

Staff Review of Delegated Underwriter Proposals

Summary:

For the most part, the underwriting and loan services described by all five respondents are similar. They all will evaluate reasonableness/potential for success of the business plans, and they provide monthly monitoring. The distinguishing characteristics are mainly cost (Square 1 and Comerica are most cost effective), experience (Comerica, Silicon Valley Bank (“SVB”) and Square 1 are the strongest), the ability to manage in-house the warrants (Comerica does not have this capability, all others do), the type of vehicle they propose (Fee for Service vs. Loan Origination). Only two banks would originate the loan (SVB and Square 1). However, since SVB requires cash collateral, only Square 1’s model provides cash preservation via a CIRM guarantee. Some contractual terms provided by respondents (e.g. Comerica’s request for the right to assign) were troublesome, but it is our intent to negotiate the scope and terms of the agreement with whomever the Finance Subcommittee selects, so we did not view this as a significant factor.