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/ QUARTERLY REPORT

THE PELOPONNESIAN WAR

Greece's major preoccupation between 431 and 404 B.C. was the Peloponnesian War. For the sake of those few biotechnologists, if any, who have not studied Thucydides chapter and verse, here is a brief synopsis of this dragged out event.

For close to three decades, classical Greece's two leading city-states, Athens and Sparta, engaged in a war that eventually resulted in Sparta's domination. But war in those days resembled more the Olympic Games than a nuclear holocaust. Every spring the Spartans would gather their able and willing for the long walk to Attica. Once there they would besiege Athens and engage in occasional skirmishes. By late summer—in anticipation of the upcoming cold weather—the troops would gather again and head south for Sparta. There they would spend an uneventful winter, only to repeat the whole process the following spring.

What, pray tell, is the relevance of Greek history to biotechnology? The answer lies in cycles. Back in the spring of 1986, the biotech industry (for all the reasons that have been talked about *ad nauseum*) roared back following two years of a depressed market for biotech stocks. Stock prices went up, and equity offerings became fashionable. As of late summer of 1986, however, the market had retreated, only to return again in the spring of 1987. By late last summer, in a timing reminiscent of Sparta's annual excursion to Attica, the market for biotechnology stocks commenced its annual winter retreat. Biotechnologists—who had insightfully comprehended the similarity between market cycles and the Peloponnesian War—worried not. They knew that come spring stocks would rise, and companies would once again busy themselves by raising money.

But this fall biotech's Peloponnesian War may have come to an abrupt and one-sided conclusion. October's Black Monday, unexpected in its intensity, devastated biotech stock prices. More importantly, it may have signaled the end of the cyclical springtime mini-bull markets.

With spring now upon us, the financial world will soon learn whether the Athenians have suffered true defeat, or just another winter's setback. Sentiment is growing that the overall stock market is going to come back, albeit briefly, driven mainly by large-scale takeover activity. If that is the case, a narrow window may open for biotechnology public stock offerings. But many biotech companies are thinking and talking as if the Peloponnesian War is over for good, and they have started exploring alternatives for financing and growth. Suddenly, the foreign equity and debt markets are receiving more attention than their domestic counterparts, and the jargon of the M&A (merger and acquisition) game has joined the ranks of "RDLP," "convertible debenture" and "blue-sky": "poison pills" and "golden parachutes" share the same sentence with "immunoconjugates" and "expression systems."

This is perhaps another sign of the industry's coming of age—testing new financing instruments and strategic alternatives in addition to dealing with the intrinsic issues of manufacturing, marketing, and vertical integration. For those of us who believe in the substance and prospects of this industry, this turn of events is perhaps more reassuring than troublesome. And we need only remind the nonbelievers that a molecule—tissue plasminogen activator—that was virtually unknown five years ago is now a drug, Activase, that sold at the rate of \$10 million a week during its launch. Not bad for an industry based on fundamental discoveries hardly 15 years old.

As for those of us who worried about the end of the Peloponnesian War—and the end of all biotechnology financings—remember that several years later Alexander the Great topped all wars with a great one against Persia. The greatest biotech bull market may be yet to come.

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