

PHILADELPHIA BUSINESS JOURNAL

States step up within Quaker BioVentures' \$280M fund

The \$280 million Philadelphia's Quaker BioVentures Inc. raised to invest in life science companies got a substantial boost from the states of New Jersey and Pennsylvania.

In addition to \$217 million in its own fund, Quaker is managing \$30 million of the Pennsylvania Tobacco Settlement Investment Board's money; a \$26 million fund it helped raise with BioAdvance, which was created with money from the tobacco settlement investment board; and a \$10 million fund established by the New Jersey Economic Development Authority.



Neff

"Each of the three side funds has a slightly different purpose, but all of their purposes are consistent with the main fund's objective," said P. Sherrill Neff, one of Quaker's three managing partners/founders. Quaker, which is a member of the Independence Capital Partners fund family, originally set out to raise a fund of more than \$200 million to invest in life-sciences companies based from New York to North Carolina. Its theory was that a venture fund based in the mid-Atlantic area that invested in life sciences companies in the region would be able to land co-investments in those companies from venture funds located elsewhere.

The tobacco settlement board had a similar theory when it decided to give three venture firms \$30 million apiece to invest in Pennsylvania life sciences companies. It required the firms to invest \$3 of their own money alongside every \$1 it gave them, and it thought the firms would be able to get venture firms from other states to co-invest with them.

So far, all is going according to plan.

Quaker has committed to investing \$7.8 million of its \$30 million in tobacco settlement money in Pennsylvania companies, Neff said.

Additionally, he said, it has committed to investing almost \$38 million from its main fund in the same companies. And it has gotten other venture funds to commit \$188 million alongside its investments.

"We couldn't be happier with the leverage we're seeing," said Richard Overmoyer, Pennsylvania's deputy secretary

for technology investment, who oversees the tobacco settlement investment board.

The fund Quaker raised with BioAdvance is leveraging the state's money before it even starts investing.

Quaker committed \$4 million of the tobacco settlement board's money to the fund, which is called BioAdvance Ventures LP. Since Quaker and BioAdvance raised \$22 million for the fund from other sources, the \$4 million is being leveraged by more than six to one before the fund makes its first investment.

BioAdvance Ventures ties into the mission of BioAdvance, which is to help the life sciences industry in the southeastern part of Pennsylvania.

The fund will try to invest just in life-sciences companies located in this part of the state, and may be able to do that.

"Companies are now calling up [about the fund] and they may relocate here because of this," said Barbara Schilberg, BioAdvance's CEO.

BioAdvance Ventures also will make smaller investments in earlier stage companies than Quaker does. By doing that, it hopes to plug the gap between the seed investments made by state-affiliated organizations, such as BioAdvance and Ben Franklin Technology Partners of Southeastern Pennsylvania, and the investments made by funds such as Quaker's.

Peter Sears, the founder of GlaxoSmith-Kline PLC's venture-investing unit, West Conshohocken-based S.R. One Ltd., will be a senior adviser to the fund.

Quaker also will be managing the Garden State Life Sciences Venture Fund, a \$10 million fund started by the New Jersey Economic Development Authority.

It must invest at least \$3 of its own money for every \$1 it invests from the Garden State fund, which will invest \$10 million from the authority in life sciences companies in New Jersey.

The idea for that fund came from a conversation in September of last year between New Jersey Treasurer John McCormac and Debbie Hart, president of the Biotechnology Council of New Jersey.

"I think it was a critical missing piece and now we have it," Hart said. ■