therapeutics it has funded **Conforma Therapeutics Corp.**, a seed-stage company that intends to develop anti-cancer drugs by targeting specific types of cancer cells with chemical conjugates that exploit the pathway controlling protein conformation in cells, and **Eos Biotechnology Inc.**[W#199930296], which is developing monoclonal antibody-based therapeutics to treat cancer, as well as other diseases. ProQuest's partners are particularly enthusiastic about Eos. The three-year old company is headed by David W. Martin, MD, who was **Roche** unit **Genentech Inc.**'s first VP for R&D, and also held similar positions at Dupont Merck Pharmaceutical Co. and **Chiron Corp.**

Jay Goldberg says that Eos's strategic relationships with **Affymetrix Inc.**[W#200020232] could help it to become "a very large company." Affymetrix is providing Eos with access to its custom and standard *GeneChip* expression systems. In lieu of the usual subscription fee, Affymetrix took a 15% stake in the younger company, with Affymetrix CEO Stephen Fodor becoming an Eos director and five other Affymetrix employees joining the Eos staff. The collaborative relationship with Medarex involves the use of Medarex's *HuMAB Mouse* technology to generate fully human antibodies to Eos's genomics-derived immunotherapeutic targets. Medarex stands to receive research payments, license fees and milestones, as well as royalties. "The attraction of Eos," says Goldberg "is that it's the fastest way to get from genomics to product. You can go from genomics-based information, through analysis of tissue, use the gene chips to identify targets for immunotherapy and then, with access to human antibodies, go directly to immunotherapeutic or antibody products.

ProQuest has also made a pair of investments in e-health: **Intertrials.com Inc.**, which focuses on clinical trial recruitment, and **Oncology.com**, which provides cancer information to professionals and consumers. Oncology.com finds its self among a crowded group of players, with **cancerfacts.com**, **CancerSource.com LLC**, **cancerpage.com**, and **CancerEducation.com**—among others—all battling for space. Moorin touts the breadth and depth of the content which Oncology.com offer patients, their families and health care providers. But he stresses even more the team of investors and management behind the company. Backers like CMGI, Knowledge Health (a subsidiary of Knowledge Universe, which is owned by Michael Milken), Paul Stephens (founder of Robertson Stephens), together with a management team that includes Meg Walsh, former president of **Medscape Inc.**'s consumer division, CBS HealthWatch, give Oncology.com the sort of "firepower" that other sites can't match, says Moorin. And he says cancer is a big enough field—and one that tends to have the sort of highly motivated, proactive patients that are likely to search out information on the web—that there's room enough for several companies to survive.

The Milken connection to deal flow, and others like it, has clearly been an advantage for ProQuest. In starting the fund, Goldberg and Moorin relied heavily upon **Stuart Holden, MD**, a cancer specialist at **Cedars-Sinai Medical Center**, who chairs ProQuest's scientific advisory board. Goldberg says that Holden had put together a network of top clinicians to work on prostate and other cancers at institutions such as **Memorial Sloan-Kettering Cancer Center**, **Johns Hopkins University**, **Dana-Farber Cancer Institute**, and the **University of Texas's MD Anderson Cancer Center**. "It occurred to us that having a built-in network of experts at every stage from genetics through late-stage clinical trials would give us an enormous advantage in identifying which products, technologies would work in a complex field like cancer." According to Goldberg, over 20% of ProQuest's deals resulted from referrals from the company's clinical advisors.

While most of ProQuest's deals are with companies far from having products (or at least significant revenues), ProQuest has also followed up its deal with US Bioscience with other investments in later-stage, public companies. It has money in **Axys Pharmaceuticals Inc.** and **Cell Therapeutics Inc.**, both of which have cancer products in clinical trials.

Moreover, it has taken a flexible approach to its cancer mandate. **Epic Therapeutics**, for example, is a drug delivery company, although much of its current focus is on the development of a sustained-release leuprolide

for treating prostate cancer. Intertrials.com is far more tenuously related to oncology, though Jay Moorin argues that it will help speed cancer products, among others, to market through web-enabled patient and investigator recruitment.

Like Oncology.com, however, Intertrials.com is hardly alone in aiming to serve its market niche. It faces competition from a wide variety of companies, ranging from clinical trial specialists, like **Clinicor Inc.**, to CROs, like **Quintiles Transnational Corp.**, to those with general health sites, such as **drkoop.com Inc.** and **Healthon/WebMD Corp.**, that try to leverage the heavy traffic they draw for trial recruitment. But Jay Moorin, who sits on the Intertrials.com board, says at least two critical factors set it apart from those other players: a proven track record and a solid technology platform.

In its two years of existence, Intertrials.com has assisted in over 40 clinical trials for drug and biotech companies, including **Merck & Co. Inc.**, Quintiles and **SmithKline Beecham**. What attracts the clientele, says Moorin, are its proprietary databases, which facilitate recruitment of both qualified and reliable investigators and patients meeting the trial protocol requirements, all of which shaves days, and thus millions of dollars in otherwise lost revenues, off the development process. In particular, according to Moorin, Intertrials.com identifies the appropriate investigators for a particular study by running its large physician database against various selection criteria, including past clinical performance, availability, therapeutic specialties, geographic location, and health plan/hospital affiliation. Similarly, the company is assembling a patient database which can be matched with selection criteria like basic demographics and geographic location.

Intertrials.com will have its own site, but will probably do most of its recruiting by partnering with general and specialist health care sites. The company will charge clients based on a small percentage of the cost savings resulting from its services. Moorin argues that offering clients the means to cut costs and time in return for just a fraction of the money they've saved could make Intertrials.com "one of the biggest winners in e-health."

Despite the current volatility of the public and private markets, particularly for Internet start-ups, Moorin contends that these are good times for a fund like ProQuest. For one thing, the biotech industry has matured to the point where it can sustain a specialty fund like ProQuest. "Cancer products are not just an idea any more; it's a product area," says Moorin. Moreover, the larger biotechs are now generating products that provide a whole new group of potential acquirers, observes Moorin, citing the MedImmune/US Bioscience deal as an example. And they can partner as well, serving as alternatives to Big Pharma, which is often uninterested in co-promoting niche cancer products or is looking for too large a piece of the profits.

ProQuest expects that the fund will be fully invested by 2001, by which time it will have put its money into anywhere from 12-20 companies. Goldberg himself came has founded several companies, including **Sepracor Inc.** spin-off **Versicor Inc.**, and also held operating positions at SmithKline Beecham and **Becton Dickinson & Co.** Jay Moorin held several executive positions at ER Squibb & Sons Pharmaceuticals, then moved into banking at Bear, Stearns & Co. Inc., before a seven-year stint as chairman, CEO, and president of **Magainin Pharmaceuticals Inc.**, which he left in 1998 to join ProQuest. —JD

SELECTED PROQUEST PORTFOLIO COMPANIES

Company	Year Founded	Description
Ablation Technologies	1996	Developing a minimally invasive cancer therapy system that employs heat energy to ablate solid tumors. The company is initially focusing on prostate cancer but says that the technology could also be applicable to a variety of localized malignant and benign tissue growths.
Axys Pharmaceuticals	1998	Drug development company focused on oncology, which is currently developing leads for the treatment of prostate, breast and other cancers.
Cell Therapeutics	1992	Publicly traded company that focuses on the discovery, development and commercialization of cancer therapeutics. The company has three candidates in clinical trials.
Conforma Therapeutics	1999	Seed-stage biotech focused on the discovery and development of novel anticancer therapeutics. Its strategy is to target specific types of cancer cells with chemical conjugates that exploit the pathways controlling protein confirmation in cells.
Eos Biotechnology	1997	Genomics company focused on commercializing immunotherapeutics. Eos's integrated rapid genomics-based R&D process consists of three components: multiple genomics technologies, proprietary disease-relevant biological systems, and bioinformatics.
Epic Therapeutics	1992	Drug delivery company specializing in sustained-release human therapeutics. Epic is developing a sustained-release leuprolide for the treatment of prostate cancer.
Intertrials.com	1999	Internet health company focused on clinical trial recruitment. Intertrials.com has thus far assisted in the launch of over 40 clinical trials, for pharmaceutical and biotechnology companies, as well as CROs.
Oncology.com	1999	Online cancer resource with proprietary content directed at cancer health care professionals, patients, their families and the entire cancer community.
USBioscience	1987	Specializes in the development and commercialization of products for AIDS and cancer patients. Its strategy has been to in-license promising products for development.

SOURCE: ProQuest Investments LP