MEMORANDUM

TO: Members of the Science Subcommittee

FROM: Legal Team

RE: Consideration of adoption of the interim Grants Administration Policy for Clinical Stage Projects

DATE: January 16, 2015

Executive Summary

The mission of CIRM is to accelerate the development of stem cell therapies to patients with unmet medical needs. To better serve this mission, CIRM is overhauling the manner in which it does business, referred to as "CIRM 2.0" in previous communications with the Independent Citizens Oversight Committee ("ICOC"). CIRM will implement a more streamlined process for awarding and administering grants that will include frequent and predictable submission opportunities followed by rapid review, quick funding decisions, streamlined contracting and the prompt initiation of research. Post-award, CIRM intends to become a more active partner with its recipients to further increase the probability of timely success.

At its last meeting, the ICOC approved the concept plan for a trio of program announcements to expedite support for the clinical stage candidate stem cell therapies that demonstrate scientific excellence. Under this initiative, CIRM will provide funding for eligible projects that are completing late stage preclinical development through any stage of clinical trial activity.

To accomplish this, CIRM has established an open call for proposals and will accept applications on a monthly basis for three complementary award types. As part of the process of implementing these proposals, CIRM must adopt a new Grants Administration Policy ("GAP") to govern these awards. The CIRM team requests input from this subcommittee on the attached interim policy and to recommend adoption by the ICOC to begin the process of finalizing the interim GAP.

I. Background

CIRM's Grant Administration Policy for Academic and Nonprofit Institutions – the GAP – sets out the detailed rules for management of CIRM awards. The GAP is generally modeled on the NIH's Grants Policy Statement, with differences that reflect CIRM's distinct role and mission.

The GAP was adopted by the ICOC in December 2006. On three subsequent occasions, the ICOC adopted amendments intended to further clarify certain provisions,

simplify some requirements, and incorporate several modifications based on experience with the GAP.

The CIRM team regards the proposed interim GAP as the starting point for drafting a final policy that will govern clinical stage projects. In light of the fact that the deadline for the first round of applications falls at the end of this month, and to ensure that rules are in place to govern the application, review and administrative process, CIRM must avail itself of its statutory authority to adopt the GAP on an interim basis, to be followed by the permanent regulatory adoption procedure as administered by the Office of Administrative Law. With the approval of this interim policy by the ICOC, the CIRM team will initiate the formal rulemaking process. Accordingly, this subcommittee and the ICOC will have additional occasions to review and comment upon the final GAP.

II. Interim GAP Components

The proposed interim GAP follows the same basic template of the existing policy that applies to currently active and former grants. This policy is chronologically organized to govern the grant-making process, addressing the primary areas of the application and review process, the pre-award and award requirements, and the rules governing payment and use of funds as the grant is funded. In creating this interim GAP, the CIRM team reviewed each aspect of the existing policy through the lens of the new Clinical Stage Programs and its requirements. The result is a policy designed to attract more high quality applications, reduce the cycle time from application to project start, accelerate progression of funded projects, and provide for more efficient administration of the projects.

A. Part I. General Information

This section contains introductory information regarding CIRM's mission, a glossary of terms used in the policy and generally describes the roles and responsibilities of key individuals in the grantee organization. To eliminate potential confusion and to conform with the structural reorganization at CIRM, the prior CIRM team roles are eliminated. Another important conforming change is the description of the role of the Clinical Advisory Panel ("CAP"). A combination of the CDAP and Accelerated Development Pathway concepts, CAPs will provide real-time course correction and will focus more on acceleration opportunities than pure evaluation. CAPs will be tailored for the needs of each project and will consist of CIRM and external members, more nimbly sized than prior CDAP panels. CAPs will meet on a quarterly basis (instead of annually with CDAP) and examine all relevant information regarding project progression, possible roadblocks, and avenues for progression. The CAPs will report to the Grants Working Group ("GWG") and CIRM on a regular basis.

B. Part II. Grant Application and Review Process

As in Part I, Part II has been tightened to remove unnecessary restrictions or processes not vital to successful implementation of late-stage clinical projects. The eligibility section has been drafted to reflect that applicants will undergo a background check to ensure no prior or pending records of fraud or misuse of funds.

One of the key features of the new approach approved by the Board will be the performance of a key external budget review as soon as the application is received. This new review will examine the proposed budget to identify where proposed costs diverge from established market rates and where opportunities for budget tightening may be found. To incentivize efficient budgeting, where CIRM determines that a budget differs significantly from market rates, conforming adjustments will have to be made before the application will be brought forward for review by the GWG. This budget review is in addition to existing budget analysis by the CIRM team, GWG or ICOC.

Because CIRM's strategy is to prioritize funding projects that score very highly during scientific review at the GWG, the recommendation tiers described in the "Application Review" section (III.D.) now reflect this goal.

The GAP is also streamlined with respect to criteria for review of research applications. Preserving flexibility for modification in a given program announcement or RFA, the GAP now distills the primary criteria to four: 1) project significance/impact; 2) rationale; 3) project plan/design; and 4) feasibility. These four criteria will assist the agency to identify and promote projects that show a promise of success and are structured soundly.

Finally, in light of the rolling nature of the programs which will allow unsuccessful applicants in many instances to reapply with improvements to their applications, CIRM will limit the grounds for appeal of Scientific Review to those based on demonstrable conflicts of interest (as defined in the conflict of interest policy applicable to GWG members).

C. Part III. Pre-Award and Award

A key bottleneck that has prolonged the grant-making process at CIRM is in the area of pre-award activities after the ICOC has approved an award but before the Notice of Grant Award has been issued and research begun. Instead of consuming several months for this step, CIRM's goal is to reduce this period of time to just 45 days. Accordingly, this section of the GAP places emphasis on efficient administration of the contracting process. Rather than require submission of extensive documentation regarding compliance with myriad protocols and processes – some CIRM-imposed and others external – the proposed process will rely on certification of compliance by the applicant, with the ability for CIRM to request supporting documentation if cause to do so arises.

D. Part IV. Payment and Use of Funds

Prior to CIRM 2.0, payments to grantees were made primarily based on the calendar – disbursements keyed off the start date of the project and were periodically made based on some given period of time following that date. Under the proposed GAP, however, for clinical stage projects, CIRM will shift to a milestone-based payment schedule. Thus, this section of the GAP describes the importance of the milestones and how payments on the grant will only be made upon successful completion of the milestones. Additionally, in many circumstances the grantee will be allowed to keep unspent CIRM funds upon successful completion of the project, to be spent on any other project of the grantee's that is consistent with advancing CIRM's mission[1]. This new process will

incentivize grantees to advance the project in the most efficient and shortest time possible, fulfilling CIRM's goal to accelerate such projects.

Another simplification embodied in the new GAP is the section regarding Prior Approval Requirements. Because most prior approval requests were routinely granted, and therefore added little value to the process, prior approval requests for rebudgeting and carryforward have been eliminated. We have also eliminated prior approval requests for no-cost extensions because our new CIRM awards will have project end dates that will be extended automatically as needed to complete the final Operational Milestone. CIRM intends to increase the latitude for grantees to pursue their research, while maintaining visibility into and approval of any changes to key components of clinical trials, manufacturing processes, or any other activities that meaningfully impact milestones or suspension events.

Because a CAP will meet with a project team on a quarterly basis to review the team's progress and provide expert advice, progress reports will move to a quarterly basis to enable productive CAP involvement. In addition, because payments are keyed off milestone achievement or suspension events, the grantee will promptly report the occurrence of either.

III. Recommendation

The CIRM Team requests the subcommittee recommend the ICOC adopt the Interim Grants Administration Policy for Clinical Stage Projects.