

Paper for: The LEP Board

Title: Agenda Item 7 – GMC Life Sciences Fund (2) by Praetura

Date: 19th October, 2022 (Re-issued after cancellation of 14th September)

Strategic Purpose: Supporting Strategic Aims

Resource Implications: Use of Growing Places Fund

Board: To approve a co-investment proposal by Praetura and to delegate authority to sign agreements, as required, to the chair and deputy chair

Introduction

Board directors are familiar with the LEP involvement as one of three investors in the GMC Life Sciences Fund managed by Praetura. Directors will also recall that the fund has a minimum commitment from investors of £20M (£5M from the LEP), increasing up to say £25M (£10M from the LEP), should the LEP achieve a good return from its investment in the LSF1 fund. The LEP had positioned meeting its' commitment to the second fund by investing the returns from the first fund as they became available recognising that may take several years. Further, that in the event of timing differences between returns from LSF1 and investments into LSF2, or a shortfall in returns from LSF1, to underwrite the commitments from the Growing Places Fund.

One of the conditions placed on Praetura in winning the contract to manage the fund is to secure match funding from other sources to leverage the investment capabilities of the fund. This is typically achieved by co-investing with other funds, business angels etc.

Recent Developments

Since the formal launch of the fund in May, there has been significant interest in the LSF2 fund. Over 100 applications have been received and several potential investments have progressed through investment committee. With the first transactions in legal contract finalisation, the first calls on the fund are expected in September.

In recent weeks, discussions regarding match funding with one party have progressed to the point of heads of terms. The potential investor, who needs to remain confidential for the time being, is seeking to join forces with the GMC Life Sciences Fund and bring an additional £40-60M to the investment capacity. Praetura will continue to source the transactions and lead negotiations with investee companies. The conditions for the funds to be invested in Cheshire and Manchester will remain in place, as will the wider commitments to social value and inclusivity. Rather than invest in the fund directly, investments would be made under a co-investment agreement, i.e., both funds collaborating with each other, which will set out the proportions each fund carries of any particular project and the distribution of returns.

A separate confidential briefing note has been prepared by Praetura and shared with directors.

Funding and Legal Implications

We understand that the potential investor wishes to fulfil their commitment to invest to the fund on signature of the agreements and will require the existing investors to do likewise. This is an acceleration of the requirement to fund the GMC Life Sciences Fund and, should we go ahead, will

require the LEP to draw down funds from GPF in the short-term replacing them as and when returns are received from LSF1.

Because the LEP is an investor in the GMC Life Sciences Fund, the LEP will be a signatory to the co-investment agreement along with GMCA and Bruntwood Scitech. Legal advice will be obtained jointly for the three existing investors from Eversheds, who supported the establishment of the fund and the contracting with Praetura.

Recommendation

The board is asked to approve:

- the proposal by Praetura for the GMC Life Sciences Fund to enter into agreements with a third party, thereby securing an additional £40-60M of investment capacity for Manchester and Cheshire and Warrington.
- In anticipation of the transaction moving to execution, delegate authority to the chair and deputy chair to execute the required agreements.