



SACHI A. HAMAI  
Chief Executive Officer

County of Los Angeles  
**CHIEF EXECUTIVE OFFICE**

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**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

September 03, 2019

20 September 3, 2019

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

CELIA ZAVALA  
EXECUTIVE OFFICER

Dear Supervisors:

**APPROVAL OF AN EXCLUSIVE NEGOTIATING AGREEMENT WITH  
MARSBIO GP LLC FOR NEGOTIATING TERMS OF A LOAN  
FROM THE COUNTY TO BE INVESTED IN A LOS ANGELES-FOCUSED  
BIOSCIENCE INVESTMENT FUND  
(ALL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Approval of the recommended actions will allow the County of Los Angeles (County) and MarsBio GP LLC (MarsBio) to enter into an Exclusive Negotiating Agreement (ENA) to negotiate the terms of a loan of up to \$15 million to be invested in a Los Angeles-focused bioscience investment fund (Bioscience Fund) capitalized and managed by MarsBio. Should the parties negotiate satisfactory terms of the loan during the ENA period, the Chief Executive Office will return with final recommendations and a loan agreement and any associated agreements for Board approval.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Delegate authority to the Chief Executive Officer (CEO), or her designee, to negotiate, execute, implement and, if necessary, amend, extend, or terminate a 90-day ENA with MarsBio for the exclusive right to engage in negotiations to establish the terms of a loan agreement and any associated agreements for the loan of up to \$15 million of County funds to be invested in a Bioscience Fund managed by MarsBio. County Counsel's review and approval would be required before the CEO executes the ENA.
2. Authorize the CEO, or her designee, if negotiations do not result in a loan agreement with terms acceptable to the County and MarsBio within 90 days, to: (a) cancel the negotiations with MarsBio;

(b) extend the ENA period for up to two additional months at the sole discretion of the CEO, or her designee; or (c) cancel the Request for Proposals (RFP) and commence a new competitive bidding process.

3. Authorize the CEO, or her designee, to execute any and all related or ancillary documents necessary to effectuate the actions authorized hereby.

4. Direct the CEO to return to the Board for approval to execute any loan agreement and any associated agreements that result from the negotiations conducted in connection with the ENA.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

In 2015, the Board made economic development a priority by approving a Countywide Economic and Community Development Program to stimulate regional job growth and lift residents out of poverty. Seven industries were targeted based on their proven ability to create jobs and wealth. Bioscience is the first of the targeted industry sectors selected by the County for focused support. The industry creates jobs for young and semi-skilled persons, as well as for scientists and entrepreneurs.

As part of its economic development program, the County has committed itself to the life sciences sector and earmarked up to \$15 million towards the launch of the Bioscience Fund. Approximately \$5 million of these funds are awaiting deployment into a new Los Angeles-focused investment vehicle. An additional \$2.8 million became available in July 2019, with the remainder of the \$15 million available for capital call, as needed. While the County expects repayment of its capital plus a modest return, it also has core strategic interests in local economic development and public health as a social impact.

The goal of the Bioscience Fund is to stimulate regional job growth and healthcare innovation. Based on the positive economic history of bioscience jobs, the loan to the Bioscience Fund is a promising investment to meet the County's interests in local economic development and signals to the financial marketplace that the Los Angeles region is a positive environment for early stage and growth companies in the bioscience sector. The County's dedication to the lead investment would serve the greater public purposes of economic growth, job creation, and healthcare innovation, which qualify the potential loan to the Bioscience Fund as a legitimate public purpose under California Government Code Section 26227.

Approval of the recommended actions will allow the execution of an ENA with MarsBio for the potential loan of up to \$15 million to be invested in the Bioscience Fund capitalized and managed by MarsBio. The proposed ENA is necessary to give the County and MarsBio the opportunity to engage in exclusive negotiations to establish the terms and conditions of the loan agreement and any associated agreements necessary to administer the loan. The proposed ENA will also allow the County the opportunity to do any necessary due diligence prior to making a recommendation to approve the investment in the Bioscience Fund.

The proposed ENA does not commit the County to any future agreement with MarsBio or any associated entity. The CEO must return to the Board for approval and execution of any loan agreement and any associated agreements that result from the negotiations conducted in connection with the ENA.

### **Implementation of Strategic Plan Goals**

The recommended actions support the County's Strategic Plan Goal II, Foster Vibrant and Resilient Communities, by enabling the County to promote public-private partnering relationships, support vibrant communities, drive economic and workforce development in the County, support 21st century innovative and socially responsible industries in the County, and implement strategies to target and offer appropriate assistance to high-growth industries.

### **FISCAL IMPACT/FINANCING**

There is no impact to the County's General Fund, as a result of the actions contemplated in this letter. If negotiations with MarsBio are successful, the County will return to the Board with a loan agreement and any associated agreements for review and approval, and will provide the fiscal impact and financial analysis at that time.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The County is interested in entering into exclusive negotiations with MarsBio to determine if the parties can reach an agreement as to the terms of a loan agreement pursuant to which the County would loan up to \$15 million to the Bioscience Fund to be managed by MarsBio. The ENA would have an initial term of 90 days with an option to extend the term up to an additional two months, if needed.

The terms to be negotiated during the ENA period include, but are not limited to: the total County commitment, the interest rate, fees, maturity, drawdown terms, and repayment provisions. The County has a set of minimum parameters that it does not expect to negotiate. At minimum, the percentage of the County's committed investment in the total fund size must be invested in Los Angeles bioscience companies. Reporting of both financial and impact metrics is expected. The County will not pay management fees on its debt investment into the Bioscience Fund and it is expected that private capital will be fundraised. The County anticipates that MarsBio will invest at-risk capital into the Bioscience Fund, which would have a geographic focus on Los Angeles County, and would target early-stage companies with Seed and Series A investments, especially those companies that are emerging from Los Angeles universities, research institutions, incubators, and accelerators.

The debt would be unsecured, and the County would expect repayment of principal plus a low interest rate. The County would take no equity position in any investments of the Bioscience Fund. Other limited partners in the Bioscience Fund would provide equity capital in a manner consistent with industry norms. The County would charge the Bioscience Fund an upfront commitment fee of no more than one percent (1%) of the total debt amount, as well as a drawdown fee of up to two percent (2%) on the amount of debt drawn each time the capital is called.

If negotiations with MarsBio are successful, the CEO will return to the Board with negotiated agreements for review and approval regarding the loan to the Bioscience Fund.

### **CONTRACTING PROCESS**

The CEO released a RFP for organizations qualified to capitalize, launch, and manage an investment fund supporting bioscience startup companies in the County on September 17, 2018. The CEO retained Avivar Capital, LLC (Avivar), an economic development consultant from the

CEO's Master Agreement for Economic Development Services, to assist with the development of the RFP materials. Avivar was not involved in the evaluation of proposals submitted in response to the RFP. The RFP was posted on the County's Economic Development website's Bioscience page and on the County's Online Vendor Maintenance site (WebVen), and social media accounts. In addition, the County requested that Avivar do outreach, which included individual communications to potential proposers, as well as to respondents to the Request for Information that was issued on May 11, 2018. The RFP was also publicized at the Los Angeles County 2018 Bioscience Summit held on September 20, 2018.

A proposers' conference was hosted by the CEO on October 10, 2018, through an online webinar. Seven representatives from various organizations attended the webinar. Questions and answers from webinar attendees were posted on October 22, 2019, on the County's Economic Development website's bioscience page. Two proposals were received by the November 13, 2018 submittal deadline and were evaluated by an Evaluation Committee (Committee) comprised of representatives from the Department of the Treasurer and Tax Collector, Los Angeles County Employees Retirement Association, and three evaluators from outside the County with applicable experience related to the content of the RFP. The CEO screened evaluators to ensure that they possessed the knowledge and background to effectively serve on the Committee. Evaluators were also screened for potential conflicts of interest.

The Committee conducted a comprehensive technical and professional evaluation, and analyzed the proposals in detail, after which it scored and ranked each proposal based on the criteria set forth in the RFP, including but not limited to: 1) investing and fundraising experience; 2) strategy for fund development and deployment; and 3) proposed financial model.

The Committee concluded that MarsBio's proposal best met the County's criteria for capitalizing and managing a Bioscience Fund. MarsBio is a newly formed Delaware limited liability company founded specifically for the purpose of managing a Los Angeles-focused bioscience investment fund and has begun raising capital investments for their initial fund. The leadership team at MarsBio has experience in successfully raising Seed and Series A capital for startups, and as founders of bioscience incubators in Los Angeles, the MarsBio team has demonstrated its diverse knowledge, experience, and proven commitment to the region.

The non-recommended proposer requested and received a debriefing of their scores from the CEO, and thereafter pursued a County Independent Review of the evaluation and CEO's recommendation of the selected proposer. That review process has been concluded.

The CEO is now seeking authority to execute an ENA with the successful proposer. The CEO will return to the Board for authorization to execute a loan agreement and any associated agreements that result from the negotiations.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

The proposed activities are not anticipated to have any impact on current services.

### **CONCLUSION**

Upon approval, please return two adopted stamped copies of the Board letter to the Chief Executive Office, Economic Development Division.

The Honorable Board of Supervisors  
9/3/2019  
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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sachi A. Hamai", with the word "for" written below it.

SACHI A. HAMAI  
Chief Executive Officer

SAH:FAD  
JO:acn

c: Executive Office, Board of Supervisors  
County Counsel