

**ADDENDUM NUMBER ONE
TO
REQUEST FOR PROPOSALS FOR
BIOSCIENCE INVESTMENT FUND
CEO-RFP-BIO-2018**

This Addendum Number One to the Bioscience Investment Fund Request for Proposals (RFP) is issued to provide answers to questions received by the County during the Proposers Conference Questions and Answers on October 10, 2018.

This Addendum also revises Section 2.2 (Regional Economy) of the RFP released on September 19, 2018, as indicated below.

All other terms and conditions of this RFP shall remain unchanged.

Proposers' Conference Questions & Answers

What kind of ROI is the county looking for?

The County expects the Fund itself to produce a market-rate return consistent with high-performing comparable funds, and will select a manager it believes can deliver on that expectation. As a limited partner, however, the County is seeking a return on investment from its commitment that is consistent with low-risk debt and is expecting to structure the interest rate as a spread to the ten-year Treasury. The County currently estimates that to be the ten-year treasury rate plus 100 basis points or 1%. The investment would not begin accruing interest until drawdown by the fund manager. This concessionary rate is offered as an incentive to attract other LPs who will enjoy enhanced returns if the fund is successful.

If two Managers are selected, is there an anticipated split of the \$15 million (ex: 50/50)?

There is no preconception about a split. The County CEO and evaluation committee can recommend any (or no) split that makes sense based upon the proposals in front of them.

Is there a target percentage of portfolio companies that must be based in LA County?

The County aspires to capitalize a fund solely dedicated to Los Angeles enterprises, but understands this model may not align with the top proposal. A fund with 100% of funds dedicated to Los Angeles is the most attractive and we hope a majority of the Fund will be invested in Los Angeles County. At a minimum, the County's investment as a percentage of the total fund must be invested in Los Angeles enterprises (i.e. 25% of all funds, if the County funds \$15 million into a \$60 million fund). Please note the definition of a Los Angeles enterprise is found in Footnote 3 of the RFP. This is one aspect that will be evaluated in each proposal. It is also important to note that the Fund parameters, including the proportion of investment in LA County, will be finalized during the ENA period. The County also notes that once the parameters are set, the County will be stepping back and in no way expects to be involved in the investment decision making of the Fund.

Can you walk us through the fees (upfront and drawdown) and explain the rationale?

The fees will also be negotiated in the ENA period but the County has put forward in the RFP an indication of what it expects. The County investment is framed similarly to a concessionary long-term debt investment. Therefore, the County is not looking to pay management fees to the fund manager. It is important that other LPs know this and this should be included in the financial model. With respect to the fees, they are analogous to a traditional loan's origination and transaction fees. There is an initial fee of 1% (\$150,000 on a \$15 million commitment) and then a 2% drawdown fee on amounts when moved to the fund manager's custody. These fees are intended to cover the County's transaction and monitoring costs over the life of the investment.

If you're selected into ENA, does that mean you're in, in terms of the award? So, if 2 groups are selected, is the \$15 million split?

The 90-day ENA provides an exclusive negotiating period to finalize terms and documents without further competition. The Evaluation Committee can, at their discretion, recommend to the County a monetary split and the terms would be finalized during the ENA period. If an agreement cannot be reached, the ENA can be extended, or ended and the next highest-ranked proposal will have an opportunity to open an ENA. If two proposers are granted the ENA, they will not be pitted against each other in negotiation. Each is a separate agreement with the intent to finalize terms in line with those set forth in the RFP.

I want to collaborate with another applicant to submit a joint proposal. Is there a forum where other applicants can contact me?

The County does not have the means to establish a forum for potential proposers to connect and collaborate at this time. However, the County suggests that anyone looking for a potential partner reach out to life science investors and other potential partners to see if they



would be interested in a collaboration. Additionally, the County has recently co-sponsored the creation of a nonprofit organization named BioLA to enhance collaboration and catalyze innovation in the region. Those interested in learning more about the Los Angeles Bioscience landscape can reach BioLA at info@biolac.org.

If you would like to share your contact information with others who participated in the bidder's webinar, the County can pass that along to them.

RFP Correction

Section 2.2 (Regional Economy) of the RFP, states that LA County-based assets received \$998 billion in research funds from the National Institute of Health according to the Los Angeles Business Journal. That is not correct. County organizations received **\$998 million (or nearly \$1 billion)** in NIH funding last year. <http://labusinessjournal.com/news/2018/apr/11/l-bioscience-gets-billion-federal-research-funds-s/>