

January 19, 2005

Mr. Robert Klein
Chairman - President Search Committee
Independent Citizens' Oversight Committee
California Institute for Regenerative Medicine

Via Electronic Mail

Dear Mr. Klein:

It is with great pleasure that we respond to you and your colleagues on the Independent Citizens' Oversight Committee of the California Institute for Regenerative Medicine to introduce Spencer Stuart and provide a response to your Request for Proposal.

As a matter of convenience, we have written this cover letter as an executive summary to highlight our responses to the specific requests within the RFP document and to provide a concise synopsis of our views on this unique search requirement. We also have enclosed a presentation that provides extensive supplemental detail on our proposal and Spencer Stuart's capabilities.

Our understanding of your need

Your committee is tasked with selecting an executive search firm to assist the California Institute for Regenerative Medicine (CIRM) with its search for a President who will serve as the institute's chief executive.

This individual will oversee the many aspects of implementing and operating the requirements of Proposition 71, including: recruiting an exceptional team of the leading scientific and medical minds in the United States for the institution's working groups; developing and managing an appropriate executive and administrative operating team for the institute; and developing recommendations for the grant of research monies from the institute, as well as the corresponding licensing and intellectual property framework to govern the grants.

We believe that the amount of public money to be appropriated and the groundbreaking scientific and ethical issues being addressed, put this project on par with very few publicly funded research efforts in history. The National Human Genome Project led by Drs. James Watson and Francis Collins may be the closest parallel in terms of its financial size, potential scientific impact and the public interest in the work.

Accordingly, we believe that the President of the CIRM must be a nationally recognized leader of scientific research efforts with exceptional leadership skills, unassailable integrity, a keen appreciation of the financial and business aspects of scientific research, and a profound respect for the ethical issues involved in this project. He or she also must

Amsterdam
Atlanta
Barcelona
Beijing
Bogota
Boston
Brussels
Budapest
Buenos Aires
Chicago
Dallas
Frankfurt
Geneva
Hong Kong
Houston
Johannesburg
Leeds
London
Los Angeles
Madrid
Manchester
Melbourne
Mexico City
Miami
Milan
Minneapolis/St. Paul
Montreal
Munich
New York
Orange County
Paris
Philadelphia
Prague
Rome
San Francisco
San Mateo
Santiago
Sao Paulo
Shanghai
Singapore
Stamford
Stockholm
Sydney
Tokyo
Toronto
Vienna
Warsaw
Washington, D.C.
Zurich

be comfortable operating in a very public capacity, have a good rapport with regulators and not be rattled by criticism or controversy.

We believe that the opportunity to lead CIRM and its important work will be exciting to many strong, proven life sciences leaders. We have provided additional detail on our preliminary thoughts about the appropriate candidate profile in the enclosed presentation.

Our firm and capabilities

A proven partner in executive search

Spencer Stuart is the preeminent executive search firm for CEO, board director and other senior-level executive assignments. We conduct more than 4,000 assignments annually through our 50 offices in 25 countries. The firm maintains a significant market share of S&P 500 CEO searches^[CR1] and conducts well over half of all director assignments handled through executive search. Our clients benefit from our access to the very top candidates in the world and our ability to extract deep references and well-rounded insight on the candidates we present.

Life sciences expertise: Spencer Stuart formed the first fully integrated Life Sciences practice in the executive search business and has conducted more than 3,000 searches over the past decade. Forty percent of our annual searches are conducted for board directors, chief executives, presidents, and chief operating officers. The practice has deep and specialized expertise in biotech, healthcare services, pharmaceutical and medical devices. As former academics and executives from the highest levels of healthcare organizations, our consultants bring to each assignment their in-depth knowledge of industry issues, organizations' cultural nuances and candidate strengths.

During the past twenty years, Spencer Stuart has earned a reputation for placing leaders at many of the nation's most prominent healthcare institutions. We are recognized as a leader in the academic medical world, having completed senior leadership assignments for twenty percent of the nation's 300 teaching hospitals/academic medical centers. Several examples of recent relevant searches are included in the accompanying presentation.

Education, nonprofit and public policy expertise: Spencer Stuart has made a strategic commitment to become the leading search firm specializing in the education, nonprofit and public policy sector. During the past two years we have strategically hired the top executive recruiters in the industry, making us the largest practice focused on recruiting leaders for academic research institutions, universities, medical schools and other research institutions in the sector [relevant searches included in presentation].

We understand the delicate balance most education, nonprofit and public policy organizations strive to achieve among the needs to fulfill the mission, raise funds and operate cost-effectively. We work closely with boards, professional leaders and search

committees to ensure that the skills of candidates align with the organization's culture and aspirations. We regularly are called upon to present a diverse slate of candidates and have a track record of placing women and underrepresented minorities in key institutional positions. In this effort, we work closely with our Diversity Practice to provide strategic counsel to frame our clients' needs within the broader context of their goals and long-term plans.

Access to the best qualified candidates

Seasoned and experienced in the industries they serve, our consultants bring many professional relationships to the table from their former lives as senior executives. Our extensive candidate research and quality-driven methodology allow us to provide the broadest set of options and the highest caliber of candidates. Our database, updated on a daily basis, has background and career information on more than one million executives.

Right team of experts

We believe that the CIRM would be well served by the depth and breadth of team experience that Spencer Stuart would bring together for this search. While the full reach of the firm and its network would be utilized for this project, we are proposing a "Best Team" of senior consultants to execute the search. We believe that they represent the ideal cross-section of experience in the biotech, medical, research, academic and non-profit industries to successfully lead this project. CIRM_[AS2] would benefit from this team's understanding of your organization's mission and its expertise and judgment in identifying a complete list of candidates with the necessary competencies and cultural fit.

Proposed Team:

Mimi Hancock, Ph. D.
Ira Isaacson, M.D.
Lisa Pieper, M.D.
Jack Schlosser
Sally Sterling

In addition, Ben Holzemer, a consultant in our San Francisco office, would act as the Coordinating Consultant for this project to organize and project manage the various meetings, interviews, status calls, and interactions that this unique search will require. He will act as a dedicated point of contact to the CIRM for any coordinating details that may be required.

Detailed biographies of these lead consultants, and other supporting consultants, are provided in the enclosed presentation.

References and relevant searches

The enclosed presentation highlights dozens of relevant searches that we believe represent the collective expertise our firm would bring to this project.

Here, we highlight several searches and the individuals who would serve as specific references for the team and the firm. We will be pleased to provide you with their contact details upon request:

References

Steve Altschuler, M.D.

CEO, Children's Hospital of Philadelphia

Client, Children's Hospital of Philadelphia Chief Scientific Officer search

Alan Cohen, MD

Physician-in-Chief, Children's Hospital of Philadelphia

Search Committee Co-Chair, Children's Hospital of Philadelphia Chief Scientific Officer search

Fred Cohen, MD, PhD

General Partner, TPG Ventures

Board Member, Kemia Chief Medical Officer search

(415) 743-1661

fcohen@texpac.com

Les Hudson, Ph.D.

Vice Provost, University of Pennsylvania

(Formerly Group Vice President & GM, Ophthalmology, Pharmacia) Search Committee

Member and Board Member, University City Science Center Chief Executive Officer search

Richard Jaffe, J.D.

Partner, Ballard Spahr Andrews & Ingersoll

Search Committee Member and Board Member, University City Science Center Chief Executive Officer search

Russell Kaufman, M.D.
Chief Executive Officer/Director, Wistar Institute

Theodore Krontiris, M.D.
Director, Cancer Center, and EVP, Medical/Scientific Affairs, City of Hope
Currently a client for a Program Director/Population Science search

David Lawrence, M.D.
Former CEO, Kaiser Permanente
Search Committee Member, Rockefeller Foundation President search

Sherrill Neff
Managing Partner, Quaker BioVentures
(formerly CEO, Neose Technologies)
Search Committee Member and Board Member, University City Science Center Chief
Executive Officer search

Tom Priselac
President, Chief Executive Officer, Cedars Sinai Medical Center
Client and member of search committee for ongoing Cancer Center Director search.

Peter Van Etten
Chief Executive Officer, Juvenile Diabetes Research Foundation
Successful placement as well as Client for Chief Scientific Officer search (search was
performed by consultant prior to joining Spencer Stuart)

Bryan Wolf, M.D., PhD
Pathologist-in-Chief, Chair & Professor, Children's Hospital of Philadelphia Search
Committee Co-Chair, Children's Hospital of Philadelphia Chief Scientific Officer search

Search process and timeline

We understand that the CIRM wishes to move expeditiously to select its President and propose the following expedited process and timeline.

PROCESS #1 If a 2-3 person subcommittee of the selection committee manages the search from the date of confirmation of the search.

Week 1-2

- Discuss and agree on mechanics for interviewing candidates.
- Calendar future search committee meetings.
- Review and agree on detailed candidate and position specification (job description).

Weeks 2-6

- Spencer Stuart to identify prospective candidates.
- Spencer Stuart to conduct indirect third-party referencing on likely candidates.

Weeks 6-8

- Spencer Stuart to present a "Long List" of candidates from which the search committee will select a "Short List" of 4-6 candidates for full, formal interviews by Spencer Stuart.

Weeks 8-10

- Spencer Stuart interviews "Short List" of candidates.

Weeks 10-12

- Selection committee interviews candidates.

Weeks 12-13

- Selection by ICOC committee of 1-2 finalist candidates.
- Spencer Stuart to conduct formal referencing on candidates (and to manage any appropriate background checks as agreed).

PROCESS #2 If the entire selection committee elects to be involved in the entire process from date of confirmation of search

Weeks 1-2

- Discuss and agree on mechanics for interviewing candidates.
- Calendar future calls/meetings.
- Review and agree on detailed candidate and position specification (job description).
- Agree on search strategy.

Weeks 3-4

- Review “Long List” of candidates to calibrate definition of “ideal” candidates.

Weeks 5-8

- Spencer Stuart engages with candidates and generates brief profiles of qualified and interested candidates, supplemented by indirect third-party referencing.

Weeks 9-10

- Profiles reviewed and subset of most compelling candidates selected for full, formal interviews by Spencer Stuart.

Weeks 11-12

- Initial group of interviews conducted by search committee.
- Feedback to Spencer Stuart regarding which candidates should move forward in process.
- Spencer Stuart continues to look for additional interested and qualified candidates, repeating above process as appropriate.

Weeks 13-14

- Second round interviews of finalists with search committee.

Weeks 15-16

- Selection of President.
- Offer extended/negotiated.

Compensation and our fees

There is no clear precedent or comparable role to gauge the market compensation for the President of the CIRM. The best examples to consider would be leaders of academic or independent research centers — but these positions offer a wide range of data points. Such roles can command cash compensation ranging from \$400,000 per annum up to \$1 million per annum.

We believe that there will be a wide variance in the compensation requirements of finalist candidates for this role, and that the ICOC will have to carefully consider the question of compensation on a case-by-case basis. There may be some candidates willing to do this for the scientific and societal benefit and accept below-market compensation, but you may also find the *best qualified* candidate has financial requirements that dictate a higher rate of pay. Given the enormous importance of this project and the \$3 billion of public funds that have been committed, we would counsel you to maintain flexibility over the compensation to ensure recruiting the very best leadership.

In order to fully align Spencer Stuart's interest with the ICOC for this project, and to not seem opportunistic by counseling flexibility on the President's compensation, we would propose a "Flat Fee" structure to conduct the search. Our proposal is to charge a fee of \$150,000 plus our reasonable expenses and an overhead charge of 10%, to be billed in three installments. The first installment would be invoiced and due upon confirmation of the search, the second installment would be invoiced 30 days from commencement of the search, and the third and final installment would be invoiced 60 days from commencement of the search.

Optional Services

In addition to conducting the executive search for the President of the CIRM, Spencer Stuart can also offer the search committee two optional services.

The first is an evaluation of finalist candidates by our in-house assessment specialists using the proprietary Executive Intelligence Evaluation (*ExI*[™]). Expert evaluators focus on key drivers of executive performance through an interview-based methodology that provides three to four times the predictive validity of personality tests and psychological interviews. This service has been used successfully with very high-profile CEO searches and would be provided on an additional per-candidate fee to be agreed with the search committee.

Spencer Stuart can also offer to conduct detailed civil, criminal and conflict-of-interest background checks on finalist candidates as an additional level of due diligence to complement the deep referencing that our firm conducts. This service is coordinated through trusted partners that specialize in background investigations for sensitive positions. This additional service would also be provided on an additional per-candidate fee to be agreed with the search committee.

Conclusion

Spencer Stuart believes it is uniquely qualified to assist the ICOC in its search for the President of the CIRM, and is prepared to commit its top consultants from its key practice areas to executing this search on an expedited basis.

We believe that this project represents an unprecedented public research effort into a promising area of science and biotechnology. As one of the most trusted executive search firms that has assisted the leading life science, biotech, and academic institutions in California and other states with their leadership requirements during the past several decades, Spencer Stuart would be pleased and honored to serve the ICOC and the people of California on this important project.

Please contact us with any further information or detail that we may provide to assist you in your evaluation of our proposal.

Respectfully yours,

The Spencer Stuart Team

*Please direct any follow-up correspondence or inquiries to:
Ben Holzemer
415 808-8917
bholzemer@spencerstuart.com*

SpencerStuart

Spencer Stuart's Qualifications

Presented to:

**The California Institute for Regenerative
Medicine (CIRM) President Search
Committee**

Presented by:

Mimi Hancock, PhD

Ira Isaacson, MD

Lisa Pieper, MD

Jack Schlosser

Sally Sterling

Ben Holzemer

January 2005

Presentation Outline

- I. Spencer Stuart: The Quality Leader in Executive Search
- II. Our Education, Nonprofit & Public Policy and Life Sciences Practices
- III. Relevant Search Experience
- IV. The Spencer Stuart Approach
- V. Our Understanding of the Search
- VI. Search Time Frame
- VII. The Spencer Stuart Team
- VIII. Professional References
- IX. Fees and Expenses

I. Spencer Stuart: The Quality Leader in Executive Search

A. Our Commitment to Quality

- > Founded in 1956; an established tradition of excellence in executive search.
- > The majority (63%) of our assignments are conducted for repeat clients.
- > Our Quality Management Program includes regular quality audits of offices, strict hiring and performance standards, quality reporting, intensive assimilation and ongoing training.
- > Pre-search environment study is conducted to thoroughly understand the client's needs; a Client Satisfaction Survey is conducted after every search to evaluate our performance and results.
- > The vast majority of Spencer Stuart's consultants are shareholders in the firm; therefore, all consultants have a stake in providing every client in every market our best quality services.

B. Our Global Reach and Capabilities

- > Broad geographic coverage: over 300 consultants in 52 offices in 25 countries. Our strategic market locations and international business network are mirrored after the structure of multinational organizations.
- > Approximately 4,000 assignments conducted annually; searches cross all major functional areas and industries.
- > Worldwide, our consultants are organized in formal practices – Board Services; CIO; Consumer Goods & Services; Diversity; Financial Officer; Financial Services; Industrial; Life Sciences; Education, Nonprofit & Public Policy; and Technology, Communications & Media – to offer clients specialized expertise.
- > In addition to senior-level executive search, we offer a wide range of human capital solutions, including board director appointments, strategic leadership assessment, and, through our Internet-enabled recruitment practice, Spencer Stuart Talent Network (SSTN), mid-level executive search.
- > Our Best Team philosophy brings together the appropriate geographic, functional and industry expertise to meet clients' specific requirements for each search.

C. Our Leadership Position

- > Widely regarded as the firm of choice for top-level assignments.
- > Exceptional accessibility to top executives.
- > The leading recruiting practice for board directors.
- > Co-sponsorship of the Wharton/Spencer Stuart Directors' Institute; the Corporate Governance Conference, "Toward Common Ground," at the J.L. Kellogg Graduate School of Management, Northwestern University; and the Directors' Breakfast Series at the University of Toronto.
- > We publish the highly regarded Spencer Stuart Board Index, as well as different regional and industry-specific board surveys.
- > Our consultants have world-class recruiting knowledge and senior-level management experience spanning all industries.
- > Consultant advancement is driven by results.

D. Our Research and Technology Edge

- > A research staff of more than 240 professionals, supported by one of the most sophisticated research and library facilities in the industry.
- > Our offices are linked by state-of-the-art technology that facilitates information flow and team work, thus expediting the search process; our proprietary global database, QuestNT (which stands for Quality Executive Search Tracking – New Technology) houses an unprecedented amount of intelligence on organizations worldwide, enabling us to find the best qualified executive in any industry sector.

II. Our Education, Nonprofit & Public Policy Practice

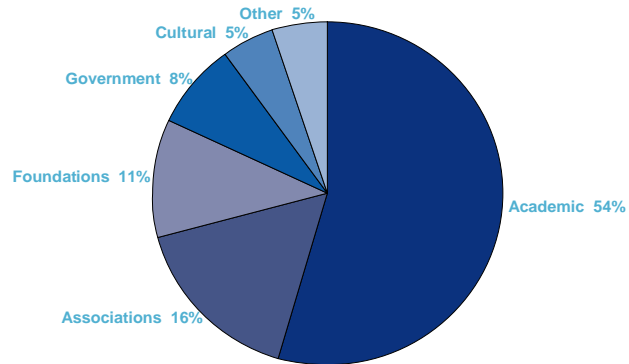
Spencer Stuart has made a strategic commitment to making our practice the leading search firm in the education, nonprofit and public policy sector. In the past two years we have strategically recruited the top executive recruiters in the industry, making us the largest practice in the sector. In addition, each of our consultants is a team of senior associates who, like the consultants, are based in offices across the firm. The global reach of our practice allows us to serve clients across multiple geographies and sectors.

We understand the delicate balance most education, nonprofit and public policy organizations face to balance mission, financial responsibility, cost-effective operations and fundraising programs. We work closely with boards, professional leaders and search committees to ensure that the skills of candidates align with the organization's culture and aspirations. Our research and quality driven methodology allow us to provide the broadest set of options and the highest caliber of candidates.

We are regularly called on to present a diverse slate of candidates and have a track record of placing women and underrepresented minorities in key institutional positions. To aid our commitment to diversity, we work closely with our Diversity Practice to provide strategic counsel to frame our clients' needs within the broader context of their goals and long-term plans.

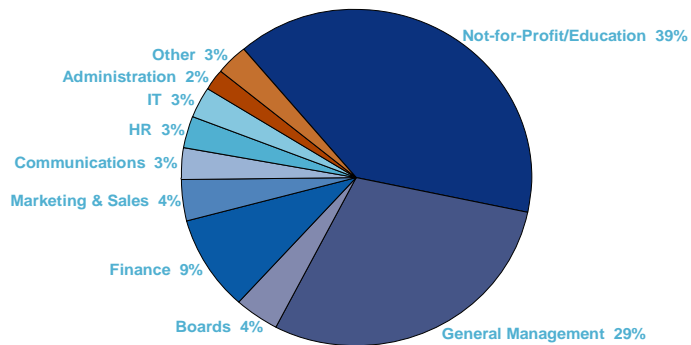
We serve as advisors to our clients, customizing assignments to support an organization's strategy rather than imposing a standard process to fill a position. We carefully craft a search process that combines best search practices with institutional traditions and needs.

North American Education, Nonprofit & Public Policy Experience



by Industry

Three-Year Analysis



by Function

Three-Year Analysis

II. Our Life Sciences Practice

Spencer Stuart is known as the firm of choice for top-level life sciences assignments. The practice, comprised of 96 consultants and associates, brings extensive senior-level life sciences experience providing assessment and counsel on our clients' management needs. We are the only executive search firm with a fully integrated global life sciences practice, placing executives in every sector of the industry.

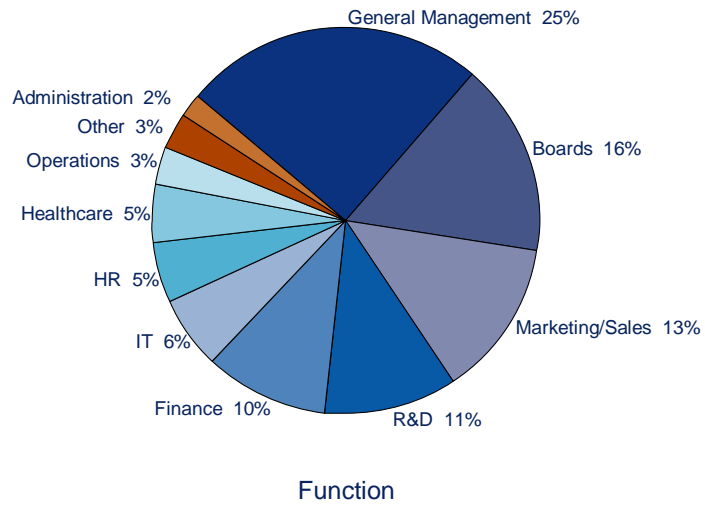
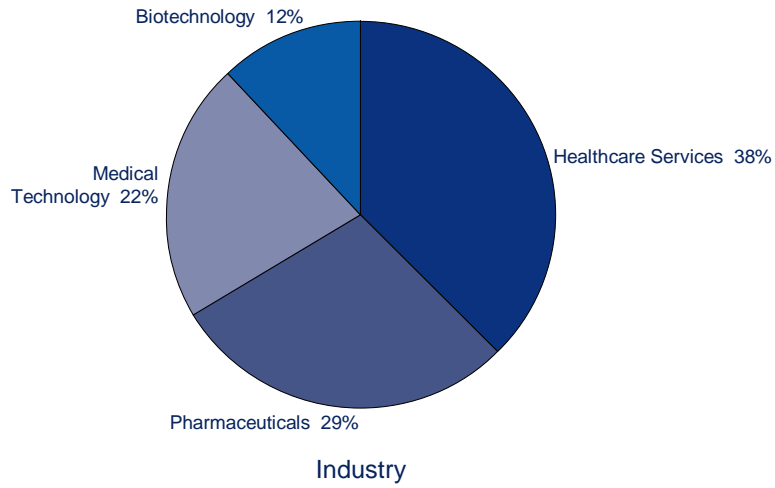
Since 1991, Spencer Stuart's Global Life Sciences Practice has successfully recruited nearly 1,400 life sciences executives in the following sectors of the industry: pharmaceuticals, biotechnology, medical technology/hospital supplies, academic health centers, healthcare services, managed care/HMOs, and health care internet/software services. We have placed executives across the spectrum of senior management: boards, CEO, COO and president, marketing/sales, research & development, CFO and finance, CIO and IT, human resources, administration, and operations.

Spencer Stuart believes that successful healthcare organizations in the 21st century must have a clear, strong vision; a sound governance process; a strategic decision-making system; and an adroit, experienced and creative leadership. The Life Sciences Practice is dedicated to helping its clients achieve these goals by providing visionary solutions and quality search execution.

Spencer Stuart's Global Life Sciences Team



North American Life Sciences Experience



Three-Year Analysis

III. Relevant Search Experience

The appropriate candidates for this position will likely emerge from one of four target spaces: Academic Medical Centers & Systems, Research-focused Foundations and Associations, Independent Research Institutions, and Industry (Pharmaceuticals and Biotechnology). We have outlined a sampling of our relevant search experience accordingly.

Academic Medical Centers & Health Systems (all are CEO, COO or Dean searches)

Baylor University Medical Center
Beth Israel Medical Center
BJC Health System
Brown University School of Medicine
Cedars-Sinai Medical Center (Los Angeles)
Children's Hospital of Philadelphia
Children's Hospital of Wisconsin
Children's Medical Center of Dallas
Children's National Medical Center
Continuum Health Partners
City of Hope
George Washington University Hospital
Henry Ford Health System
Hospital for Sick Children (Toronto)
Massachusetts General Hospital
Mount Sinai Medical Center of New York
New York Presbyterian Hospital System
Rush University Medical Center
Stanford University
Texas Children's Hospital
Thomas Jefferson University
University of California (system-wide)
University of California – Davis
University of California – Los Angeles
University of California – San Diego
University of Chicago Hospitals and Health System
University of Illinois Hospitals and Clinics
University of Maryland Medical System
University of North Carolina School of Medicine
University of Pennsylvania
Wake Forest University School of Medicine

Foundations, Associations and Independent Research Institutions

American Diabetes Association*
Atlantic Philanthropies
The Cleveland Foundation*
Drug Information Association
Henry K. Kaiser Family Foundation*
Hospital for Sick Children Foundation*
Jackson Laboratory*
James S. McDonnell Foundation*
John and Mary R. Markle Foundation*
Juvenile Diabetes Association*
The Knight Foundation*
National Multiple Sclerosis Society
Northwestern Medical Faculty Foundation*
Pharmaceutical Care Manufacturers Association*
Project HOPE*
The Rockefeller Foundation*
Wistar Institute*
W.K. Kellogg Foundation*

Industry

Biotechnology (California)

Abgenix*
Amgen
Biogen/Idec
Chiron
Connetics
CoTherix
CovX
Entelos
Genetronics
Iconix*
Incyte Genomics
Invitrogen*
Kai Pharmaceuticals*
Kalypsys
Kemia
Mendel Biotechnology*
Metabolex*

Nektar
PDL*
Rinat Neurosciences*
TargeGen
Thios Pharmaceuticals

Pharmaceutical Companies (includes a variety of senior level searches in General Management and R&D)

Bristol-Myers Squibb
Elan Pharmaceuticals
GlaxoSmithKline
Novartis
Novartis Institute for Biomedical Research
Pharmacia/Pfizer
Roche Palo Alto
Sanofi/Aventis
Wyeth

*Indicates President or CEO. All others are Chief Scientific Officer, Chief Medical Officer or Senior/Vice President level positions, particularly in R&D

IV. The Spencer Stuart Approach

Our Emphasis Is on Outcome: The Search Solution's Impact on Client Performance

We have refined our approach to achieve the best results for our clients. Each search strategy is customized, addressing the specific needs of each assignment and combining institutional traditions with best search practices. Spencer Stuart's thorough, systematic search process is typically divided into the following ten phases:

1. Understanding Your Needs: Initial Meetings

Our objective in these initial discussions is to acquire an understanding of the strategic direction, your mission and style of management; the organization's structure and needs; individual executives' strengths; and other factors – both tangible and intangible – that will define the personal and professional requirements of the open position. This information enables us to be knowledgeable and persuasive in representing the client and search to qualified prospects. Additionally, we work closely with the search advisory committee to design a process that will engage all appropriate constituents and will ensure an excellent outcome.

2. Preparing the Position and Candidate Specification

We believe that a successful search requires, as a blueprint, a carefully thought out, mutually agreed-upon written description of the position, its objectives and performance expectations. This document includes a set of specifications detailing the likely experience and personal qualities of the ideal candidate. In our confirmation letter, we also outline the scope of services Spencer Stuart will provide.

3. Targeting a List of Appropriate Organizations

As we prepare the Position and Candidate Specification, we will work with you to develop a list of organizations at which the search will be primarily directed. This list will include appropriate organizations that have sufficient size, clear records of accomplishment, academic/public health leadership characteristics and other qualities relevant to the search. Spencer Stuart will concentrate its organization-by-organization screening process on these targets, which ensures that the search is conducted thoroughly and on a professional basis.

4. Identifying Prospective Candidates

Using our personal contacts and the extensive resources of our research department and office network, we discreetly identify and qualify candidate prospects within the target organizations. We target a variety of sources including key leaders in public health and research with a focus on academic health centers, nominations from the university and not-for-profit community, and professional colleagues nationwide. At the same time, as other leads develop from qualified sources, we extend the search into other promising areas. Our goal is to identify candidates whose leadership style and accomplishments mirror your organization's needs.

5. Screening and Evaluating Candidate Prospects

After outstanding prospective candidates have been identified and qualified, we evaluate and screen them through in-depth, in-person interviews in advance of our presentation to you or in partnership with the search advisory committee. Preliminary reference checks, where possible, are conducted to validate the past performance and qualities of the candidate. Credentials are verified, and an assessment is made of individual strengths and weaknesses with respect to the position. We evaluate internal candidates using the same process as external candidates.

6. Presenting the Most Outstanding Candidates to the Client

Working closely with the search advisory committee, we narrow the qualified pool of candidates and further develop and cultivate those who are best qualified. As a preface to the presentation of finalists, a detailed written report is submitted. This contains verified biographical data, a thorough summary of professional experience, and our formal analysis and appraisal of the executive.

7. Conducting In-Depth Reference Checks on the Finalists

Comprehensive reference reports on finalists will be presented following a thorough background check. These checks are tailored to address areas of particular interest identified through the interview process.

8. Assisting in the Negotiation of Final Offer and Terms

In the last stage of the assignment, we actively work with the committee and the final candidate to negotiate a compensation package and other terms that are agreeable to all parties. We wish to minimize any degree of surprise at this stage and to provide both parties with the best opportunity to continue building on their early rapport.

9. Post-Search Follow-Up with You and the Successful Candidate

We will communicate periodically with you and the successful candidate during the early stages of his or her transition to your organization. This follow-up will assist in the smooth integration of the candidate into the new job and environment.

10. Final Search Communications and Contact Closure

After the search is concluded, Spencer Stuart closes the assignment in the marketplace by telephoning or sending an appropriate "Search Completed" letter to each significant contact made with prospective candidates and sources. This courtesy is one of the steps we take to enhance our client's reputation as well as to maintain Spencer Stuart's friendship with its contact base.

In addition, a Client Satisfaction Survey is conducted after each assignment. At this time, the key client contact(s) will be asked to comment on our performance.

V. Our Understanding of the Search

What We Understand About the California Institute for Regenerative Medicine (CIRM)

- The CIRM was organized as a result of the passage of California's Proposition 71 to fund and promote research focused on regenerative medicine through the use of stem cells.
- Funding is set at \$3 billion over the next ten years through the issuance of state bonds.
- The efforts of the CIRM are to be overseen by a group of citizens appointed to the Independent Citizens' Oversight Committee by various executive and legislative leaders of the state. The CIRM represents a diverse cross-section of Californians including deans of Medical Schools, biotechnology and health care related business leaders, and patient advocates.
- The ICOC, together with the new President, will design the framework for the issuance of research grants and an appropriate intellectual property framework to represent the state's interest in the research.
- The CIRM is in "start-up" mode, currently selecting a headquarters, and establishing various other operating parameters for the institute.

Major Search Attractions

- The President role represents an opportunity to lead one of the most significant publicly funded scientific research efforts.
- This is a major leadership role in a groundbreaking area of science that has the potential to enhance the quality of life, and extend the lifespan, for millions of patients suffering from debilitating diseases.
- The role comes with the opportunity to assemble and lead a world-class scientific team united in the pursuit of potentially massive medical advancements.

Potential Challenges to the Search

- There is a narrow field of individuals who will have both the necessary scientific credentials and the leadership/executive skills, together with appropriate public stature, to effectively fill the role.
- Public scrutiny will be high, and this may deter some candidates from participating as it will be difficult or impossible to protect their identity during the interview process.
- Compensation is limited due to the public nature of the project and may deter some high quality candidates.

- The expediency of the search must be balanced against the necessary governmental and procedural requirements of the process.

Likely Candidate Perspectives

- The position offers a superb opportunity to lead, but will require the candidate to play an important public role in addition to his or her executive duties.
- There is risk and reward by accepting this position at the present time while so many operating aspects of the CIRM are still undefined.
- The position comes with both an exciting and challenging opportunity to influence ethical standards in a controversial area of scientific research.
- The CIRM offers an unparalleled platform from which to drive national and international collaboration efforts for stem cell research.
- Despite lower pay than industry would provide, this is one of the best chances to make a real and significant contribution to the scientific, medical, and public communities for years to come.

Requirements of the Successful Candidate

- The search committee will need to balance various scientific and leadership traits to find the optimal candidate.
- World class scientific and research credentials.
- Inspirational executive leadership skills.
- Public stature and superb communication skills.
- A sharp “business” mind to craft collaborations, intellectual property and licensing arrangements to best benefit the mission of the CIRM and the state.
- Sensitivity to moral and ethical issues involved in stem cell research.
- Highest level of integrity.
- Sense of urgency and purpose.

VI. Search Time Frame

Search process and timeline

We understand that the CIRM wishes to move expeditiously to select its President and propose the following expedited process and timeline.

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- Agree on search strategy.

Weeks 3-4

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- Committee validates definition of “ideal” with larger search committee.

Weeks 5-8

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Weeks 9-10

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- Initial group of interviews conducted by full committee.
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- Spencer Stuart continues to look for additional interested and qualified candidates, repeating above process as appropriate.

Weeks 13-14

- Second round interviews of finalists with entire search committee.

Weeks 15-16

- Selection of President.
- Offer extended/negotiated.

PROCESS #2 (If a 2-3 person subcommittee of the selection committee manages the search from the date of confirmation of the search).

Week 1-2

- Discuss and agree on mechanics for interviewing candidates.
- Calendar future search subcommittee meetings.
- Review and agree on detailed candidate and position specification (job description).

Weeks 2-6

- Spencer Stuart to identify prospective candidates.
- Spencer Stuart to conduct indirect third-party referencing on likely candidates.

Weeks 6-8

- Spencer Stuart to present a “Long List” of candidates from which the search subcommittee will select a “Short List” of 4-6 candidates for full, formal interviews by Spencer Stuart.

Weeks 8-10

- Spencer Stuart interviews “Short List” of candidates.

Weeks 10-12

- Subcommittee interviews candidates.

Weeks 12-13

- Selection by ICOC full search committee of 1-2 finalist candidates.
- Spencer Stuart to conduct formal referencing on candidates (and to manage any appropriate background checks as agreed).

VII. The Spencer Stuart Team

We follow a “Best Team” philosophy to match the specific needs of the client with the professional expertise and industry knowledge of our individual consultants, no matter where they are located. On significant searches such as this one, we also put in place a back-up team of equally qualified consultants, who have agreed to act in a supporting role to the lead team. Working collegially, we discuss each assignment in detail, including strategy and time frame, as well as potential candidates. This collaborative, consultative approach supports the integrity of the process and allows clients access to the collective experience of the firm.

Lead/Executing Consultants

- Mimi Hancock, PhD
- Ira Isaacson, MD
- Lisa Pieper, MD
- Jack Schlosser
- Sally Sterling

Supporting Consultants

- John Mitchell
- Phil Johnston
- Paula Carabelli

Project Manager/Coordinating Consultant

- Ben Holzemer

VII. The Spencer Stuart Team

Mimi Hancock, Ph.D.



Mimi is a member of Spencer Stuart's Life Sciences Practice and is based in the San Francisco office. Her search experience has given her the opportunity to complete assignments for organizations ranging from emerging life science companies to multinational biotechnology and pharmaceutical firms. She has executed searches for senior executives in general management, discovery and clinical research, product development and a variety of commercial positions. Mimi began her search career in 1994 with another international executive search firm in the pharmaceutical and life sciences practice.

Previously, Mimi served as vice president of operations and co-founder at Avigen, a startup gene therapy company. For two years prior, she was the director of cell biology for Somatix Therapy Corporation, a publicly held company focused on gene therapy. Earlier in her career, Mimi held a series of positions at Triton Biosciences, where she invented a new therapy for cancer, targeting the Her2/neu oncogene (Hancock, et. al.; Cancer Research; 51, 4574-4580, 1991). The therapy, called Herceptin, was eventually developed for treatment of breast cancer and marketed by Genentech. Mimi began her career in healthcare with Peralta Cancer Research Institute as a staff scientist. She holds four patents and has published and lectured extensively on the genetics and cell biology of breast cancer.

Mimi received her B.A. with honors in biological sciences from the University of Chicago and her Ph.D. in genetics from the University of California (Berkeley). She was a postdoctoral fellow at Stanford University and a recipient of a Damon Runyon Walter Winchell Cancer Fund Fellowship.

Contact Information

San Francisco office
mhancock@spencerstuart.com
dd 415.808.8983

VII. The Spencer Stuart Team

Ira J. Isaacson, M.D.



Dr. Ira Isaacson is a consultant with Spencer Stuart and is based in the Atlanta office. He is a member of the firm's global Life Sciences Practice and has extensive executive search and consulting experience in the areas of pharmaceutical, biotechnology and healthcare services.

Prior to joining Spencer Stuart, Ira was a principal with another leading international executive search and management consulting firm where he served as a core member of the global Life Sciences Practice.

Before entering the search profession, Ira was the associate clinic director/chief operating officer of The Emory Clinic, Inc., in Atlanta. As chief operating officer, he was responsible for general operations, strategic planning, and practice management for 2800 employees, including 800 physicians. Ira was also a professor of anesthesiology at the Emory University School of Medicine where from 1980 to 1994, he practiced medicine, conducted clinical research and mentored graduate physicians and students.

Ira is a graduate of The Chicago Medical School, and served his residency at Northwestern University and his fellowship at The Harvard Medical School. He also earned his M.B.A. from the Goizueta Business School at Emory University. In his academic career, Ira authored numerous papers and book chapters and was an invited lecturer internationally on a wide variety of clinical and healthcare management subjects. He also served as a consultant to the pharmaceutical industry for product development and marketing.

Contact Information

Atlanta office
iisaacson@spencerstuart.com
dd 404.504.4488

VII. The Spencer Stuart Team

Lisa Pieper, M.D., M.B.A.



Lisa R. Pieper, M.D., M.B.A., is a consultant based in Spencer Stuart's San Francisco office and is a member of the firm's Life Sciences Practice.

Prior to joining Spencer Stuart, she was a consultant with another leading international executive search firm, where she was a core member of the global life sciences practice group and led its West Coast activities, serving clients in the biotechnology, pharmaceutical, research tools and medical device sectors. Lisa's search work has focused on senior-level executive and board searches in the life sciences industry. Board work has included both governance and advisory board assignments, and she also has experience in both U.S. and global management appraisal assignments.

In addition to CEO and other executive-level general management searches, Lisa's professional assignments cover a wide range of senior functional management roles in commercial, technical and scientific disciplines, with a significant body of work in R&D. She also serves venture capital/private equity firms and early-stage companies.

Prior to her executive search career, Lisa spent more than 20 years in healthcare, including training in general surgery and Otolaryngology - Head and Neck (Ear, Nose and Throat) Surgery at UCSF. In addition to 11 years of clinical practice at Kaiser and Camino Medical Group in California, she also was a clinical instructor at Stanford University.

Lisa earned an M.D. degree from the University of California, San Francisco (UCSF), an M.B.A. from the University of California, Los Angeles (UCLA), and a B.A. from Lewis & Clark College.

Contact Information

San Francisco office
lpieper@spencerstuart.com
dd 415.808.8986

VII. The Spencer Stuart Team

Jack Schlosser



Jack is a member of Spencer Stuart's Life Sciences Practice and heads the Healthcare Services Specialty Practice. His specialties include health systems, physician practice management, and non-institutional healthcare services and hospitals, with a particular focus on CEO and other senior-level searches.

Jack has spent his career in various segments of healthcare. He is a former partner of another leading international search firm, where he led the healthcare services practice. Prior to that, he was a partner with another international search firm. He also held various management positions with a large healthcare system, HealthWest, and was a consultant and manager with Coopers & Lybrand (now PricewaterhouseCoopers).

Jack is a fellow and former regent of the American College of Healthcare Executives and a past president of the UCLA Health Services Management Alumni Association. He received the 1999 "Leaders of Today...Leaders of Tomorrow" award from the UCLA Health Policy and Management Alumni Association, and serves on the UCLA Department of Health Services Professional Advisory Committee. Jack is a member of the Healthcare Forum's Emerging Leaders Alumni Association, a member of the Healthcare Financial Management Association, and a member of the Catholic Health Association.

Jack is a graduate of the University of California at Los Angeles, where he received a master of public health in health services management.

Contact Information

Los Angeles office
jschlosser@spencerstuart.com
dd 310.443.3520

VII. The Spencer Stuart Team

Sally Sterling



Sally Sterling is a seasoned executive search consultant with over 17 years of experience across a variety of sectors. Though she benefits from a broad-based search practice, her focus has been on recruiting leaders for the largest and most prestigious not-for-profit organizations. Her assignments for CEOs, presidents and executive directors have included successful placements from the public, private and not-for-profit sectors.

In a business migrating toward increased specialization, Sally's breadth and depth of experience has made her eminently qualified to assess candidates based not only on industry expertise but also on competencies and the ability to transition to a new industry. She is recognized for her strong client and candidate relationships, professional facilitation skills, sensitivity to unique client circumstances and commitment to diversity.

Her search practice also has included managing a global account relationship for a \$2 billion corporation headquartered in Europe, as well as general industry and board of director searches.

Previously Sally was a managing partner in the Washington, D.C. office of another international search firm. She began her career at the Cleveland Museum of Art, where she worked for eight years. In addition, she was the assistant director of corporate and foundation relations at Case Western Reserve University. Sally received her B.A. from Case Western Reserve University and an M.B.A. from the Weatherhead School of Management at Case Western Reserve University.

Sally is currently the vice chairman of the Board of National Arts Strategies and a member of the Philanthropic Educational Organization

Contact Information

Washington, D.C. office
ssterling@spencerstuart.com
dd 202.741.8328

VII. The Spencer Stuart Team

John T. Mitchell



John Mitchell is the Life Sciences practice leader for North America. In addition, he leads the global Pharmaceutical Specialty Practice, coordinating with more than 100 colleagues in the global Life Sciences Practice. He has 25 years of experience in industry and executive search, focused exclusively in life sciences/healthcare.

Prior to joining Spencer Stuart, John was a partner with another leading international executive search firm, where he served as the managing partner of the Life Sciences Practice. He also served on that firm's board of directors.

Before entering the search profession, John was a senior vice president of Efficient Health Systems, one of the fastest growing cost management/ utilization review organizations in the managed care industry. Earlier in his career, he served as vice president and area manager of American Hospital Supply Corporation, becoming the youngest company officer elected in the history of this market-leading company. His functional experience has included general management, marketing and sales, strategic planning and business development.

A graduate of Bowling Green State University, John holds a bachelor of science degree in business administration.

Contact Information

Atlanta office
jmitchell@spencerstuart.com
dd 404.504.4430

VII. The Spencer Stuart Team

Phil Johnston



Phil Johnston is the manager of Spencer Stuart's San Francisco office. Since joining Spencer Stuart in 1998, Phil has held various office management and practice leadership positions and currently co-leads the firm's Strategic Leadership Services for North America. Phil is a member of the firm's Technology, Communications & Media and Life Sciences practices. He routinely places candidates in board, CEO, president/COO, administrative and senior sales and marketing positions. Phil successfully has completed more than 200 searches in his search career. His assignments for HP, Cisco, Equinix, Pinnacle Systems, ADP, Align Technologies and Yahoo include multiple placements in leadership roles.

Prior to joining Spencer Stuart, Phil worked for another international search firm in San Francisco, where he focused on technology clients. Previously, he served as the top human resources executive for two companies which were acquired by Lucent: Mosaix, a CRM company, and Octel Communications, the leader in voice processing. He also served as vice president for Teknekron, a technology incubator, and served on the boards of portfolio companies, including TSS (now TIBCO), Teknekron InfoSwitch, Software Alliance, IEX and Tenera. Phil also was a former board member of Discovery Toys.

Phil began his career in human resources as the personnel manager for American Hospital Supply Corporation (now Baxter). He currently sits on the board of The San Francisco East Bay Wellness Community, an agency which serves people who have been diagnosed with cancer.

Phil received a bachelor of arts degree in psychology (magna cum laude) and a master's in industrial relations from the University of Minnesota

Contact Information

San Francisco office
pjohnston@spencerstuart.com
dd 415.808.8970

VII. The Spencer Stuart Team

Paula Carabelli



Paula Carabelli is a member of Spencer Stuart’s Education, Nonprofit & Public Policy Practice, with over 17 years of experience in higher education and not-for-profit search. Her specialties include public and private universities and colleges, arts institutions, academic medical centers, and community service and cultural organizations. Paula is also a member of the Life Sciences and Diversity practices.

Paula is a former senior vice president of another leading search firm and was founder and co-director of their education/not-for-profit practice. Prior to that, she was with another major search firm where she specialized in education and healthcare. Since her search career began in 1987, she has placed senior executives in a wide range of academic, administrative and advancement positions. Paula also has direct experience as a healthcare executive and an educator, having served as vice president of Santa Monica Medical Center. Her teaching experience includes elementary education, community college fine arts and university healthcare administration.

Paula is a past president of the board of the YWCA of Santa Monica, a member of Women Helping the YWCA, and the founding chair of the resource development board of The Safe Harbor Clinic for Homeless Women in Los Angeles. She is affiliated with the American Council on Education, the Council for the Advancement and Support of Education and the Association of Healthcare Philanthropy. She has also served on the faculty of the ACE Fellows Program and the Executive Leadership Institute of the League for Innovation in Community Colleges.

Paula has a master of public health degree from the University of California, Los Angeles and a bachelor’s degree from the University of California, San Dienn

Contact Information

Los Angeles office
pcarabelli@spencerstuart.com
dd 310.443.3511

VII. The Spencer Stuart Team

Ben Holzemer



Ben Holzemer is a consultant in the firm's Life Sciences and Technology, Communications & Media practices. His current search assignments focus on biotech, bioinformatics, and pharmaceutical companies. He specializes in the recruitment of senior executive positions in healthcare-related software and systems, as well as communications systems, software, and telecommunications services

Prior to his search career, Ben gained a decade of domain expertise in the areas of convergence and globalization, having successfully founded and provided CEO leadership to two leading-edge communications technology (VoIP) companies during a time of extraordinary technological and regulatory change. Both companies developed significant international customers and partners, grew into multimillion dollar businesses, and ultimately were acquired by larger companies.

Ben holds dual B.A. degrees from the University of California Los Angeles in Latin American studies and political science. He is fluent in English and Spanish and proficient in Portuguese. Ben is on the boards of InfiniRoute Networks, Telecom Asset Management LLC and the American Leadership Academy, and lives in San Francisco, California, with his wife, Sarah.

Contact Information

San Francisco office
bholzemer@spencerstuart.com
dd 415.808.8917

VIII. Professional References

Steve Altschuler, M.D.
CEO, Children's Hospital of Philadelphia
Client, Children's Hospital of Philadelphia Chief Scientific Officer search

Alan Cohen, MD
Physician-in-Chief, Children's Hospital of Philadelphia
Search Committee Co-Chair, Children's Hospital of Philadelphia Chief Scientific Officer search

Fred Cohen, MD, PhD
General Partner, TPG Ventures
Board Member, Kemia Chief Medical Officer search
(415) 743-1661
fcohen@texpac.com

Les Hudson, Ph.D.
Vice Provost, University of Pennsylvania
(Formerly Group Vice President & GM, Ophthalmology, Pharmacia) Search Committee Member
and Board Member, University City Science Center Chief Executive Officer search

Richard Jaffe, J.D.
Partner, Ballard Spahr Andrews & Ingersoll
Search Committee Member and Board Member, University City Science Center Chief Executive
Officer search
Russell Kaufman, M.D. Ph.D,
Chief Executive Officer/Director, Wistar Institute

Theodore Krontiris, M.D.
Director, Cancer Center, City of Hope
Currently a client for a Program Director/Population Science search

David Lawrence, M.D.
Former CEO, Kaiser Permanente
Search Committee Member, Rockefeller Foundation President search

Sherrill Neff
Managing Partner, Quaker BioVentures
(formerly CEO, Neose Technologies)
Search Committee Member and Board Member, University City Science Center Chief Executive
Officer search

Tom Priselac
President, Chief Executive Officer, Cedars Sinai Medical Center
Client and member of search committee for ongoing Cancer Center Director search.

Peter Van Etten

Chief Executive Officer, Juvenile Diabetes Research Foundation

Successful placement as well as Client for Chief Scientific Officer search (search was performed by consultant prior to joining Spencer Stuart)

Bryan Wolf, M.D.

Pathologist-in-Chief, Chair & Professor, Children's Hospital of Philadelphia Search Committee

Co-Chair, Children's Hospital of Philadelphia Chief Scientific Officer search

Please feel free to contact any of the references listed above at your convenience.

IX. Fees and Expenses

Fees:

We charge a professional retainer fee and expenses for our services. Our fee is one-third of the successful candidate's projected first year's cash compensation, including base salary and anticipated bonuses. In this case, the compensation may fall anywhere in a \$400,000 to \$1 million range, and will likely not be determined until the appropriate candidate is selected. In light of this, we propose to charge a flat fee, based on the low end of that scale, of \$150,000.

Expenses:

In addition to our professional fee, we bill the client directly for actual out-of-pocket costs for candidate/consultant travel and associated meals/lodging. Also, we generally charge a flat 10% of the retainer fee that approximates our average expenses for telephone and computer communications, postage, and reprographics associated with a typical search. In jurisdictions where required, applicable state and city service taxes will be added.