

CLUSTER POWER

Venture capitalists, law firms, real estate providers and a talented workforce have created a biotech industry hub in the Conejo Valley.

In recent years, the Conejo Valley has created a budding biotech industry that has caught the attention of financiers, academics, scientists and marketers — all lending momentum to the growth of an industrial cluster for the life sciences.

For entrepreneurs, the advantage of developing a company within a cluster is the shared resources available.

They include a talented workforce, trade organizations, access to capital, professional services and available real estate space for every stage of companies' growth. This special report looks at four of these ingredients that have coalesced in the Conejo Valley cluster.

— Amy Stulick

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Four key elements in the Conejo Valley cluster.

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Q&A: MannKind's Michael Castagna.

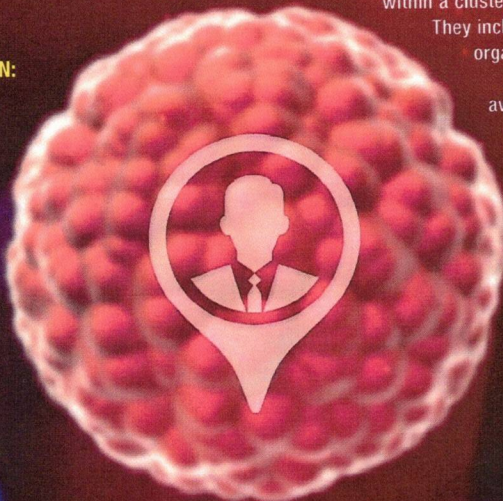
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Second Sight's stock price soars.

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List of Bioscience Companies.

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BIOTECH

SPECIAL REPORT

SPECIALISTS HANG SHINGLE

Law firm Stradling Yocca combines life science expertise with local connections.



The most recent addition to the Conejo Valley's biotech cluster comes in the form of legal counsel.

Newport Beach-based law firm **Stradling Yocca Carlson & Rauth**, known for its robust life science sector led by **Bruce Feuchter**, has opened up shop in Westlake Village with **Brent Reinke** and **Ryan Aslein** at the helm.

Reinke is a recognized name in the Valley already, serving as founder of the **Bioscience Alliance** and **Gold Coast Executive Forum**, with a deep network of biotech clients. He was formerly a partner at **Musick Peeler Law Firm**, also in Westlake Village, before joining Stradling in March.

Aslein is a Stradling shareholder with expertise in venture capital, emerging companies and startups, as well as mergers and acquisitions.

The firm sees anywhere from 15 to 25 percent of its revenue derived from life science

clients, Feuchter said. When he started the firm's life science branch in the early 1990s, revenue from this sector was 4 to 5 percent.

"When opportunity knocks, you open the door," Feuchter said. "I honestly believe we have the right foundation person in Brent."

Naturally, Reinke sees legal expertise as a critical part of the region's support system for biotech.

"I think it's a really important piece, I don't think there is another firm with a presence here that has anywhere near the capabilities that Stradling does when it comes to life science," explained Reinke. "Now, I've got this platform, these resources, and this brand, for lack of a better term—a well-known law firm that I can now introduce to all the contacts that I have, whether that's educational, city or industry."

Funding deals

Currently, the Westlake team is working on a range of services for life science companies, including international licensing, distribution, convertible debt transactions and private equity fund representation. In one case, a client was approached by a private equity firm to do an investment in the company.

"The funding cycle is very different—there are little hiccups and challenges to structuring deals for a company, to allow the company to accelerate its growth or keep it open to growth in the future," said **Stephanie Hsieh**, executive director at **BioCom Los Angeles**, when comparing life science to other industries. Hsieh is also an attorney. "From a startup perspective too, there are different (legal) skillsets for different stages of the company, and one thing I know Stradling has always been strong on is that startup sector, emerging companies."

Added Reinke: "It really comes down to not



PHOTO BY DAVID SPRAGUE

just the legal representation, it's the resources we bring to bear because we do so much work in this space. I've had a good rolodex of venture capitalists and PE connections, but now with this firm I have something like 25 corporate lawyers, and they are people who are really entrenched with the PC and VC communities and others, so now you have all these connections that you can bring to your clients."

"A number of us have relationships—the Santa Barbara office has relationships with UC Santa Barbara," said Feuchter. "There are niche sciences that come out of those big, big research institutions."

Firms such as Stradling also know the "pain points" for biotech companies, Hsieh added. For example, they have a general understanding of how long it takes a startup to take its product from concept to market, and the firms bill accordingly.

"You can kind of tell when you start talking to people in interviews for attorneys—you get an idea who really wants you to grow and who wants to be your partner, as opposed to someone that is just in it to have another client," said Hsieh.

Reinke is working out of 2945 Townsgate Road but plans to move the team to another, larger space that can house seven or more attorneys. Stradling Yocca also has offices in Orange County, Century City, Santa Barbara, San Diego and San Francisco.

Added Hsieh: "Other firms I tend to direct people to (through BioCom LA) are more national firms, global firms. ... They aren't as tied in on such a granular level to the culture. Stradling is definitely a Southern California, L.A./Orange County firm. They get the people, they get the culture."

—Amy Stulick

Stradling Yocca Carlson & Rauth

BUSINESS: Law firm

SERVICES: Corporate and securities, finance, private equity, litigation, M&A, employment, tax, venture capital, intellectual property, healthcare regulatory, bankruptcy and restructuring, environmental, real estate, and public finance

LOCATIONS: 11 offices across 4 states

EMPLOYEES: 100-plus lawyers

NOTABLE: Opened its first Valley location in Westlake Village

SEEDS IN AMGEN'S SHADOW

When big pharma sheds workers, they turn their creativity to new endeavors.



Access to talent is a crucial component of any company, but it counts for even more in the biotech industry.

The right team members can come from universities, with the big three—**UCLA**, **California Institute of Technology** and **University of California—Santa Barbara**—all located within about 40 miles from the Conejo Valley.

Smaller, local universities such as **Moorepark College** bring talent too, the college

has one of the oldest entry-level lab technician programs in the country founded in the late 1990s, according to **Southern California Biomedical Council** Chief Executive **Ahmed Enany**.

Talent can also come from existing companies, with many individuals in the

Conejo Valley primed for entrepreneurial life by big company experience, especially **Amgen Inc.** in Thousand Oaks.

"Amgen laid off a lot of people, but they're not going to go anywhere," said Enany, referring to the company's elimination of hundreds of U.S. jobs announced in February, mostly from its sales team. "Many of them would rather stay around and this is good

for us because you can build a company and recruit some of this talent to work for you. That's what **Arcutis Biotherapeutics** did. It's what **A2 Biotherapeutics** did, it's what **Dyve Biosciences** did."

The Conejo Valley's cornerstone biotech company has a history of refocusing and shifting its personnel, announcing more than 200 jobs cut in 2019 from its headquarters and field operations.

Golden Ticket

But Amgen's attitude toward startups within its periphery has changed. Traditionally it concentrated on internal operations, but its Golden Ticket program, which provides funding, bench space and other resources to fledgling biotech companies, has taken root in the Los Angeles area for the first time this year.

"It's mildly ironic that Amgen was founded as a highly innovative enterprise in Southern California and yet it has not really supported really early innovation around our own facility," said Dr. **Philip Tagari**, vice president of therapeutic discovery at Amgen. "We've been more active in Cambridge, Massachusetts and San Francisco, and even Toronto. So it's kind of an overdue activity."

"In the early days at Amgen, and **Genentech** as well, there was a more sustained record of internal discovery," said **Marvin Lieberman**, senior associate dean and director of the doctoral program at **UCLA Anderson School of Management**. Lieberman has taught a biotech course every two to three years for about a decade, bringing together MBA and PhD students

to discuss what it takes to build a biotech hub in L.A. "Today, the big companies really depend on the smaller firms, which the big companies were at one time. ... (They) are doing the early stage work, exploring the ideas that are typically coming out of universities. It's a kind of R&D that is harder to do when you're a big company. Most of these things are going to fail."

Lieberman said there was "certainly no talent pool" in Thousand Oaks when Amgen was founded in the 1980s, adding there was no biotech industry at the time either. Amgen brought people to the Conejo Valley, including his wife.

Added Lieberman: "I still live in Thousand Oaks. We moved here in 1990. Looking back, my wife was relatively early, but at the time it didn't seem that way. There were already over 1,000 employees."

The Golden Ticket program bodes well for the biotech hub in the Conejo Valley.

"The science students were kind of disappointed, until recently, that there hasn't been more opportunity here. All this is changing and the biopharma industry, with COVID and vaccines and all that is happening in the stock market, scientifically it's been a golden age of this industry, I think perhaps even more than the days when Amgen and Genentech got started," Lieberman told the *Business Journal*.

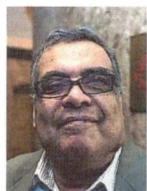
Partnerships between universities and companies help foster talent and keep it in the area too, Enany said.

College of the Canyons in Santa Clarita has partnered with **SoCal Bio** for a grant program, and **California State University**

—**Northridge** has an educational partnership with **Medtronic Diabetes**, since the company still leases the land from the university.

"It's another program companies might end up replicating or benefiting from," Enany said of the CSUN partnership. "You have a lot of resources around you. It doesn't matter if you're in the San Fernando Valley, Santa Clarita or in the Conejo Valley, you're bound to find an institution five miles away from you that you can collaborate with."

—Amy Stulick



Ahmed Enany

Amgen Inc.
(Nasdaq: AMGN)

FRI. CLOSE, PAST 5 WKS



HEADQUARTERS: Thousand Oaks

BUSINESS: Biopharmaceuticals

CEO: Robert Bradway

MARKET Cap: \$142 Billion

EARNINGS: Q4 \$1.61 Billion

VC WANTS SMART MONEY

Sean Harper thinks multiple funding options will benefit local industry.



Venture capital firm **Westlake Village BioPartners** has provided a spark for growth among Conejo Valley biotech firms, first with its local presence announced two years ago, and now with two funds totaling \$500 million announced in December.

The first fund is a \$70 million stockpile called Opportunity 1. The firm will use the money to further invest in companies it has incubated or already invested in. The larger Westlake Village BioPartners 2 Fund, worth \$430 million, will invest in approximately 12 new portfolio companies; the firm will pull from this fund to co-lead Series A financing rounds with other investors.

Seven of Westlake Bio's startup companies are or will soon be located in Westlake Village, according to Dr. **Sean Harper**, co-founding managing director for the venture capital firm and a former Amgen executive.

Immunology startup **Acelyrin** is one such portfolio company to be headquartered at the campus out of the firm's second fund, along with other companies still in stealth mode, Harper said.

Co-founders Harper and **Beth Seidenberg** live in the area, and after years of advising local universities on luring venture capital firms here, decided to form one themselves.

"I'd go in and talk to the president of the university with other advisors. ... I'm telling them the big problem is you really don't have

the right kind of venture capital firm here, you need to get someone like **Atlas Ventures** or whoever that does this kind of company incubation, or **Kleiner Perkins** where Beth was," said Harper.

And Harper wasn't thinking of firms looking to add another client to the portfolio.



Sean Harper

A successful biotech hub needs a firm that has industry experience and knows the close-knit communities of scientists and is savvy enough to take a calculated risk.

"What was missing here was venture capital that was knowledgeable on how to build companies in biotech

from scratch, had meaningful capital to deploy, and had the kind of R&D expertise that we bring to bear," Harper added. "I do feel that it's been a catalyst to what was already a lot of pent-up demand in the area here, but we needed that catalyst."

Not remote work

For biotech VC firms, "you really need to be quite close with the companies, the founders, in particular the entrepreneurs, the CEOs, the team," Harper explained.

That's especially true in terms of startups, or companies in incubator space. Harper thinks that larger companies such as **Amgen Inc.** and **Merck & Co.** might be able to do

more remote work because people already know each other well, and the corporate culture is already set.

"If you think about starting a company up from scratch, there is an enormous amount of work that needs to be done to establish the corporate culture, to make sure the team gels, that the people understand how to work together," Harper told the Business Journal.

Then there's the nature of a company focused on pipeline R&D — most of the work needs to be done in person, in a lab. VC firm guidance and oversight needs to be in person too.

"We do have people, like chemists, that can do in silico, molecular design on a computer, but there are a lot of people who need to be physically in the laboratory," said Harper. "Even though right now we're doing a lot of things over Zoom, I also go into the Alexandria building at Rancho Conejo and meet with the teams and see CEOs there, and we're able to do that safely."

Harper is already seeing other industries follow the money to Conejo Valley, with **Alexandria Real Estate Equities** building lab space in the hub, and **Charles River Laboratories** planning to build vivariums here.

Given its wide geographic scope, Harper expects Los Angeles to look much like San Francisco does now, with Conejo becoming one of many life science hubs.

"There's nothing magical about being in Westlake Village versus Pasadena or Culver City. If you look at the Bay Area, there are four to five hubs with biotech — it's not one

place like it is in Cambridge, Massachusetts," Harper said.

Even in Boston, the hubs are becoming more spread out; companies are moving to the city's periphery for more space and lower rents.

To make the Conejo hub even more successful, it will need more than one of everything, Harper said. That means dozens of VC firms, more large companies, more real estate firms, more professional services that cater to the industry.

"If you looked at it objectively, you wouldn't want it to be dominated just by one VC firm over the long term, that probably isn't healthy," Harper said. "It would be welcome to see more venture participation in the companies in this area just because we want to see the ecosystem grow. There are other VCs that are increasingly either co-investing with us, which is a great model, or just starting companies up on their own here. I think that is good for the ecosystem."

— Amy Stulick

Westlake Village BioPartners

FOUNDERS: Sean Harper and Beth Seidenberg

BUSINESS: Venture capital firm for the life sciences

LOCATIONS: 1

EMPLOYEES: 8

NOTABLE: Two funds totaling \$500 million announced to grow biotech startups

BUILDING MORE WET LABS

Startups typically seek 70 percent R&D space and 30 percent offices.



Life science companies have particular needs when it comes to office and laboratory space, and developers have started to build inventory in the Conejo Valley.

Pasadena company **Alexandria Real Estate Equities** has jumped at the chance to enter the market, partnering with venture capital fund **Westlake Village BioPartners** to build wet lab space for the firm's portfolio companies.

The life science facility developer plans to build out a 130,000-square-foot, three-building campus at 1280-1290 and 1300 Rancho Conejo Blvd. in Thousand Oaks. **Patrick DuRoss**, senior managing director at the Calabasas office of commercial real estate brokerage **Newmark** brokered the sale to Alexandria.

So far, Alexandria has finished 30,000 square feet of space, the VC firm said. Alexandria declined to comment for this story.

Also, **HATCHspaces** has been catering to the Conejo biotech market since 2018, converting office space at 1525 and 1535 Rancho Conejo Blvd. into certified lab space, and more recently purchasing a former Amgen facility at 2495 Teller Road in December.

"We built out the labs for **Instill Bio**, our tenant at the Hatch Campus facility in Thousand Oaks in a six-week window of time, which is a pretty fast build out for any type of space, but extraordinarily fast when it comes to a life science spinout or an improvement project," said **Allan Glass**, managing partner of **HATCHspaces**. **HATCH** has been working with Chicago-based **Singerman Real Estate** through a joint venture for property development.



On Site: HATCHspaces' Allan Glass in Thousand Oaks.

PHOTO BY DAVID SPRAGUE

Added Glass: "Most of these companies don't have the luxury of waiting around for lab space to present itself to market. ... They typically can't make those decisions or commit to space until they get around to funding close. Once they do, they need to be in the lab yesterday."

Turnkey lease options

It takes on average 10 to 12 months to build out space suitable for a life science tenant, the developer said — typically 70 percent wet lab and 30 percent regular office space.

Having "second generation" space, as Glass called it, ready-to-go turnkey property like its recent Amgen purchase, is essential to growing a biotech cluster.

"As some of these leases roll over ... then opportunities for tenants broadens," explained Glass. "That adds to the infrastructure that helps build a cluster. Without a base of usable space or purpose-built space for the life sciences, then what's happened in the past, and will continue to happen most likely in Los Angeles, is these companies faced without an option here will be forced to relocate to some-

where like San Francisco or San Diego."

Glass noted that L.A. isn't just a "fly over zone" between San Diego and San Francisco anymore — it's on the biotech radar thanks to big players like Alexandria and Westlake BioPartners taking an interest in the area. That also means demand for space has increased during the past several years, he said.

"That's a function of two things: COVID and new requirements for therapies around COVID-related uses, and secondly an increase in funding from venture capital and private equity into the life science markets, which is creating demand for more space from the existing companies that are here," said Glass.

COVID has not changed the way life science spaces are built, added Glass, since certification requirements for wet lab space are already set to a high standard.

"Wet lab space is uniquely positioned or built to be adaptable to a COVID world," added Glass. "At least in our spaces, wet labs have their own ventilation system. You're not recirculating air among several companies. The cleanliness standards for a lot of these labs are a lot higher than what you'd typically see in an office."

— Amy Stulick

HATCHspaces

CO-FOUNDERS: Allan Glass, Howard Kozloff

PORTFOLIO: 5 locations

ESTABLISHED: 2018

NOTABLE: Bought former Amgen small molecule facility in Thousand Oaks for redevelopment as wet labs.

BIOTECH

SPECIAL REPORT

CONEJO CONVERT

Three years ago, Michael Castagna moved MannKind to Westlake Village from Valencia to help the company hire and retain top talent.

By AMY STULICK Staff Reporter

Michael Castagna is chief executive of biopharmaceutical company MannKind Corp. in Westlake Village. Prior to working at MannKind, Castagna served in various executive roles at Amgen Inc. in nearby Thousand Oaks, and its New York rival Bristol-Myers Squibb. MannKind, founded by late billionaire entrepreneur Al Mann, moved to the Conejo Valley from Valencia in 2017. Currently, MannKind is focused on developing drug treatments for rare lung and endocrine diseases while continuing to market its flagship drug Afrezza, an inhalable insulin treatment for diabetes. MannKind currently has 250 employees and expects to add 100 employees by this time next year, Castagna said.

MICHAEL CASTAGNA

Title: Chief executive

Company: MannKind Corp.

Born: New Jersey

Education: Massachusetts College of Pharmacy and Health Sciences

Most Admired: Philadelphia Eagles NFL team

Hobbies: Travel, car shows, children — three with one on the way.



PHOTO BY DAVID SPRAGUE

Question: Why did you move the company to Westlake Village four years ago, from its hub at the Mann Biomedical Park in Valencia?

Answer: At the time, we were hiring our people, we were recruiting quite a few from Amgen who just had a bunch of layoffs, so we were getting some good talent. We were a small company back then. We're still small, but half our employees were commuting from Ventura County and L.A., Santa Monica and that area. Whether people commuted to Valencia or they commuted to Westlake, it was like splitting hairs and we were growing out of our space at that time, so rather than reestablish ourselves up there, we decided to move our offices here.

And the space you chose was the right fit?

It just so happened to be that Kythera was exiting. We just did a plug-and-play office space wise; we didn't have to do a buildout. We saved a lot of money by getting an existing space without any real investments or tenant improvements. We were able to get a turnkey office space. We took over half the building at the time and they agreed to leave the other half open until they found a tenant, and then we decided to take over the whole space because we felt we would keep growing as we stabilized the company. So now we have the whole floor in Westlake Village and that has worked out well, since we can bring people back to the office safely under COVID. I would expect

people to get back into the office in the next month or two.

How else has the Conejo Valley location helped the company?

We felt that we could recruit here, we were moving finance and human resources back to California from Connecticut, and at that time we said we could recruit enough key talent for those positions, whether it was from Amgen or from other adjacent companies.

Any jobs that have been hard to fill?

Regulatory. It has nothing to do with MannKind or the location, it's just that there isn't a lot of good talent available in this space. It's probably the one area in the market that is just scarce, the entire U.S. market, not just L.A.

Do you think companies with a physical space here might have an edge?

I think the jury's still out. Everyone's working remotely right now. It's easier to run a company when everyone's virtual. I agree, small companies need that collaboration and communication, but I'm also on Zoom meetings with these companies and the executives are all over the world or the country, and they're moving their companies forward.

How does COVID factor in?

It's opening up my mind and the minds of other executives here. We talk to each other locally, given how well we're working under COVID, I think it's really opening up your talent pool

to be anywhere in the world, or in the U.S. for that matter, and so while the headquarters may be here, some of the key executives and teams could be based in other parts of the country or world, and I think that's going to make the scene more viable. It is hard to get people here sometimes, especially for smaller companies where, the more you can say you don't have to move for the next year or so, until we continue to prove the proof of concept down, I think you're going to see these small companies be able to recruit key talent above their weight.

'From my perspective, the politicians in this state don't embrace the industry as much as they should.'

MICHAEL CASTAGNA
MannKind Corp.

How does Conejo compare to other biotech hubs such as Boston and San Francisco?

This will become a nice cluster of companies over the next five to 10 years and partially it's because there isn't a lot of big pharma in Bos-

ton. Yes, there's a lot of academic innovation, life science, which is great. Northern California is too expensive. It's hard to build your talent base, build an established company up there because people can't afford to live there. Not that down here is that much cheaper, but it's cheaper than San Francisco.

And San Diego?

There's a lot of medical device, lab innovation there. I think what you're going to see is a nice opportunity here in the Westlake Village area that platform companies, whether it's biologics, dermatology, transdermal delivery, I think you'll have a nice little sector of companies here coming out of Amgen ex-executives and investments from Westlake Village BioPartners.

What do you think the Conejo Valley still lacks for more biotech growth?

I'm less worried about manufacturing these days. I think that's much easier to be put anywhere, I don't think we need a big manufacturing base here. But people need to understand how to outsource and do (computer numerical control) work. The next part is tax incentives, or employment incentives, congressional support. I think those are still lacking. From my perspective, the politicians in this state don't embrace this industry as much as they should. If you want to see it spark some more, put some innovation grants in place, help provide some seed capital to companies to create jobs here in L.A. and Ventura County.