



MEMORANDUM

TO: Members of the Finance Subcommittee

FROM: CIRM Staff

RE: Recommendation of Amendment to the Interim Loan Administration Policy

DATE: October 20, 2009

.....

Background

At the ICOC's January 30, 2009 meeting, the Board approved CIRM's Loan Administration Policy. The LAP, which became effective on June 15, 2009 as an interim regulation, requires a loan applicant to indicate its preference for either a recourse or non-recourse loan at the time the loan application is submitted. If an applicant elects to apply for a recourse loan, the LAP also requires the applicant to indicate, at the time of application submission, if the applicant would accept a non-recourse loan if deemed ineligible for a recourse loan.

This requirement is undesirable as it forces an applicant to make a determination before it knows whether it is eligible for a recourse loan. An applicant that knows that CIRM has determined that it is not eligible for a recourse loan may be more willing to accept a non-recourse loan after, rather than before, the determination has been made. The proposed process for the financial review of loans, if approved, would permit an underwriting review in advance of the ICOC meeting and allow staff to apprise the ICOC of the applicant's position without having to require the applicant to make a determination of the form of loan it wants before being apprised of its options.

Allowing CIRM the opportunity to work with an applicant to determine whether it will accept conditions on a recourse loan or a non-recourse loan would also further the goals of the loan program and support its success.

Recommendation

In order to ensure fairness and flexibility, CIRM staff recommends amending the Loan Administration Policy to require the loan applicant to indicate its preference for a recourse or non-recourse loan. The other changes proposed below are intended to clarify the policy.

Interim Loan Administration Policy; I. Loan Application Process, Pgs 11-12

1. CIRM Loan Application Form

By the application deadline for an RFA that offers Loan funding, a Loan applicant must submit a Loan application form. The applicant must *also* indicate its preference ~~among available Loan terms for that RFA, e.g., Recourse, Non-Recourse, Loan Term, etc. between a Recourse or Non-Recourse Loan and a 6-year or 10-year loan term (or other Loan Period that the Finance Subcommittee has authorized for the RFA).~~ ~~If an Application seeks Recourse Loan funding for a project with scientific merit, However,~~ the ICOC may deny the Application, *regardless of the scientific merit of the project*, if the applicant does not meet the credit standards *required for Recourse Loans a Loan. Alternatively, the applicant in such a case could be offered a loan with certain conditions imposed. For example, an applicant preferring a Recourse Loan might be offered a Non-Recourse Loan or an applicant requesting a 10-year term might be offered a 6-year term.* ~~Accordingly, applicants that prefer Recourse Loans must indicate whether they would accept Non-Recourse Loan funding as an alternative.~~ ~~Applicants must also indicate on the application whether they seek a Loan Period of six or ten years (or other Loan Period that the Finance Subcommittee has authorized for the RFA).~~ If a Loan applicant is a Non-Profit Organization, the loan application form must be submitted by the proposed Debtor.