



TO: Members of the IP & Industry Subcommittee

FROM: C. Scott Tocher, Deputy General Counsel

DATE: August 20, 2015

RE: Amendment to Loan Administration Policy to Permit Conversion to Grant

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Beginning in early 2009, CIRM supplemented its grant funding by offering research loans to organizations. The Loan Administration Policy (“LAP”) covers the procedures that apply to such loans. The LAP distinguishes between loans that must be repaid only in the event the CIRM-funded project is successful (“product-backed” loans) versus loans that must be repaid regardless of the success of the project.

In the event that the CIRM-funded project is not a successful, a Product-Backed Loan is automatically forgiven if, among other things, the loan recipient complies with reporting requirements and abandons the project. Under these circumstances the loan recipient’s obligation to repay the loan is extinguished. However, a loan that has been forgiven will automatically be reinstated in the event that the loan recipient obtains revenue arising in whole or in part from the CIRM-Funded Project. If the Loan Recipient’s obligation to repay has been forgiven and if further activity results in a repayment obligation, the Product Backed Loan will automatically be reinstated under terms that the Intellectual Property and Industry Subcommittee approves. Because of this springing obligation, a loan recipient whose loan has been forgiven may be required to continue to carry the loan as a liability on its books indefinitely.

To provide clarity regarding future obligations, CIRM proposes giving existing loan recipients whose loan has been forgiven by CIRM the option to convert their loan to a grant and forego reinstatement of a forgiven loan. In this way, loan recipients will be automatically governed by the revenue sharing (and other) principles of the agency’s intellectual property regulations in the event future revenue streams are realized. This will be particularly important in the event future revenues are realized after CIRM has exhausted its funding.

Because the LAP is a regulation, CIRM requests authorization to initiate the rulemaking process to amend the LAP to provide for the conversion described above.

Attachment