

Summary

Respondent	Qualification & Experience	Responsiveness To RFP ("Overall understanding and description of the Scope of Work")	Cost Example (\$20M Loan/6yrs)	Innovation* ("Effectiveness in advancing CIRM's mission")	Pros	Cons
Summary	<p>Two relatively young companies in biotech/life sciences sector (Adjuvant and ORIX)</p> <p>One young bank (Square 1 Bank est. 2005);</p> <p>Two established banks: Comerica largest, SVB</p> <p>Adjuvant and all banks have life science experience; ORIX does not.</p>	<ul style="list-style-type: none"> - No clear high or standout performer in terms of level of detail provided & demonstrated understanding of the requested scope of work - Need to understand level of control over decision making that CIRM will have...proposals do not fully bear this out - SVB provided the least detailed submission; - All responded to inquiry re federal loan guarantee except SVB, but only Square 1 and Comerica have prior experience - References: Comerica provided 5 references; SVB 1 reference; others provided 3 references 	<p>The two most cost effective proposals for loan underwriting and management are from Comerica (\$120K) and Square 1 (\$71K); both involve fee for service model. Third was Silicon Valley Bank at an estimated range between \$670M - \$1.1M</p> <p>Warrant Mgmt: Most cost effective is Square 1 (.5%) for Fee for Service model; next is Silicon Valley Bank at 5%; then Adjuvant at 9.5% and finally ORIX at 20%; Comerica cannot provide this service in-house</p> <p>All will carry additional costs for legal fees and other services which are not clearly specified or estimated.</p>	<ul style="list-style-type: none"> - All but Comerica can provide in-house warrants management - Only 2 responders would originate loan (SVB and Square 1) - Possibility of follow on financing with SVB ("take out financing"), Comerica (strong relations with VC and private investors), and possibly Square 1 ("established network of relationships nationwide") 		<p>Following Banks require or favor banking relationship: Square 1 for loan origination approach and Silicon Valley Bank (for lower interest spread)</p>

Summary of Rankings

Respondent	Qualification & Experience	Responsiveness To RFP "overall understanding and description of the Scope of Work"	Cost Ranking (\$20M Loan/6yrs)	Innovation* Effectiveness in advancing CIRM's mission	Loan Administration with Costs <i>*Some of these calculations are based on assumptions made by CIRM staff. The actual costs may vary depending upon the accuracy of CIRM's assumptions.</i>	Warrants
Adjuvant Capital Partners	Low	Low	Very Low	Low	\$1.5M	9.5%
Comerica Bank	High	Medium	High	Low to Medium	\$125K	N/A
ORIX Venture Finance	Low	Medium	Very Low	Low	\$1.025M	20%
Silicon Valley Bank	High	Low to Medium	Medium	Low to Medium	*\$620K - \$1.1M	5% @ exercise
Square 1 Bank	Medium to High	Medium	High	Medium to High	\$71K (Fee for Service Model); *\$2.1M - \$3.5M (Loan Origination Models)	0.5%; 1%; 2% @ exercise depending on fee model

Detailed Review

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Adjuvant Capital Partners – Fee for Service	Ranking: Low <ul style="list-style-type: none"> . New firm . Life Science Experience 	Ranking: Low <ul style="list-style-type: none"> . Ex 2 does not appear to list all costs . Provided detailed list of references . Questions as to whether can meet 4 week financial due diligence timeline; . Seeks to transfer the high costs imposed on CIRM by having CIRM charge Loan Applicant . Did not select a funding vehicle proposed in the RFP because it would require Adjuvant to work “at risk” until the loan is funded. 	Ranking: Very Low Wants a management fee of greater of 1.1% or total allocated capital or \$1.5M (all inclusive) and suggests that CIRM offset this by charging a processing fee (\$250 -\$500) along with an upfront “facility fee of 1.5% of the total loan amount) along with a .5% monitoring fee. Total for 6 yr \$20M loan is 1.5M Upfront non-refundable fees for DD \$5K to \$25K estimated Warrants: 9.5% of exercise value	Ranking: Low <ul style="list-style-type: none"> . No proposals provided to reduce administrative burden on staff or on loan applicants . No experience with federal loan guarantees 	Experienced with milestones	<ul style="list-style-type: none"> . Goal is to manage \$250M
Comerica Bank Fee For Service	Ranking: High <ul style="list-style-type: none"> . Large bank (67B in assets), . Has financed early stage life science companies (\$5B) . Loan Applicant’s single point of contact is the Tech and Life Sci. section...but only since 2006; prior lending experience does not call out life sci. as a specialty; but dealt with LS companies as MBA student 	Ranking: Medium <ul style="list-style-type: none"> . Good summary of \$20M loan, total costs . Responsive to inquiry re federal loan guaranty and has experience in working with federal loan guarantees through the SBC Loan program . Provided detailed description of services . Provided detail on references . Provided detail review of CIRM’s contract 	Ranking: High <ul style="list-style-type: none"> . \$5K nonrefundable application fee . Loan Underwriting and Diligence: \$25K at close and \$15K/yr or \$20K/yr. PLUS EXPENSES (including attorney fees) . Total over 6 years: \$120K - \$125K . Warrant Fee – N/A 	Ranking: Low to Medium <ul style="list-style-type: none"> . No proposals provided to reduce administrative burden on staff or on loan applicants . Cannot provide warrant management services . Relationships with VC and private investors for possible follow on financing 	<ul style="list-style-type: none"> . Maintains strong relations with VC and private investors – . Will track compliance such as IP reporting . Has experience with federal loan guarantee programs 	<ul style="list-style-type: none"> . Cannot provide warrant mg . Will require right to termin and assign contract . Would require elimination c negligence from the indemni provision of our std contract, but this may be negotiable.

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<p>ORIX Venture Finance (Fee for Service)</p>	<ul style="list-style-type: none"> . Ranking: Low . Not as experienced as others . Key employee bios do not disclose life science/biotech experience . "Current exposure to biotechnology and life sciences is negligible" (p5)- not clear they ever had much experience in this sector . This division has been in business since 2001 . \$800M/70 venture debt transactions 	<ul style="list-style-type: none"> . Ranking: Medium . The RFP requires repayment of principle at the end of loan term; ORIX proposes that "interest <u>and/or principle</u>" payments on the loan be made quarterly with ORIX deducting the fees owed it before directing payment to CIRM (p14) . Addressed federal guarantee program (but no experience) . Demonstrates an understanding that CIRM will define underwriting framework 	<ul style="list-style-type: none"> . Ranking: Very Low . <u>Financial DD</u> = Initial DD upfront fee: greater of 25k or 0.5% of loan (\$100k for a \$20M loan) plus additional 0.5% of loan if funded (\$100K) PLUS out of pocket costs Annual Management fee of 1% of loan or \$250K if total loan portfolio is less than \$25M. For \$20M loan costs would be: DD - \$200K (plus out of pocket expenses) plus Management Fee of \$825K over 6 yrs = \$1.025M Total . <u>Warrant</u> – 20% of exercise value (no fee for warrant management) . Would consider an hourly rate of \$400 - \$500 for DD instead of flat fee 	<ul style="list-style-type: none"> . Ranking: Low . No proposals provided to reduce administrative burden on staff or on loan applicants . No cash flow preservation mechanism proposed on loan . Cash preservation with respect to warrants (no fee, 20% assignment instead) 	<ul style="list-style-type: none"> . Willing to provide portfolio mgmt or warrant mgmt even if not chosen as underwriter . Will identify means to reduce loan risk (e.g. milestone funding, delayed project initiation for further capital raising (p7) . Understands CIRM's desire to define underwriting framework and is flexible in that regard (p7) 	<ul style="list-style-type: none"> . <u>Expensive Overall:</u> . <u>Limited Flexibility to Alter Agreement:</u> 2 yr. initial contr required for services with on yr. automatic renewals if not to cancel not received within days . Will include "opt out" clause for "both parties" – e.g. terminations for cause, same provisions for both parties (e less . Anticipates term sheet stag with loan applicant (unclear how this stage of negotiation will impact attorney fees)
<p>Silicon Valley Bank Loan Origination (with CIRM providing collateral)</p>	<ul style="list-style-type: none"> . Ranking: High . Debt financing for 25 yrs to "pre-revenue life science companies" . Strong life science experience . Only 1 reference provided but it is the Export Import Bank of US having a loan guarantee program . No description of personnel 	<ul style="list-style-type: none"> . Ranking: Low-Medium . Not detailed 	<ul style="list-style-type: none"> . Ranking: Medium . <u>Loan Fees</u> . Paid on a spread; no other loan fees . Over \$10M spread is .75% if there is a banking relationship, otherwise 1.25% Total Cost over 6 yrs ranges from \$620M - \$1.1M assumptions. . <u>Warrant Fees</u>- 5% of exercise value 	<ul style="list-style-type: none"> . Ranking: Low-Medium . MAY BE WILLING TO PROVIDE TAKE OUT FINANCING WHEN LOAN TERM EXPIRES (p4) . Although SVB originates loan, it requires cash collateral so no cash preservation 	<ul style="list-style-type: none"> . Has infrastructure in place to manage and monitor warrants . SVB may agree to provide "take out" financing . Will perfect IP and other assets (but perfection of IP may be of concern to Applicant) 	<ul style="list-style-type: none"> . Banking relationship required or the spread will be higher (c) . Very restrictive loan covenants typical of loans in industry (c) enter into other debt, lien assets, change mgmt or biz model, dispose of IP or asset:

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<p>Square 1 Bank</p> <p><u>3 models:</u></p> <p>a) Bank originates loan with CIRM Guarantee</p> <p>b) Bank originates loan with CIRM collateral 105%</p> <p>c) Fee for service</p>	<p>Rating: Medium - High</p> <p>Financial services company with a life sciences specialty</p> <p>The sr. mgmt. of the life sciences team has been working together for 10 yrs</p>	<p>Rating: Medium</p> <ul style="list-style-type: none"> . Addressed federal loan guarantee program . Requires principle payments to be made prior to end of term (not permitted) <p>. With CIRM Guarantee model, may have cap on lending threshold</p>	<p>Rating: High (fee for service)</p> <p>#1) Guarantee: \$3.5M*</p> <p>#2) Cash Collateral 105% (CD rate): \$2.1M*</p> <p>#3) Fee for Service: \$71K</p> <p>Warrants:</p> <p>#1 Guarantee: 2% @ exercise</p> <p>#2 Cash Collateral: 1% @ exercise</p> <p>#3 Fee for Service: 0.5% @ exercise</p>	<p>Rating: Medium - High</p> <ul style="list-style-type: none"> . Provided three different models. . Provided a loan origination vehicle which although expensive would provide a mechanism to preserve CIRM's cash 	<ul style="list-style-type: none"> . Experience with federal loan guarantee program in alternate biofuels 	<ul style="list-style-type: none"> . Requires banking relations under the loan if originating loan. If originate loan, will require a blanket lien on all personal property . Wants to use standard loan agreement...not clear how flexible they will agree to be especially for loan origination method . Bank to do DD on CIRM as guarantor . Monthly interest requested non-fee for service models b "auto-debit".