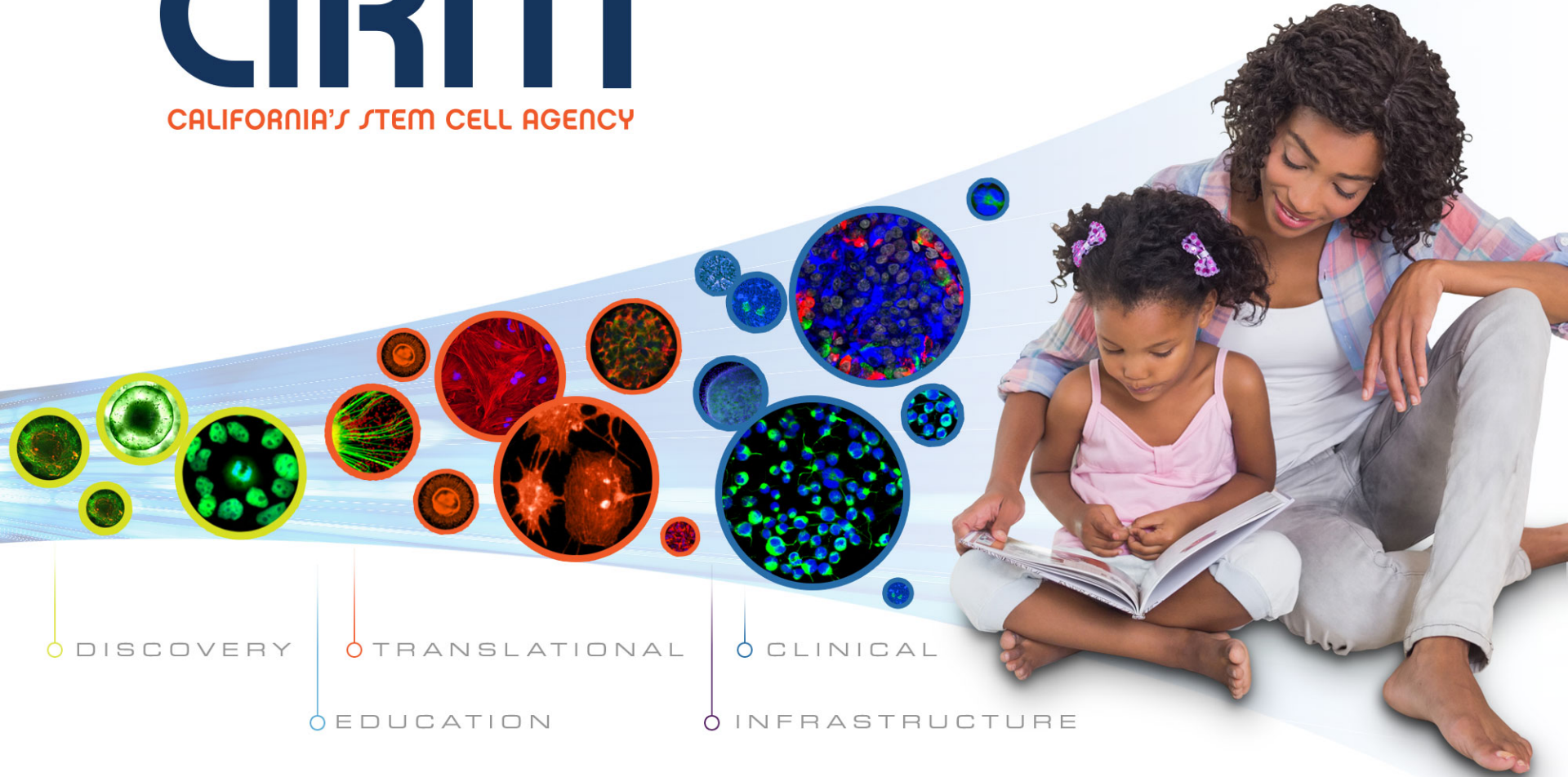


May 18, 2015

CIRM

CALIFORNIA'S STEM CELL AGENCY



○ DISCOVERY

○ TRANSLATIONAL

○ CLINICAL

○ EDUCATION

○ INFRASTRUCTURE

Intellectual Property & Industry Subcommittee

Consideration of Loan Option Policy

James Harrison

CIRM Loans

- CIRM established loan program in 2009.
- Original aims included re-investing loan proceeds into new research programs and offering industry alternative to grant program.
- To date, CIRM has made five loans, two of which are outstanding.

CIRM Loans

Loan Number	Loanee	Status	Award Amount	Amount Disbursed	Amount Forgiven	Amount Repaid
TR2-01844	iPierian, Inc.	Forgiven	\$3,679,947	\$2,410,000	\$2,410,000	\$0
CT1-05168	Geron, Inc.	Repaid	\$24,846,856	\$6,405,771	\$0	\$6,459,170
DR1-01423	Viacyste, Inc.	Active	\$22,999,933	\$22,999,933	\$0	\$0
DR2A-05416	Stem Cells, Inc.	Forgiven	\$19,309,403	\$9,580,807	\$8,901,641	\$679,166
DR2A-05735	Capricor	Active	\$19,782,136	\$9,155,857	\$0	\$0

CIRM Loans

- Reviewed loan program in order to evaluate whether it should be maintained in light of goals of CIRM 2.0.
- Concluded that program, if modified, could serve goals of CIRM 2.0.

Proposal

- Permit recipients of CIRM's clinical stage project awards (PA-15-01, 15-02 and 15-03) to elect to convert their awards from a grant to a loan within the earlier of marketing approval by the Food and Drug Administration or seven years from the effective date of the award.
- Require awardee to repay the loan balance within ten days of making the election to convert from a grant to a loan, unless the parties agree to different terms.
- Set rate of repayment based on the date of repayment, and require higher rate the later the repayment occurs. (CIRM is in the process of gathering additional information in order to determine the appropriate rate of return.)

Proposal

- Conversion from a grant to a loan would become final only after the awardee has satisfied the terms of the conversion.
- CIRM's access, pricing, and march-in rights regulations would continue to apply an awardee that converts its award from a grant to a loan.

Advancing CIRM's Mission

Loan option would advance CIRM's mission to accelerate the delivery of stem cell therapies to patients with unmet medical needs in three ways:

1. Designed to encourage industry involvement in the commercialization of CIRM-funded inventions by offering an alternative to the traditional grant and loan options;
2. Creates an incentive for awardees to repay CIRM early, so that the agency could use the proceeds to make new research awards; and
3. Increases efficiency by eliminating complexity, reducing the administrative burden of negotiating separate loan agreements, and enforcing a separate administrative policy to cover loans.

Recommendation

Recommend Board approval of a modified loan program for clinical stage program awardees and request that the Board delegate responsibility to the Intellectual Property and Industry Subcommittee to set the rate of return on an interim basis, pending final approval by the Board of the Grants Administration Policy for Clinical Stage Program Awards.