

Consideration of Contract with Remcho, Johansen & Purcell, LLP

Remcho, Johansen & Purcell, LLP (“Remcho”), has represented governmental and private clients in the governmental arena for more than 25 years. James Harrison, a partner in the firm, was one of five attorneys at three law firms Bob Klein retained in researching and drafting the measure. In the final revisions of the drafting, Bob Klein focused the review principally with James Harrison, other than for the bond financing portions of the Initiative. James Harrison has been involved from the beginning of the implementation of Proposition 71, including participating in a meeting convened by the National Academy of Sciences in December 2004 to discuss “best practices” for CIRM.

At the beginning of 2005, Robert Klein met with Attorney General, Bill Lockyer, to confirm the Attorney General’s agreement that, given the specialized nature of the agency and the extraordinary legal research that had gone into the development of the Initiative, the agency was authorized and justified in hiring James Harrison as board counsel. The Attorney General’s office specifically concurred with the need to hire James Harrison of the Remcho firm as the board counsel to avoid duplicating this massive research effort and, given his accumulated expertise, it was acknowledged that he had specialized knowledge not present within the Attorney General’s office.

The Remcho firm has represented CIRM since the agency’s inception in 2005 as counsel to the Board. In this capacity, the firm has been involved in virtually every aspect of the agency’s operations, working with the Chairman, the Board, and the CIRM staff, in defending the agency in litigation, drafting and reviewing agency policies, advising the agency on conflict of interest issues, and interfacing with constitutional officers and legislators on matters ranging from financing to proposed legislation. Among the matters in which the firm is involved are the following: (1) the Governing Board and its subcommittees and task forces; (2) other agency programs and policies; (3) inter-governmental relations; (4) CIRM’s Major Facilities Program; (5) CIRM’s loan program; (6) financial structure and public and private bond programs; (7) the regulatory process; and (8) conflicts and statutory compliance. James Harrison also participates in internal meetings involving the Chair’s office and the agency’s staff.

As a result of the firm’s extensive involvement in the research and drafting of Proposition 71 and the establishment of CIRM and its policies, the firm is uniquely positioned to assist CIRM without incurring significant research time, involving the foundational research supporting all of the work of the Board and the agency. CIRM relies on board counsel for a wide range of legal expertise. By relying on a primary firm for this expertise, the agency avoids the duplication of cost and effort that would ensue from using multiple firms.

Along with the Attorney General’s Office, the firm defended CIRM against statutory and constitutional challenges. The firm’s experience defending Proposition 10 against similar claims reduced the costs to CIRM. Because the agency was only able to issue a limited amount of bonds (Bond Anticipation Notes) until the litigation was resolved, the firm

agreed to let CIRM defer payment, without interest, on its bills for approximately eighteen months.

The firm charges CIRM a significantly discounted public agency rate of \$350 per hour for partners. From 2005 until 2007, the rate was \$300, which was equal to the rate the firm charged the Controller's Office on a contract that began in 1999. For Fiscal Year 2011-2012, the firm's rates will remain the same to CIRM: \$350 per hour for partners and \$265 for associates. These rates are significantly lower than the market rates for firms with similar expertise.

During **Fiscal Year 2010-2011**, the firm provides a variety of services in addition to those described above. These services included, for example:

- Extensive work related to the Governing Board transition/succession planning.
- Extensive work relating to CIRM's loan program, including participating in the drafting and negotiation of CIRM's first loan agreement and drafting amendments to CIRM's loan policy;
- Work relating to the Evaluation Subcommittee, including helping to design an evaluation process;
- Extensive work relating to CIRM's Major Facilities Program, including participating in contract negotiations and policy review;
- Work relating to legislation, including providing legal analysis and support;
- Assisting the Board, all of its Subcommittees and Task Forces and the Chair's Office; and
- Assisting the Chair's Office and the CIRM Executive Staff on all Request For Applications ("RFAs") and all issues of general state law and the Initiative.

For **Fiscal Year 2011-2012**, in addition to ongoing responsibilities above, we anticipate that the firm will continue to be significantly involved in the following areas, among others:

- Assisting the Board, all of its Subcommittees and Task Forces and the Chair's office;
- Assisting with Governing Board transition/succession planning;
- Assisting in the Institute of Medicine ("IOM") Evaluation of CIRM
- Assisting with CIRM's response to legislation;

- Assisting with legal issues relating to the refinement and implementation of CIRM's loan program and potential reinvestment opportunities for CIRM, including arrangements with delegated underwriters and potential loan guarantee program;
- Assisting with legal issues relating to CIRM's finances and cash flow management;
- Assisting with implementation of CIRM's Major Facilities Program and work with the Facilities Working Group;
- Assisting with legal issues and work relating to CIRM's financial condition, including interactions with CA Stem Cell Research and Cures Finance Committee, State Treasurer, State Controller, Department of Finance, and Attorney General relating to bond sales and proceeds;
- Assisting with CIRM's policies and program reviews of tax-exempt bond objectives including processing of federal income tax exemption and request for private letter ruling from the IRS; and
- Assisting the Chair's Office and the CIRM Executive Staff on all RFAs and all issues of general state law and the Initiative.

Proposal:

- Amend existing contract for additional \$160,000 through June 30, 2011.
- Execute new contract for Fiscal Year 2011-2012, beginning July 1, 2011, at a contract amount of \$545,000.