Funding Innovation

Maria Gotsch
President & CEO
Partnership for New York City Fund

October 28, 2012
Partnership for New York City Fund

• Established in 1996 by Founding Chairman Henry R Kravis to mobilize the City’s business leaders to help build a stronger and more diversified local economy

• Initially capitalized by contributions of $1 million each from 67 individual and corporate investors. Current capital exceeds $110 million

  “Private Fund with a Civic Mission”

• Focus on double bottom line: each project must make business sense and offer benefits to the City - not a charity

• Partnership Fund looks to leverage the expertise, resources and relationships of its investors and is the investment arm of the Partnership for New York City
• For the past decade, a key Partnership Fund initiative has been catalyzing the development of a robust life sciences sector in NYC

  ❖ Goal is to keep the commercial fruits of the academic labor

• NYC is top ranked in all metrics regarding depth and strength of our academic research (e.g. NIH Dollars, HHMI, and Nobel Prize winners)

  ❖ Lag in company creation and venture dollars invested in local companies
Key Partnership Fund Initiatives in Life Sciences

• Creation of Wet Lab Space
• Bio Accelerate Prize
• NYC Tech Connect
• NY Genome Center
• NY Digital Health Accelerator
• Direct Investments
• Background on Venture Capital

• Funding Environment

• Practical Advice from the Field
Venture Capital Investments: Flow of Capital

**Investors**
- Pensions, University Endowments, Corporations, Insurance Companies and Individuals
  - $100 (Return of Principal)
  - $8 (8% return)
  - $154 (80% of gain)

**Venture Capital Fund**
- $100
- $262
- $38 (20% of capital gain)

**Investments**
(Startup Companies)
- $100
- $300
- Capital Gain (from IPO or Sale of Business)
- $300
Given the risky nature of venture investing, typically only a handful of companies in a fund’s portfolio make high returns

- **58%** less than 1X return
- **23%** 1X to 5X return
- **11%** 5X to 10X return
- **4%** 10X to 30X return
- **5%** greater than 30X return

Source: Robert Wiltbank, PhD Willamette University with Funding from Kauffman Foundation
Why are gains important?

Good Returns

No Returns / Losses
Historical Life Sciences Funding

Venture funding for Life Sciences has been steady, but is tracking lower for 2012

Source: PWC Money Tree and Dow Jones Venture Source

Note:
(1) Life Sciences sector includes biotechnology and medical devices and equipment.
New York Metro has consistently ranked in 4th place

NY Metro %  
- 2007: 5.1%  
- 2008: 7.0%  
- 2009: 8.6%  
- 2010: 3.9%  
- 2011: 6.1%  
- 1H 2012: 4.7%

- Silicon Valley  
- New York Metro  
- New England  
- San Diego  
- Northwest  
- Other Regions
Since 2008, IPO activity has been shifting away from the life sciences sector.
US Life Sciences IPO Activity

IPO is no longer a realistic exit for early stage Life Science companies

Source: SEC Filings

Legend:
- Lead compound in clinical development
An exit to pharma remains an option, but they are paying less upfront and also shifting to later stage assets.

Source: Press releases, proprietary SVB information and Venture Source

Note:
(1) Structured deal = portion paid upfront an additional consideration upon certain milestone
Venture Funds are Shifting to Later Stage Deals

Traditional Investment Model

Private Institutional Investors
Venture Funding
Discovery
Development
IND
Clinical Development
Phase I
Phase II
Phase III
ND
Pre Clinical Candidate
Clinical Development
Market
Approval
Follow on offerings
Public Markets
Go Public

Current Investment Model

creative solutions
venture funding
Private Institutional Investors
Go public
• Number of venture funds is expected to continue to contract
  ❖ Result is fewer dollars and small number of deals
  ❖ More competitive environment
• New model developing on VC-Pharma partnerships for early stage funding
• Increasing importance of non-traditional funding sources for early stage
• Challenging but not hopeless
Practical Advice from the Field

Melinda Thomas
Entrepreneur in Residence
Partnership for NYC Fund

• 20 years of industry experience

• VP, Operations at CardioDx (funded by Kleiner Perkins, TPG, and MDV)

• VP, Operations at ParAllele Biosciences (funded by Versant Ventures and MDV) acquired by Affymetrix

• B.S. - U.C. Berkeley and MBA - Harvard Business School
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Venture Firms Raising Funds in 2012

Several venture firms globally have each raised or are raising funds this year in the $200 million to $400 million range dedicated to life sciences.

- **Burrill & Company**
  - Fund Size: $505 MM
  - Location: California

- **Canaan Partners**
  - Fund Size: $600 MM
  - Location: California

- **NEA®**
  - Fund Size: $2,600 MM
    - ($700 earmarked for Life Sciences)
  - Location: California

- **Emergent Medical Partners**
  - Fund Size: $55 MM
  - Location: California

- **HiG Capital**
  - Fund Size: $600 MM
  - Location: Florida

- **Icicle Ventures**
  - Fund Size: $50 MM
  - Location: California

- **Flagship Ventures**
  - Fund Size: $270 MM
  - Location: Massachusetts

- **Foresite Capital**
  - Fund Size: $11 MM
  - Location: California
Biotech Deal Type

- Global partnering activity remained sluggish during the first half of 2012, compared with the first half of 2011

<table>
<thead>
<tr>
<th>($)US Millions)</th>
<th>1H 2012</th>
<th>vs</th>
<th>1H 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Partnership Deals</td>
<td>315</td>
<td></td>
<td>336</td>
</tr>
<tr>
<td>Avg. Upfront Payment</td>
<td>$33.9</td>
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<td>$31.9</td>
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<tr>
<td>Median Upfront Payment</td>
<td>$15</td>
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<td>$10</td>
</tr>
<tr>
<td>Median Total Potential Value</td>
<td>$80</td>
<td></td>
<td>$100</td>
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</tbody>
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- In both the 1H for 2011 and 2012 the majority of collaborations and licensing deals were either for marketed compounds or discovery and preclinical collaborations

- Deals announced during the 1H 2012
  - 10 for discovery / preclinical deals
  - 5 for compounds in phase 1 development, 4 for compounds in phase 2 development, 5 for compounds in phase 3 development
  - 2 for compounds that had completed trials but were waiting for regulatory approval
  - 10 for marketed products
Life Sciences Financing Round

Detail on proportion of deals

Q3 2011
- A: 22%
- B: 29%
- C: 18%
- D: 12%
- E+: 18%

Q1 2012
- A: 17%
- B: 22%
- C: 22%
- D: 17%
- E+: 21%

Q4 2011
- A: 14%
- B: 27%
- C: 35%
- D: 11%
- E+: 14%

Q2 2012
- A: 23%
- B: 24%
- C: 17%
- D: 20%
- E+: 16%