

Office of the President

TO MEMBERS OF THE HEALTH SERVICES COMMITTEE:

ACTION ITEM

For Meeting of August 9, 2023

CALIFORNIA INSTITUTE FOR IMMUNOLOGY AND IMMUNOTHERAPY, LOS ANGELES CAMPUS

EXECUTIVE SUMMARY

The Los Angeles campus (UCLA) of the University of California (University) proposes to enter an innovative long-term research affiliation with the Institute for Immunology and Immunotherapy (III) to establish a world-class immunological research center on its Health Sciences Campus (Institute). The affiliation will combine the strengths of UCLA's existing biomedical research infrastructure and human capital with the philanthropic support and vision of key founders of III (Founders) and the generous support of the Governor and State Legislature in providing funding for the construction of a new flagship research facility to house the Institute. III is an independent nonprofit funded by a public-private partnership that will attract scientists and experimentalists who are among the best in the world in different areas of immunology and immunotherapy to work collaboratively with UCLA faculty from the biomedical sciences, information science, engineering, computer science, human genetics, and genomics, among others, located together in the Institute's state-of-the-art research environment. The Institute is intended to operate as an agile, bench-to-bedside, investigator-centered environment of networked research laboratories, combining different sciences and disciplines with medicine and clinical research to develop targeted immunotherapies to treat cancer and autoimmune, neurological, and cardiovascular diseases, as well as developing vaccines to prevent and defend against infections.

UCLA has entered an amended and restated non-binding term sheet (Term Sheet) with III (which has been updated, following the April 2023 meeting of the Health Services Committee) to confirm the parties' discussions to date, to establish an affiliation that provides a foundation for a long-term collaboration in immunological research and innovation, furthering the educational, research, and public service mission of University. The Term Sheet presents a framework and key business terms for the affiliation, and the final terms and conditions of the collaboration will be negotiated and memorialized in a set of definitive agreements.

RECOMMENDATION

The President of the University recommends that the Health Services Committee:

- A. Approve UCLA's affiliation with the Institute for Immunology and Immunotherapy (Institute) and participation in the Institute, subject to the following terms and conditions:
- (1) The Institute shall operate as a 501(c)(3) tax-exempt organization operated exclusively for charitable, educational, and scientific research purposes, with its principal purpose to actively and continuously engage directly in the conduct of medical research in conjunction with UCLA Health.
 - (2) UCLA will have representation consisting of at least four of the 11 members of the Institute's Fiduciary Board.
 - (3) The Regents retain the right to (i) dismiss the Institute Director; (ii) dissolve and reconstitute the Fiduciary Board; or (iii) terminate the agreements with the Institute in the event of a material default that materially jeopardizes the operations or existence of the Institute.
 - (4) The Institute will pay UCLA 7.5 percent of its share of the net revenues generated by the commercialization of intellectual property solely owned by the Institute.
 - (5) The parties will jointly own intellectual property developed by joint efforts and resources and share revenues in accordance with Inter-Institutional Agreements for each technology or field of research.
 - (6) For intellectual property ownership (i) inventorship will be determined in accordance with U.S. Patent Laws, and ownership will follow from inventorship, and (ii) authorship will be determined in accordance with U.S. Copyright Laws, and ownership will follow from authorship.
 - (7) The initial term of the affiliation shall be at least fifteen (15) years from occupancy of the permanent facilities and may not exceed the aggregate amount of renewals for subsequent lease terms for the facilities, which in no event may exceed ninety-nine (99) years.
 - (8) UCLA will have the right to co-invest in start-up companies and other ventures originating from Institute activities.
- B. Authorize the President or his designee, after consultation with the Office of the General Counsel, to approve and execute any agreements reasonably required to implement the organizational structure and definitive operating agreements for the Institute, including any subsequent agreements, modifications, or amendments thereto, provided that such agreements, modifications, amendments or related documents are materially consistent with the terms above, and do not otherwise materially increase the obligations of the Regents or materially decrease the rights of the Regents.

BACKGROUND

The Los Angeles campus (UCLA) of the University of California (University) proposes to enter an innovative long-term research affiliation with the Institute for Immunology and Immunotherapy (III) to establish a world-class immunological research center on its Health Sciences Campus (Institute). The affiliation will combine the strengths of UCLA's existing biomedical research infrastructure and human capital with the philanthropic support and vision of key founders of III (Founders) and the generous public funding for the construction of a new flagship research facility to house the Institute. The vision is to create a physical and intellectual environment that will attract scientists and experimentalists who are among the best in the world in different areas of immunology and immunotherapy to work collaboratively with UCLA faculty from the biomedical sciences, information science, engineering, computer science, human genetics, and genomics, among others. The Institute is intended to operate as an agile, bench-to-bedside, investigator-centered environment of networked research laboratories, combining different sciences and disciplines with medicine and clinical research to develop targeted immunotherapies to treat cancer and autoimmune, neurological, and cardiovascular diseases, as well as developing vaccines to prevent and defend against infections.

The affiliation will advance the University's educational, research, and public health missions and will directly promote the objectives enumerated in Regents Policy 5105: Policy on Innovation Transfer and Entrepreneurship. These goals include the attraction of the most talented faculty, staff, and students to the University, the translation of University discoveries and inventions into socially beneficial products, services, and innovations, the inspiration of faculty and student inventors, the provision of collaborative support comprised of physical and intellectual resources, and finally, the prosecution, protection, and collection of fair value for the University's intellectual property. All of these goals are essential to the University's continued excellence in scholarship, research, and global impact.

The details regarding the Institute, including the parties, structure, mission, governance, staffing, intellectual property, real estate, and financial and other considerations are described below and in the Term Sheet.

Institute Parties and Structure

The Founders organized III as a California non-profit public benefit corporation in 2021. III was established to qualify as a 501(c)(3) tax-exempt organization operated exclusively for charitable, educational, and scientific research purposes, and its principal purpose "is to actively and continuously engage directly in the conduct of medical research in conjunction with one or more hospitals ...". The Institute is intended to be independent of the University, operate autonomously from UCLA, and have its own research and philanthropic funding, operations, researchers, staff, equipment, research contracts, and grant awards. The Institute is intended to be self-funding once fully operational. Except for its initial contributions toward establishing the Institute through the affiliation, the University will not be expected to provide any ongoing operational funding or financial support. The proposed collaboration between UCLA and III to develop and operate the Institute will be formalized in an affiliation agreement providing the overall operational

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framework for governance, personnel, intellectual property, and facilities (Affiliation Agreement).

Mission and Strategy

UCLA's participation in the affiliation with III is to support the campus' continuing efforts to expand the boundaries of many interdisciplinary fields of biomedical science and research and to translate that research into new tools, treatments, and therapies in immunology and immunotherapy.

The proposed affiliation with III presents a once-in-a-generation opportunity to create a world-class biomedical research and innovation community in Los Angeles, to develop, grow, and diversify the research workforce in Los Angeles, and to support the scientific and economic development of biomedical breakthroughs at the Institute, UCLA, and throughout the region.

UCLA Health is an integrated academic health system combining the educational and research missions of the David Geffen School of Medicine with the world-class patient care mission provided in the UCLA Health System's hospitals and clinics. Collaborations between UCLA Health and the III will allow rapid testing of new immunotherapies in well-characterized populations through formal clinical trials resulting in a facilitated pathway to new treatments for many disorders affecting patients worldwide.

Governance of the Institute

The Institute is expected to have a large Advisory Board similar to other philanthropically supported non-profit medical research institutions, with the University holding meaningful representation on the Advisory Board. In the governance structure that is contemplated, general operations of Institute will be delegated to a Fiduciary Board of approximately eleven (11) Directors who will be responsible for routine decision-making. The University is expected to have four (4) of the eleven (11) seats on the Fiduciary Board. The initial University-nominated Fiduciary Board appointees will include the UCLA Chancellor, UCLA Vice Chancellor for Research, UCLA Vice Chancellor for Health Sciences, and the Dean of the David Geffen School of Medicine.

The University will have reserved rights over specific actions of the Institute that will empower the University to veto actions that might result in reputational harm or damage, contravene the University's mission, or materially alter the mission or organizational structure of the Institute. The planning for the Institute's governance structure also envisions that the Board of Directors will establish a Scientific Advisory Committee comprising scientific and industry leaders to review the research activities and to provide independent scientific and strategic guidance and support to the Institute.

Since the Health Services Committee meeting on April 12, 2023, the Term Sheet has been updated to include additional reserved rights for UCLA. If an event of default materially jeopardizes the operations or existence of the Institute, the Board of Regents will have the right

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to (i) dismiss the Institute Director, (ii) dismiss the Fiduciary Board, and work with the Founders to reconstitute the Fiduciary Board, or (iii) terminate the Affiliation Agreement.

Staffing

III will employ its own administrative, research, and other staff and will be responsible for establishing its employment policies and paying its employees' salaries and benefits. Scientists and investigators with dual appointments (i.e., III scientists and researchers with UCLA faculty appointments) will be employees of III, which will pay their salaries and benefits. III scientists may apply for UCLA faculty appointments in compliance with the University's standard academic personnel policies and procedures. III is also expected to provide opportunities for UCLA graduate students to work in laboratories and have their tuition, fees, and stipends paid at levels comparable to benefits offered to graduate researchers or assistants under the University's programs.

Intellectual Property

One of the critical features of the affiliation is the concept of shared ownership or royalty rights in intellectual property (IP). The Term Sheet has been updated to clarify the parties' intent with respect to IP, confirming that (a) inventorship will be determined in accordance with U.S. Patent Laws, and ownership will follow from inventorship, and (b) authorship will be determined in accordance with U.S. Copyright Laws, and ownership will follow from authorship.

III and the University will share net revenue received from the commercialization of any Joint IP in a proportional percentage based on the respective intellectual contribution of III employees and UCLA employees in developing such Joint IP (as specified in the definitive agreement). III will also pay the University 7.5 percent of its share of the net revenue received from the commercialization of any IP developed without contributions from UCLA and extend to UCLA the right to co-invest in start-ups and other ventures originating from III's activities.

Facilities/Real Estate

UCLA will make interim research space available to III in its Campus Health Sciences complex to permit III to commence Institute operations, recruit scientists and researchers, and begin applying for research funding. UCLA will charge III a rental rate no higher than the lowest current rate provided to any comparable tenant in the applicable building, subject to applicable law. III will be responsible for the cost of any improvements or equipment to outfit the interim space.

III and the University have begun the process of preliminary feasibility and preparatory work for the design and construction of the permanent facilities housing the Institute, which may consist of approximately 250,000 to 500,000 square feet of state-of-the-art wet and dry laboratory, office, instructional, and innovation space. The proposed site of the facilities is expected to be the current location of Parking Structure 18 adjacent to the David Geffen School of Medicine. These facilities are expected to be developed in one or more phases following the completion of the applicable planning processes and compliance with the California Environmental Quality Act (CEQA). The University and III expect to enter a net lease of the land or facilities to III for a

term, including options, not to exceed 99 (ninety-nine) years or the earlier termination of the Affiliation Agreement.

Financial Considerations

The plan of finance for the proposed facilities is currently under development concurrently with the project definition and scientific facilities program. The funding sources are expected to include contributions from (1) UCLA in an amount of the anticipated costs for funding for the replacement of the parking facilities and the value of air space rights; (2) appropriations from the State of California (discussed below); (3) philanthropic equity provided by the Founders and others; and (4) debt financing arranged by the Founders to help manage cash needs of the project. Additionally, the Founders anticipate securing donations and pledges in an aggregate amount sufficient to support all the start-up and operational expenses of III before the commencement of construction.

The updated Term Sheet clarifies that, in recognition of the important public purpose of the mission of III, the State included an initial installment of \$200 million towards a total \$500 million appropriation to the University of California in the Budget Act of 2022. In that regard, the Budget Act provided that, “\$200,000,000 shall be available for the construction of an Institute for Immunology and Immunotherapy at the University of California, Los Angeles” in the adopted FY2022-23 budget (as amended). Moreover, the FY2023-24 budget reflects the intent to appropriate another \$300 million in future years, for a total commitment of \$500 million to help underwrite the cost of constructing the Institute’s research facilities on the UCLA campus.

It is anticipated that the entire State appropriation and additional funding will be used to plan, design, entitle, and construct the facilities following approval of the project by the Regents and the issuance of all discretionary federal, State, and local permits, licenses, consents, and agreements, including any applicable environmental clearance under the California Environmental Quality Act (CEQA).

Other Key Terms and Considerations

Termination Rights

The Term Sheet has been updated to confirm the parties’ intent to discuss and agree upon certain for-cause termination events that could lead to the termination of the Affiliation Agreement (e.g., material breach and failure to cure, bankruptcy, insolvency with no clear path to recovery, criminal or reckless activity, fraud (financial or scientific), research misconduct, substantial reputational damage, failure to achieve and maintain the metrics described below (each, an Event of Default) or upon change of control, mutual agreement, etc.). The parties will discuss and agree upon the circumstances under which any Lease will cross-terminate with the termination of the proposed Affiliation Agreement.

Metrics

The Affiliation Agreement will include criteria for measuring the performance of the Institute, including without limitation, minimum levels of publishing, competitive contracts or grants pursued and awarded, patent applications, patents issued, fundraising and financial milestones for achieving stabilization, break-even and long-term self-sufficiency. The material failure to satisfy the metrics may mature into an event of default and potentially termination of the Affiliation Agreement.

Legal and Regulatory Considerations

Material legal and regulatory considerations will be addressed, and the risks allocated among the parties, in the definitive agreements to be negotiated. Activities conducted on the UCLA campus are expected to comply with all applicable UC policies and procedures including environmental, health, and safety matters.

UC Health Considerations

UCLA's proposed affiliation with III will benefit all UC campuses that have an interest and expertise in the field of immunology and immunotherapy. This is especially true from the UC Health campuses. Collaborations with the III in furtherance of the Institute are envisioned to be statewide and intended to accelerate scientific progress in this field across entities. The anticipated unique scientific facilities and scientific expertise will be a resource to UC faculty in general. The III will not preclude the sponsoring UC medical center from participating in any UC Health systemwide activities, such as Blue and Gold, UC Care, Leveraging Scale for Value, or any other systemwide program.

Risks and Anticipated Benefits

The benefits of establishing the Institute and participating in the affiliation with III include:

1. Promotion of Regents Policy 5105: Policy on Innovation Transfer and Entrepreneurship, including the advancement of prior discoveries at UCLA and other UC campuses, which have or will result in the development of numerous patents, start-up companies, and commercialized therapeutics.
2. Reputational enhancement by creating a physical and intellectual environment for world-class science that will help attract leading faculty and investigators.
3. UCLA and UC-wide collaborations with III scientists.
4. Workforce development and research and training opportunities for staff, students, scientists, and postdoctoral fellows.
5. UCLA receives a proportional share of revenue of IP jointly owned by UCLA and III.

6. UCLA receives 7.5 percent of the III's share of net revenue of IP solely owned by the III.
7. UCLA may co-invest in start-up companies originating from the III.
8. Creation of California's premier immunological innovation and knowledge community.
9. Reservation of space within the Institute building for the David Geffen School of Medicine at below-market rates.

The risks of participating in the affiliation include:

1. The Institute fails to thrive and succeed. The consequences of this risk will be mitigated in the definitive agreements by providing well-defined rights and processes for unwinding the affiliation and related arrangements.
2. Loss of faculty to the III. The parties have agreed in principle to address this risk by coordinating academic policies to avoid negative incentives and establish guidelines to minimize faculty flight.

[Attachment 1: Amended and Restated Term Sheet for Collaboration and Affiliation Agreement](#)