

IMPORTANT NOTICE TO CALIFORNIA VC FIRMS
California Financial Lenders Law

The California Financial Lenders Law (CFL) requires the licensing of persons engaged in the business of making consumer or commercial loans. **Currently, venture capital firms that make bridge loans to their portfolio company are required to be licensed under the CFL**, through the Department of Corporations.

Recognizing that there seems to be little public purpose in requiring venture firms to be licensed as a commercial lender, there is currently a bill in the state legislature, AB 169, introduced by Assemblyman Ed Chavez (D-San Gabriel Valley), who is chair of the Revenue and Taxation committee, to exempt venture capital firms from the CFL.

The Corporations Committee of the California State Bar Business Law Section, made up of law firms such as Cooley Godward, Manatt, Phelps & Phillips, Mayer, Brown and Rowe, and Wilson Sonsini is a sponsor and supporter of the bill.

NVCA staff will continue to monitor the progress of the bill. In the meantime, member firms in California should consult with counsel to ensure they are currently licensed under the CFL if they are engaged in making “bridge” loans to portfolio companies.