

BEFORE THE
FINANCE SUBCOMMITTEE OF THE
INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE
TO THE
CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
ORGANIZED PURSUANT TO THE
CALIFORNIA STEM CELL RESEARCH AND CURES ACT
REGULAR MEETING

LOCATION: AS INDICATED ON THE AGENDA

DATE: TUESDAY, APRIL 19, 2011
10 A.M.

REPORTER: BETH C. DRAIN, CSR
CSR. NO. 7152

BRS FILE NO.: 89858

BARRISTERS' REPORTING SERVICE

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ROLL CALL	3
3. CONSIDERATION OF CIRM BUDGET FOR FISCAL YEAR 2011-2012.	5, 49
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5. DISCUSSION OF IMPACT OF STATE BUDGET ON SALE OF BONDS ON BEHALF OF CIRM.	45
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BARRISTERS' REPORTING SERVICE

TUESDAY, APRIL 19, 2011

10 A.M.

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CHAIRMAN GOLDBERG: CALL THE MEETING TO
ORDER PLEASE. WOULD YOU CONDUCT A ROLL CALL,
MELISSA.

MS. KING: ROBERT PRICE. FLOYD BLOOM.

DR. BLOOM: HERE.

MS. KING: MARCY FEIT. MICHAEL GOLDBERG.

CHAIRMAN GOLDBERG: HERE.

MS. KING: BOB KLEIN.

CHAIRMAN KLEIN: HERE.

MS. KING: TED LOVE. PHIL PIZZO. DUANE
ROTH. DAVID SERRANO-SEWELL. JEFF SHEEHY.

MR. SHEEHY: HERE.

MS. KING: OSWALD STEWARD.

DR. STEWARD: HERE.

MS. KING: ART TORRES.

AS I NOTED, I KNOW SENATOR TORRES WILL BE
JOINING US MOMENTARILY.

CHAIRMAN GOLDBERG: LET'S PROCEED. I'VE
ASKED JOHN ROBSON TO WALK US THROUGH AN OVERVIEW OF
THE PROPOSED 2011-2012 BUDGET, IN PARTICULAR TO
ADDRESS WHERE WE APPEAR TO BE COMING OUT ON THE
2010-2011 BUDGET AND UNDERSTAND THE BASE FROM WHICH

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1 WE'RE BEING PROJECTED.

2 MS. KING: MICHAEL, I THINK YOU MIGHT BE
3 CUTTING OUT JUST A LITTLE BIT. IT MIGHT BE BETTER
4 IF YOU WERE CLOSER TO THE PHONE.

5 CHAIRMAN GOLDBERG: WELL, I WOULD HAVE TO
6 SWALLOW IT. IS THAT ANY BETTER?

7 MS. KING: THANK YOU.

8 CHAIRMAN GOLDBERG: SHALL I REPEAT MYSELF?

9 MS. KING: MAYBE JUST BRIEFLY, IF YOU
10 WOULD. AND WE'VE JUST BEEN JOINED BY MARGARET
11 FERGUSON AS WELL, WHO I KNOW WILL BE MAKING PART OF
12 THIS PRESENTATION. SO IT'S PERFECT TIMING, MICHAEL.
13 IF YOU COULD JUST GO BACK OVER WHAT YOU JUST SAID
14 FOR EVERYBODY'S BENEFIT, INCLUDING MARGARET'S, THAT
15 WOULD BE GREAT.

16 CHAIRMAN GOLDBERG: THE GAME PLAN FOR THIS
17 AGENDA ITEM IS FOR JOHN ROBSON TO PRESENT THE
18 POWERPOINT SLIDES THAT HAVE BEEN CIRCULATED TO ALL
19 THE SITES. IT WAS BASED ON A REVIEW THAT JOHN,
20 MARGARET, AND CHILA HAD WITH MARCY FEIT AND MYSELF
21 SERIALLY OVER THE LAST SEVERAL MONTHS AND
22 REPRESENTS, I THINK, OUR COLLECTIVE VIEW OF THE
23 STATE OF THE BUDGET FOR 2011-2012. THE GOAL OF THIS
24 MEETING IS TO SOLICIT COMMENTS FROM MEMBERS OF THE
25 SUBCOMMITTEE AND TO SEE IF WE CAN ARRIVE AT A

BARRISTERS' REPORTING SERVICE

1 CONSENSUS POSITION FOR REPRESENTATION TO THE BOARD
2 AT OUR UPCOMING ICOC MEETING IN LOS ANGELES.

3 WITH THAT, LET ME TURN IT OVER TO JOHN
4 ROBSON.

5 DR. ROBSON: THANK YOU, MICHAEL AND
6 MEMBERS OF THE SUBCOMMITTEE. LET ME JUST SORT OF --
7 I'M GOING TO WORK OFF OF THE POWERPOINTS THAT I SENT
8 TO YOU. IF I SAY NEXT SLIDE, WHAT I MEAN IS NEXT
9 PAGE.

10 ANYWAY, THIS PROCESS STARTED IN DECEMBER.
11 I THINK AT THE LAST BOARD MEETING, I GAVE A BIT OF
12 AN OVERVIEW OF THE TIMELINE WE FOLLOWED. WE GOT A
13 FIRST BUDGET PUT TOGETHER, A FIRST DRAFT OF IT, AT
14 THE END OF JANUARY. THAT BUDGET WAS ABOUT A LITTLE
15 BIT OVER \$20 MILLION. ABOUT THE SAME TIME WE GOT
16 INFORMATION FROM THE GOVERNOR'S OFFICE THAT THERE
17 WAS EXPECTED TO BE SOME SEVERE RESTRICTIONS ON
18 BUDGETS. SO WE WENT THROUGH A FAIRLY SEVERE CUT.
19 WE TOOK MORE THAN 20 PERCENT OFF THAT BUDGET, AND
20 THEN SENT THE ITEMS BACK TO THE INDIVIDUAL UNITS
21 REQUESTING ADDITIONAL JUSTIFICATION FOR ANYTHING
22 THEY WANTED REINSERTED IN THE BUDGET. WE ENDED UP
23 WITH A BUDGET, AFTER A FEW ITERATIONS, THAT YOU SEE
24 TODAY, WHICH IS AN INCREASE OF ABOUT 16 PERCENT OVER
25 WHAT WAS APPROVED LAST YEAR AT A TOTAL OF ABOUT

BARRISTERS' REPORTING SERVICE

1 \$18.5 MILLION.

2 BUT WE'RE ALWAYS ASKED TO GO TO THE -- I
3 GUESS IT'S THE FIRST SLIDE AFTER THE COVER SLIDE.
4 WE'RE ALWAYS ASKED HOW DOES THIS BUDGET COMPARE NOT
5 JUST WITH WHAT WAS APPROVED LAST YEAR, BUT WHAT WE
6 ACTUALLY EXPECT TO EXPEND. SO THAT ONE TABLE SHOWS
7 YOU A LITTLE BIT OF HISTORY. FROM THE LAST TWO
8 YEARS, IN FISCAL YEARS 2009-10, WE HAD AN APPROVED
9 BUDGET OF 12.9 MILLION AND WE SPENT ABOUT 12.3. WE
10 WERE ABOUT 4.7 PERCENT UNDER.

11 THIS YEAR'S APPROVED BUDGET WAS 16
12 MILLION, AND WE ANTICIPATE -- WE PROJECT THAT WE AT
13 THE END OF JUNE WILL HAVE EXPENDED 15.2 MILLION, SO
14 WE'LL BE ABOUT THE SAME, ABOUT 5 PERCENT UNDER
15 BUDGET. AND I THOUGHT IT MIGHT BE OF SOME USE TO
16 YOU TO SEE A BIT OF HISTORY ON THIS.

17 IF YOU GO TO THE NEXT SLIDE, THE GRAPH,
18 THE TABLE GRAPH -- THE BAR GRAPHS SHOW THE HISTORY
19 OF OUR APPROVED BUDGET VERSUS OUR ACTUAL
20 EXPENDITURES DATING BACK TO FISCAL YEAR 2006-7. AND
21 YOU CAN SEE IN THOSE FIRST THREE YEARS WE WERE
22 GENERALLY QUITE A BIT UNDER WHAT WAS APPROVED. BUT,
23 AGAIN, THESE WERE PERIODS OF REALLY ACTIVE GROWTH IN
24 THE INSTITUTION. AND YOU WILL SEE IN THE LAST TWO
25 YEARS WE'VE BEEN MUCH BETTER. WE'VE COME MUCH

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1 CLOSER -- OUR ACTUAL REQUESTS HAVE BEEN MUCH CLOSER
2 TO WHAT WE'VE EXPENDED, BEING ABOUT 5 PERCENT UNDER.

3 NOW, I'D JUST KIND OF LIKE TO GO THROUGH
4 QUICKLY SOME OF THE THINGS THAT DROVE THIS BUDGET.
5 WHY HAS IT INCREASED? AND THEN DISCUSS REALLY FROM
6 AN OVERVIEW WHAT THE CAUSES OF THE INCREASE, WHAT
7 THE PARTICULARS ARE.

8 SO IF YOU GO TO THE NEXT PAGE, YOU WILL
9 SEE A TABLE ON CIRM GROWTH WITH PR'S AND PAR'S,
10 PAYMENTS, AND CO-FUNDING. SO THE PR'S AND PAR'S,
11 THAT'S REFERRING TO PROGRESS REPORTS AND PRIOR
12 APPROVAL REQUESTS. PROGRESS REPORTS ARE THE
13 PERIODIC REPORTS THAT WE GET FROM OUR GRANTEES.
14 PRIOR APPROVAL REQUESTS ARE REQUESTS FROM THE
15 GRANTEES OF APPROVED GRANTS TO MAKE CHANGES IN THOSE
16 GRANTS. THOSE COULD BE BUDGETARY CHANGES; THEY
17 COULD BE PROGRAMMATIC CHANGES. AND YOU WILL SEE
18 THAT THESE THINGS REALLY CONSTITUTE A GOOD
19 PROPORTION OF THE WORKLOAD FOR BOTH THE GRANTS
20 MANAGEMENT OFFICE AND THE SCIENCE OFFICE. AND YOU
21 WILL SEE FROM FISCAL YEAR '09-'10 TO '10-'11,
22 THERE'S BEEN OVER 20-PERCENT INCREASE IN THE NUMBER
23 OF PRIOR APPROVAL REQUESTS AND PROGRESS REPORTS.

24 PAYMENTS ARE THE PAYMENTS THAT WE MAKE TO
25 OUR GRANTEES. THOSE ARE HANDLED THROUGH THE GRANTS

BARRISTERS' REPORTING SERVICE

1 MANAGEMENT OFFICE AND THEN THROUGH THE FINANCE
2 OFFICE. EACH ONE OF THOSE HAS TO BE HANDLED
3 INDIVIDUALLY. AND THE GENERAL SERVICE, AND YOU CAN
4 SEE THERE'S AN INCREASE OF ALMOST 50 PERCENT IN
5 THOSE IN THE PAST YEAR.

6 AND THEN, FINALLY, WE HAVE GRANTS WITH
7 CO-FUNDING PARTNERS. THESE ARE OUR CO-FUNDERS FROM
8 AROUND THE WORLD. IN FISCAL YEAR '09-'10, WE HAD
9 FOUR OF THOSE. NOW WE HAVE 15. THOSE NUMBERS ARE
10 NOT VERY BIG, BUT THOSE GRANTS ARE A LOT MORE WORK.
11 TALKING TO THE MEMBERS OF THE SCIENCE OFFICE AND THE
12 GRANTS MANAGEMENT OFFICE, THEY SAY THAT THEY'RE ONE
13 AND A HALF TO TWO TIMES AS MUCH WORK AS A TYPICAL
14 GRANT TO JUST A SINGLE PI IN CALIFORNIA.

15 SO THOSE ARE SOME OF THE DRIVERS OF OUR
16 INCREASE IN OUR WORKLOAD. WE ALSO HAVE ANTICIPATED
17 INCREASES IN WORK BECAUSE WE NOW HAVE CLINICAL
18 PROGRAMS THAT ARE GETTING STARTED. AND WE HAVE
19 INCREASED OVERSIGHT THAT'S GOING TO BE REQUIRED OF
20 THOSE PROGRAMS. SO WE'VE HIRED ELLEN FEIGAL IS NOW
21 HERE AS THE VICE PRESIDENT FOR RESEARCH AND
22 DEVELOPMENT, AND SHE'S PUTTING TOGETHER REVIEW
23 PANELS AND PLANNING TO HIRE STAFF TO MANAGE THIS
24 PROCESS OF KEEPING TRACK OF OUR CLINICAL PROGRAMS.

25 WE ALSO FEEL IT'S GOING TO BE IMPORTANT TO

BARRISTERS' REPORTING SERVICE

1 MAKE SURE THAT THERE'S A CLEAR REGULATORY PATH FOR
2 OUR GRANTEES AND THAT THERE WILL BE FOLLOW-ON
3 FUNDING. AND SO THIS GRANT ALSO -- THIS BUDGET ALSO
4 INCLUDES PROVISIONS FOR THOSE. THOSE ARE COMING
5 PRIMARILY FROM ELONA BAUM OUT OF THE PRESIDENT'S
6 OFFICE SO THAT OUR GRANTEES WILL BE READY TO MOVE ON
7 TOWARDS THE CLINIC WHEN WE GET THERE.

8 SO WE GO TO THE NEXT PAGE SHOWS A
9 COMPARISON BETWEEN THE FISCAL YEAR '10-'11 BUDGET
10 AND '11-'12 BUDGET BOTH ON THE APPROVED, WHAT WAS
11 APPROVED LAST YEAR, VERSUS WHAT WE'RE REQUESTING, A
12 \$2.5 MILLION INCREASE. AND IF YOU'D LIKE TO SEE
13 WHAT IT IS COMPARED TO EXPENDED, IT'S A \$3.3 MILLION
14 INCREASE COMPARED TO WHAT WE PROJECTED WE'RE GOING
15 TO SPEND DURING THIS FISCAL YEAR.

16 LET'S GO ON TO THE NEXT SLIDE, WHICH I'D
17 LIKE TO GET INTO WHAT ARE THE MAIN DRIVERS OF THIS
18 INCREASE. WHERE DID THIS \$2.5 MILLION INCREASE COME
19 FROM? MOST OF IT COMES FROM SALARIES AND FRINGE
20 BENEFITS. AS YOU KNOW, THE ALQUIST BILL LIFTED
21 CIRM'S 50-EMPLOYEE CAP. AND SO WE ARE NOW FREE TO
22 HIRE AS MANY EMPLOYEES AS WE WANT AS LONG AS WE STAY
23 WITHIN OUR 6-PERCENT FUNDING CAP.

24 AND SO THIS BUDGET HAS AN INCREASE OF SIX
25 INDIVIDUALS. THERE'S ACTUALLY -- IT MAY NOT BE THAT

BARRISTERS' REPORTING SERVICE

1 OBVIOUS TO YOU WHEN YOU LOOK AT THE TABLES WHICH ARE
2 THE NEW ONES BECAUSE THERE HAVE BEEN SOME POSITIONS
3 THAT HAVE BEEN RECATEGORIZED, MOVED FROM ONE
4 REPORTING UNIT TO ANOTHER, AND A COUPLE POSITIONS
5 HAVE BEEN ELIMINATED, BUT THE NET INCREASE IS SIX.
6 SO WE ANTICIPATE GOING FROM 50 TO 56. THAT INCREASE
7 WILL AMOUNT TO A MILLION AND A HALF DOLLARS. IT
8 INCLUDES ALL THE SALARIES FOR THOSE INDIVIDUALS PLUS
9 ABOUT \$500,000 FOR RETIREMENT, HEALTH BENEFITS, AND
10 MERIT INCREASES FOR THE STAFF.

11 MOVING ON TO THE NEXT CATEGORY WHERE
12 THERE'S A FAIRLY BIG CHANGE, THAT'S IN EXTERNAL
13 CONTRACTS. I THINK IF YOU LOOK THROUGH THE BUDGET,
14 WHAT YOU WILL SEE IS MOST OF THIS INCREASE IS
15 RELATED TO AUDITS. IN THE LAST FISCAL YEAR, WE HAD
16 THE EXTERNAL REVIEW. WE HAD ABOUT \$180,000 BUDGETED
17 FOR THAT. THIS YEAR THAT ITEM IS NOT THERE, SO WE
18 CAN REMOVE THAT FROM THE REQUEST FOR THIS YEAR.
19 HOWEVER, WE HAVE TWO ADDITIONAL AUDITS THAT ARE IN
20 THE BUDGET. ONE IS FOR THE ONE FROM THE ALQUIST
21 BILL. THAT'S THE PERFORMANCE AUDIT AT \$250,000, AND
22 THEN THERE'S AN INSTITUTE OF MEDICINE AUDIT THAT IS
23 BEING ORGANIZED BY THE OFFICE OF THE CHAIR. AND
24 THAT'S BUDGETED AT \$400,000 FOR THIS YEAR. THERE
25 WOULD BE AN ADDITIONAL PAYMENT THAT WOULD BE IN THE

BARRISTERS' REPORTING SERVICE

1 NEXT FISCAL YEAR.

2 SO IF YOU JUST SUM UP THOSE THREE AUDITS,
3 YOU WILL SEE THAT THAT IS A NET INCREASE OF \$470,000
4 JUST FOR AUDITS, WHICH IS MORE THAN THE TOTAL
5 INCREASE FOR CONTRACTS. SO OTHER BASE CONTRACTS ON
6 AVERAGE HAVE BEEN REDUCED A BIT.

7 AND IF WE GO TO THE NEXT PAGE, WE'LL TALK
8 ABOUT SCIENCE MEETINGS. THERE'S BEEN A SUBSTANTIAL
9 INCREASE THERE, 338,000. AND THAT CAN BE ATTRIBUTED
10 MOSTLY TO THE FACT THAT WE'RE HAVING A GRANTEE
11 MEETING THIS YEAR. WE DON'T HAVE A GRANTEE MEETING
12 EVERY YEAR. WE'VE BEEN HAVING IT ABOUT EVERY 18
13 MONTHS. SO THERE WAS NO GRANT MEETING BUDGETED FOR
14 THIS PAST FISCAL YEAR, BUT THERE WILL BE FOR THIS
15 COMING FISCAL YEAR, AND THAT AMOUNTS TO \$262,000.
16 THE OTHER ITEM THAT'S NEW HERE IS \$125,000 TO SEND
17 TRAINEES AND PATIENT ADVOCATES TO THE WORLD STEM
18 CELL CONFERENCE NEXT FALL. SO THOSE TWO THINGS
19 TOGETHER, AGAIN, THEY MORE THAN EQUAL THE TOTAL
20 INCREASE IN THAT CATEGORY. SO IN OTHER INSTANCES IN
21 THIS CATEGORY, THE REQUESTS HAVE BEEN REDUCED.

22 SO IF WE GO TO THE LAST PAGE, THAT'S MY
23 SIGNAL REALLY TO STOP TALKING AND OPEN THIS UP TO
24 QUESTIONS. MAYBE I'LL JUST RUN DOWN SOME OF THE
25 OTHER CATEGORIES THAT I DIDN'T MENTION. WE'VE GONE

BARRISTERS' REPORTING SERVICE

1 THROUGH SALARIES AND BENEFITS, BUT IF YOU JUST LOOK
2 AT THE RIGHT, THE LAST TWO COLUMNS ON THE RIGHT, WE
3 GO DOWN THERE. INTERAGENCY AGREEMENTS, THESE ARE
4 AGREEMENTS WE HAVE WITH DIFFERENT STATE AGENCIES TO
5 HANDLE DIFFERENT ASPECTS MOSTLY AROUND FINANCE.
6 THESE AGENCIES WORK ON A COST RECOVERY BASIS, AND
7 THIS INCREASE JUST MERELY REFLECTS THE INCREASE IN
8 THE WORKLOAD THAT WE HAVE REQUIRED OF THEM.

9 MOVING ON DOWN, WE CAN SKIP CONTRACTS AND
10 GO TO ICOC MEETINGS. THAT INCREASE IS \$27,000.
11 THAT'S A FIGURE THAT WAS PROVIDED TO US BY THE
12 CHAIR'S OFFICE. WE GO DOWN AND SKIP OVER SCIENCE
13 MEETINGS AND GO TO GRANTS WORKING GROUPS. THERE'S
14 AN INCREASE OF 4 PERCENT THERE. WE'VE ACTUALLY
15 TRIMMED BACK SOMEWHAT ON THOSE BECAUSE WE ARE
16 INCLUDING IN THAT NOW THIS CLINICAL REVIEW PANEL.
17 SO SOME OF THOSE MEETINGS ARE INCORPORATED IN HERE,
18 AND THOSE WILL BE FAIRLY EXPENSIVE. SO THAT
19 ACCOUNTS FOR THE INCREASE THERE. STANDARDS WORKING
20 GROUP THERE'S NO INCREASE. TRAVEL, THERE'S A SMALL
21 DECREASE. FURNITURE AND EQUIPMENT, NO INCREASE.

22 INFORMATION TECHNOLOGY, THERE'S AN
23 INCREASE OF 7 PERCENT OR \$80,000. MOST OF THAT,
24 ABOUT \$80,000 OF THAT, IS JUST DUE TO A
25 RECATEGORIZATION. WE TOOK A COUPLE OF ITEMS THAT IN

BARRISTERS' REPORTING SERVICE

1 THE LAST BUDGET THAT WERE INCLUDED AS COMMUNICATIONS
2 IN THE OFFICE OF ADMINISTRATION, AND WE'VE MOVED
3 THOSE BECAUSE THEY WERE RELATED TO THE WEBSITE.
4 WE'VE MOVED THOSE INTO INFORMATION TECHNOLOGY, SO
5 THAT'S THE REASON FOR THAT SMALL INCREASE THERE.

6 AND THEN OUR OTHER OPERATIONS HAVE BEEN
7 REDUCED BY 44,000. I'LL STOP THERE AND LEAVE IT TO
8 PEOPLE FOR QUESTIONS.

9 CHAIRMAN GOLDBERG: THANK YOU VERY MUCH,
10 JOHN. BEFORE I OPEN IT UP TO QUESTIONS FROM THE
11 SITES, I'D LIKE TO MAKE A FEW COMMENTS, AND THEN
12 CHAIRMAN KLEIN WOULD LIKE TO MAKE A FEW COMMENTS AS
13 WELL.

14 THE FIRST IS THAT I THINK I CAN REPRESENT
15 ALL OF US ON THE ICOC SAYING THAT WE'RE EXTREMELY
16 SENSITIVE, AS I KNOW THE CIRM STAFF HAS BEEN IN THE
17 PREPARATION OF THIS BUDGET, TO THE STATE AND EVEN
18 FEDERAL FISCAL CONDITION. AND THE DIRECTION THAT
19 WE'VE PROVIDED TO STAFF IS TO DEFER WHEREVER
20 POSSIBLE NONMISSION CRITICAL SPENDING AND
21 INVESTMENTS. THEY HAVE CYCLED BACK AND DONE, I
22 THINK, A VERY EFFECTIVE JOB OF PROVIDING A BUDGET
23 THAT LARGELY ACCOMPLISHES THAT.

24 IF YOU FUNDAMENTALLY LOOK AT THE
25 YEAR-OVER-YEAR SPEND IN EXISTING EXPENSE CATEGORIES,

BARRISTERS' REPORTING SERVICE

1 IT'S VERY CLOSE TO FLAT. AND THEN THE INCREASES ARE
2 ATTRIBUTABLE PRINCIPALLY TO ACTIVITY-RELATED VOLUME
3 WHICH IS ENTIRELY EXPECTED. SO IN THAT REGARD I
4 THINK THE STAFF SHOULD BE COMPLIMENTED FOR THE WORK
5 THEY'VE DONE AT THE DEPARTMENT LEVEL AND ACROSS ALL
6 ASPECTS OF THE AGENCY.

7 IN REGARD TO SEVERAL OF THE MAJOR ITEMS
8 THAT STAND OUT AS INCREASES THAT MAY NOT BE
9 CONSIDERED TO BE ORDINARY AND NECESSARY AS ONE-TIME
10 INVESTMENTS OR EXPENDITURES, I THINK THAT'S KIND OF
11 WHERE WE SHOULD FOCUS OUR ATTENTION AND WHERE THE
12 BOARD'S ATTENTION SHOULD BE FOCUSED.

13 IN THAT REGARD, I THINK IT WOULD BE
14 HELPFUL FOR EVERYONE TO HEAR FROM CHAIRMAN KLEIN
15 ABOUT HOW SOME OF THOSE ACTIVITIES MAY BE FUNDED IN
16 SUCH A WAY THAT IT WOULD NOT DIRECTLY IMPACT THE
17 AGENCY'S AVAILABLE FUNDING FROM BOND PROCEEDS. WITH
18 THAT, I'D LIKE TO TURN IT OVER TO CHAIRMAN KLEIN.

19 CHAIRMAN KLEIN: THANK YOU, MICHAEL. SO
20 JUST FOR SOME VERY QUICK OVERVIEW POINTS BEFORE
21 QUESTIONS. IF YOU LOOK AT THE TOTAL INCREASE,
22 THERE'S 525,000 OF IT THAT RELATES TO EITHER THE IOM
23 STUDY OF \$400,000 ITEM OR THE WORLD STEM CELL
24 CONFERENCE BEING A HUNDRED TWENTY-FIVE. BOTH OF
25 THOSE ITEMS ARE FUNDED OUT OF DONOR FUNDS, NOT OUT

BARRISTERS' REPORTING SERVICE

1 OF FUNDS RAISED BY TAXES ON THE CITIZENS OF
2 CALIFORNIA.

3 THOSE DONOR FUNDS WERE RAISED OVER SIX
4 YEARS AGO WITH A REPRESENTATION THAT THEY WOULD BE
5 USED TO ADVANCE THE MISSION AND BE USED RELATIVELY
6 RAPIDLY AS OPPORTUNITIES OCCURRED. WE HAVE BEEN
7 SUCCESSFUL PREVIOUSLY IN GETTING OTHER PARTIES TO
8 PAY FOR SOME OF THESE ACTIVITIES GIVEN TIGHT
9 BUDGETARY PROBLEMS AFFECTING NOT ONLY THE PUBLIC
10 GOVERNMENTAL SECTOR, BUT THE NONPROFIT SECTOR. SOME
11 OF THOSE ACTIVITIES CAN'T BE PAID BY THE NONPROFIT
12 SECTOR, AND WE'RE PAYING IT WITH THE DONOR FUNDS
13 THAT WERE RAISED FOR THAT VERY PURPOSE. SO THAT'S
14 525,000 OR ABOUT 3.8 PERCENT OF THE INCREASE.

15 ADDITIONALLY, IT'S IMPORTANT TO UNDERSTAND
16 THAT THERE IS THIS \$250,000 STATE MANDATED AUDIT,
17 WHICH IS ANOTHER 1.3 PERCENT OF THE INCREASE --
18 EXCUSE ME -- WHICH IS ANOTHER 1.6 PERCENT OF THE
19 INCREASE. AND IN ADDITION, WHEN WE REALLY LOOK AT
20 WHERE THE FUNDS ARE GOING, THE FUNDS ARE EFFECTIVELY
21 GOING INTO SIX POSITIONS, FOUR OF WHICH ARE IN THE
22 SCIENCE OFFICE, ONE IS A PUBLIC COMMUNICATIONS
23 DIRECTOR SPECIFICALLY MANDATED BY THE BOARD,
24 RECOGNIZING THAT'S GOING TO BE VITAL TO HAVE GOOD
25 COMMUNICATIONS DURING THIS PERIOD AS WE ENTER INTO

BARRISTERS' REPORTING SERVICE

1 CLINICAL TRIALS FOR THE LEAD-UP TO CLINICAL TRIALS
2 WITH CELLULAR THERAPIES.

3 IN THE PERSONNEL AREA FOR THE SCIENCE
4 OFFICE, WE'VE HAD EXTENSIVE DISCUSSIONS WITH DR.
5 TROUNSON, DR. ROBSON, AND THE SCIENTIFIC STAFF, AND
6 I ACTUALLY THINK THEY'VE REALLY CUT DOWN THE STAFF
7 TO THE ABSOLUTE MINIMUM INCREASE WHEN WE'RE DEALING
8 WITH THE FACT WE HAVE A SCIENTIFIC ADVISORY
9 COMMITTEE THAT'S GOING TO BE COMING ON ON CLINICAL
10 TRIALS, AND THE COMPLEXITY AND THE MATURITY OF OUR
11 GRANTS HAS MOVED DOWNSTREAM TO WHERE THERE'S REALLY
12 SUBSTANTIAL MILESTONES, A LOT OF INTERACTION THAT'S
13 NECESSARY TO WORK WITH THEM WHETHER IT'S EARLY
14 TRANSLATION OR DISEASE TEAMS OR OTHER CATEGORIES OF
15 THAT TYPE.

16 SO IF YOU REALLY -- IF YOU TAKE OUT 9.3
17 PERCENT FOR THE SIX PERSONNEL MEMBERS, YOU TAKE OUT
18 THE DONOR FUNDS, AND YOU TAKE OUT THE REQUIREMENT OF
19 \$250,000 FOR A LEGISLATIVE MANDATED AUDIT, YOU'RE AT
20 A 1.3-PERCENT OVERALL INCREASE. I THINK THAT
21 REFLECTS THE REAL DISCIPLINE HERE, EFFECTIVELY
22 CONTROLLABLE COSTS THAT ARE FUNDED WITH STATE
23 TAXPAYER RAISED DOLLARS REPRESENT A 1.3 PERCENT
24 INCREASE.

25 MR. TORRES: BOB, IF WE CAN CHANGE THAT

BARRISTERS' REPORTING SERVICE

1 PAGE, THAT SLIDE, TO REFLECT THOSE ISSUES BECAUSE
2 ONCE THIS DOCUMENT BECOMES PUBLIC, THEN PEOPLE
3 ASSUME THE 400,000 AND THE \$250,000, IT SHOULD SAY
4 PERFORMANCE AUDIT MANDATED BY THE CALIFORNIA
5 LEGISLATURE, \$250,000. THE IOM AUDIT, 400,000,
6 COMING FROM DONOR FUNDS, NOT TAXPAYER FUNDS. SO WE
7 NEED TO MAKE SURE THAT IT'S AS SIMPLISTIC AS
8 POSSIBLE THAT GETS THE MESSAGE OUT THERE AS TO THE
9 ORIGIN OF THOSE NUMBERS.

10 CHAIRMAN KLEIN: I AGREE COMPLETELY. I'VE
11 HAD SOME PRIOR EXTENSIVE DISCUSSIONS WITH JOHN
12 ROBSON. I THINK IT'S HIS INTENT AFTER THIS MEETING
13 TO DO SO. I THINK HE WAS CAUGHT SHORT ON TIME TO
14 GET IT DONE FOR THIS MEETING.

15 MR. TORRES: HE'S NODDING.

16 CHAIRMAN GOLDBERG: THANK YOU, ART TORRES.

17 JOHN ROBSON, JUST TO BE SURE THAT FOR THE
18 MATERIALS THAT WILL BE PROVIDED TO THE ICOC, THE
19 UPCOMING MEETING, THE CHANGES THAT WERE JUST
20 DISCUSSED WILL BE MADE.

21 DR. ROBSON: ABSOLUTELY.

22 CHAIRMAN GOLDBERG: THANK YOU. I'D LIKE
23 TO CIRCULATE AROUND THE SITES.

24 MR. TORRES: WAIT. SO FINAL QUESTION.
25 WHEN WE SPEAK TO THE LEGISLATURE, OR I SPEAK TO THE

BARRISTERS' REPORTING SERVICE

1 LEGISLATURE, WE'VE ONLY HAD A 1.3-PERCENT INCREASE,
2 CORRECT?

3 CHAIRMAN KLEIN: SEPARATE FROM THE SIX
4 PERSONNEL MEMBERS SPECIFICALLY AUTHORIZED BY THE NEW
5 LEGISLATION, THAT THE LEGISLATURE PASSED, AND OF
6 THOSE, FOUR ARE SCIENCE OFFICERS DEALING WITH
7 OVERSIGHT BY THE ADVISORY COMMITTEE AND WORK ON
8 PRECLINICAL OR CLINICAL LEVEL SCIENTIFIC CHALLENGES.

9 CHAIRMAN GOLDBERG: ART, COULD I PERHAPS
10 ASK YOU TO WORK WITH JOHN ROBSON TO CONSTRUCT A KIND
11 OF ONE-PAGE SUMMARY OF THE PROPOSED BUDGET THAT
12 WOULD INTEGRATE ALL OF THE COMMENTS THAT HAVE JUST
13 BEEN DISCUSSED SO THAT IT'S A BASIS FOR TALKING
14 POINTS NOT ONLY FOR YOU TO THE LEGISLATURE, BUT FOR
15 EACH OF US AND TO THE PUBLIC AT LARGE.

16 MR. TORRES: AND ALSO TO DON, WHO I'M SURE
17 WILL ISSUE A PRESS RELEASE AT THE TIME OF THE BOARD
18 MEETING.

19 CHAIRMAN GOLDBERG: YEAH. OR PERHAPS EVEN
20 TODAY.

21 MR. TORRES: OKAY.

22 CHAIRMAN GOLDBERG: BUT THANK YOU FOR
23 THOSE COMMENTS. ARE YOU AT CIRM, ART, OR ARE YOU AT
24 ANOTHER SITE?

25 MR. TORRES: SAN FRANCISCO. ARE THERE

BARRISTERS' REPORTING SERVICE

1 OTHER COMMENTS FROM YOUR SITE?

2 MR. TORRES: ANY OTHER COMMENTS?

3 MS. KING: MICHAEL, YOU'RE JUST LOOKING
4 FOR COMMENTS FROM BOARD MEMBERS RIGHT NOW? ART IS
5 THE ONLY BOARD MEMBER THAT'S HERE, SO IF YOU'D LIKE,
6 I CAN CALL OUT THE SITES IF THAT WOULD BE HELPFUL.

7 CHAIRMAN GOLDBERG: YEAH, PLEASE.

8 MS. KING: SURE. DO WE HAVE ANY COMMENTS
9 FROM ROANOKE STREET HERE IN SAN FRANCISCO?

10 MR. SHEEHY: NO COMMENTS.

11 MS. KING: MICHAEL, OVER TO YOUR SITE.
12 YOU ARE AT KLEIN FINANCIAL WITH BOB, CORRECT?

13 CHAIRMAN GOLDBERG: NO COMMENTS.

14 MS. KINGS: ANY COMMENTS, BOB?

15 CHAIRMAN KLEIN: NO ADDITIONAL COMMENTS.

16 THANK YOU.

17 MS. KING: DR. STEWARD AT UC IRVINE, ANY
18 COMMENTS?

19 DR. STEWARD: NO ADDITIONAL COMMENTS.

20 MS. KING: DR. BLOOM AT THE SCRIPPS
21 RESEARCH INSTITUTE, ANY COMMENTS?

22 DR. BLOOM: NO COMMENTS.

23 MS. KING: IS THERE ANYBODY THAT WE'VE
24 MISSED? WE CALLED JEFF SHEEHY'S LOCATION. SO IS
25 THERE ANYBODY ON THE LINE THAT WE MISSED WHO MAY

BARRISTERS' REPORTING SERVICE

1 HAVE JOINED THE CALL SINCE THE ROLL CALL? LIKE
2 MAYBE WHO JUST BEEPED IN?

3 MS. FEIT: MARCY FEIT.

4 MS. KING: YOU PROBABLY DON'T HAVE ANY
5 COMMENTS. WELL, YOU MIGHT BECAUSE YOU HAD THE
6 DOCUMENTS FOR A FEW DAYS. WHAT WE'RE DOING RIGHT
7 NOW IS GETTING COMMENTS FROM THE SUBCOMMITTEE
8 MEMBERS ON THE BUDGET FOLLOWING A PRESENTATION BY
9 JOHN ROBSON. SO IF YOU HAVE ANY COMMENTS BASED ON
10 YOUR PRIOR REVIEW OF THE DOCUMENTS, NOW WOULD BE A
11 GOOD TIME, OR MAYBE YOU COULD DEFER THOSE UNTIL
12 AFTER WE CHECK FOR PUBLIC COMMENTS, SO YOU HAVE A
13 MOMENT TO THINK ABOUT IT.

14 CHAIRMAN KLEIN: MARCY, THIS IS BOB KLEIN.
15 JUST TO RESUMMARIZE WHAT I JUST WENT THROUGH FOR THE
16 COMMITTEE, WHEN YOU TAKE AND ANALYZE THE COMPONENTS
17 OF THE INCREASE, 525,000 IS NOT FUNDED BY STATE
18 TAXPAYER DOLLARS. IT'S FUNDED BY DONOR FUNDS FROM
19 MONEY SPECIFICALLY RAISED FOR CONFERENCES AND
20 SPECIAL STUDIES. THAT HAPPENS TO BE 3.8 PERCENT OF
21 THE INCREASE. AN ADDITIONAL 1.6 PERCENT OF THE
22 INCREASE COMES FROM THE LEGISLATURE'S \$250,000
23 MANDATED AUDIT, MAKING 5.4 PERCENT OF THE INCREASE
24 COMBINED WITH THE DONOR FUNDS.

25 AND WHEN YOU LOOK AT THE ACTUAL INCREASE,

BARRISTERS' REPORTING SERVICE

1 IT'S SIX PERSONNEL MEMBERS, FOUR WHICH ARE SCIENCE
2 OFFICERS THAT ARE DEEPLY INVOLVED AND REQUIRED WITH
3 THE FACT THAT WE HAVE MORE MATURE GRANTS THAT ARE IN
4 PRECLINICAL OR CLINICAL PHASES, WE HAVE A SCIENTIFIC
5 ADVISORY COMMITTEE THAT NEEDS TO BE ADDED FOR
6 OVERSIGHT BECAUSE IT'S SO CRITICAL TO HAVE PROPER
7 FOLLOW-THROUGH ON THIS PRECLINICAL AND CLINICAL
8 PHASE. AND ONE OF THE OTHERS IS THE DIRECTOR OF
9 PUBLIC COMMUNICATIONS THAT THE BOARD SPECIFICALLY
10 DIRECTED FOR THE CHAIR'S OFFICE TO REALLY
11 COMMUNICATE WITH THE PUBLIC AND THE LEGISLATURE
12 ABOUT THE MILESTONES OF PROGRESS IN THE STEM CELL
13 RESEARCH AND THERAPY AREA. AND ONE IS AN ADDITION
14 TO THE OFFICE OF THE PRESIDENT.

15 SO VERY SMALL INCREASES SPECIFICALLY
16 AUTHORIZED LAST YEAR BY THE LEGISLATURE TO ALLOW US
17 TO GO FROM 50 PERSONS TO 56. BUT WHEN YOU SUBTRACT
18 OUT JUST PERSONNEL AND THE NONSTATE TAXPAYER FUNDED
19 ITEMS ALONG WITH THE LEGISLATIVE AUDIT ITEMS, YOU
20 HAVE A NET INCREASE OF 1.3 PERCENT.

21 MS. FEIT: THANK YOU. I DON'T HAVE ANY
22 ADDITIONAL COMMENTS. I THINK I'VE SPENT TIME
23 TALKING WITH OTHERS ABOUT THIS BUDGET, AND I'VE
24 LOOKED AT THE BUDGET MYSELF. AND I THINK THE
25 JUSTIFICATION FOR THE CHANGES ARE MORE THAN

BARRISTERS' REPORTING SERVICE

1 WARRANTED WITH THE AMOUNT OF WORK THAT CIRM HAS TO
2 PRODUCE TO MEET ITS COMMITMENTS. WE CONSISTENTLY
3 YEAR AFTER YEAR HAVE BEEN UNDER BUDGET, AND I THINK
4 HAVE BEEN REALLY MORE THAN PRUDENT ABOUT HOW WE'VE
5 UTILIZED OUR FUNDS IN THE PAST. AND I ANTICIPATE
6 THAT WILL HAPPEN GOING FORWARD.

7 MR. TORRES: ANY OTHER BOARD MEMBERS?

8 CHAIRMAN GOLDBERG: THIS IS MICHAEL
9 GOLDBERG ON BEHALF OF DUANE ROTH, WHO WON'T BE ABLE
10 TO JOIN THE CALL UNTIL THE NEXT HOUR. HE HAS STRONG
11 OPPOSITION TO THE USE OF TAXPAYER MONEY -- HE MAY
12 NOT HAVE UNDERSTOOD THE USE OF DONOR FUNDS --
13 TAXPAYER MONEY FOR THE IOM STUDY. HE FEELS THAT
14 HAVING JUST HAD AN EXTERNAL REVIEW BY A TEAM OF
15 EXPERTS COMPLETED WHICH DOCUMENTED THAT CIRM IS
16 MEETING ITS GOALS AND HAVING THE IMPACT INTENDED BY
17 PROP 71, HE DOESN'T SEE HOW AN ADDITIONAL STUDY
18 WOULD RESULT IN ANY INCREMENTAL BENEFIT TO CIRM AT
19 THIS TIME. AND DOESN'T FEEL THAT WE SHOULD BE
20 SPENDING MONEY ON NONCRITICAL ITEMS. THEREFORE,
21 HE'S OPPOSED TO INCLUDING THIS ITEM IN THE BUDGET
22 FOR NEXT YEAR, BUT PERHAPS OPEN TO REVISITING THAT
23 IN A SUBSEQUENT PERIOD.

24 MR. TORRES: I DON'T THINK HE'S AWARE THAT
25 THE BOARD ALREADY VOTED TO APPROVE IT.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN GOLDBERG: I CAN'T SPEAK TO HIS
2 UNDERSTANDING.

3 CHAIRMAN KLEIN: ART, HE VOTED IN
4 OPPOSITION TO THE STUDY.

5 MR. TORRES: I KNOW, BUT THE BOARD HAS
6 ALREADY VOTED, SO WE WOULD HAVE TO REVISIT IT WITH A
7 SEPARATE MOTION, CORRECT?

8 CHAIRMAN KLEIN: THAT'S CORRECT. AND IT
9 DOESN'T APPEAR THAT HE REALIZES THAT IT'S PAID FOR
10 THROUGH DONOR FUNDS BECAUSE HE'S USING THE WORD
11 TAXPAYER-RAISED FUNDS FROM THAT QUOTE. SO WE, IN
12 FACT, ARE NOT USING TAXPAYER MONEY IN THIS TIME OF
13 CONSTRAINT. THAT'S THE REASON THE BOARD VOTED FOR A
14 HUNDRED PERCENT OF THESE FUNDS TO COME OUT OF DONOR
15 FUNDS.

16 MR. TORRES: I WAS SENSITIVE TO DUANE'S
17 E-MAIL, SO I'LL TALK TO HIM AS WELL. I KNOW DR.
18 TROUNSON HAS COMMENTS AS WELL.

19 CHAIRMAN GOLDBERG: DR. TROUNSON.

20 DR. TROUNSON: THANK YOU, MICHAEL. THE
21 STAFF HAVE WORKED REALLY HARD ON THIS, AND I ASKED
22 FOR SOME PRETTY DEEP CUTS RIGHT ACROSS THE WHOLE OF
23 THE ORGANIZATION, INCLUDING TRYING TO PERSUADE THE
24 CHAIR TO CUT DEEPLY AS WELL. SO EVERYBODY HAS HAD
25 TO REALLY PROVIDE ME AND THE TEAM WITH A REASONED

BARRISTERS' REPORTING SERVICE

1 ARGUMENT FOR ANY CHANGES REALLY TO THE BUDGET.

2 BUT I WOULD SAY THAT WE REMAIN WELL BELOW
3 THE 6 PERCENT, BUT NEVERTHELESS I REMAIN CONCERNED
4 ABOUT THIS. ONCE YOU ENABLE AN INCREASE IN STAFF,
5 YOU START TO APPROACH 6 PERCENT. AND IN MY VIEW
6 THIS IS ON ONE HAND, WHILE WE'RE ABLE TO SPEND DONOR
7 MONEY, THAT'S SAVING CONSIDERABLY ON THE BOND
8 FUNDING MONEY. WE WILL HAVE TO TAKE THIS AS A
9 PRIORITY TO RAISE DONOR MONEY IN THE FUTURE IF WE'RE
10 GOING TO TRY AND REMAIN UNDER THIS 6 PERCENT. I
11 WANT THE BOARD TO UNDERSTAND THE NEED FOR THAT AND
12 TAKE THAT ON SERIOUSLY BECAUSE THE BUDGET TO REMAIN
13 UNDER 6 PERCENT WILL REQUIRE VERY CAREFUL MANAGEMENT
14 OR THE ADDITIONAL ADDITION OF MONEY THAT'S AVAILABLE
15 TO US PERHAPS BY DONATION.

16 CHAIRMAN GOLDBERG: THANK YOU. MELISSA,
17 CAN YOU CIRCULATE FOR PUBLIC COMMENT AT THE VARIOUS
18 SITES, PLEASE?

19 MS. KING: IS THERE ANY PUBLIC COMMENT
20 HERE AT THE CIRM IN SAN FRANCISCO? OKAY. ANY
21 PUBLIC AT ROANOKE STREET IN SAN FRANCISCO?

22 MR. SHEEHY: NO PUBLIC HERE.

23 MS. KING: ANY PUBLIC AT KLEIN FINANCIAL
24 CORPORATION?

25 CHAIRMAN GOLDBERG: NO.

BARRISTERS' REPORTING SERVICE

1 MS. KING: ANY PUBLIC AT THE REEVE IRVINE
2 RESEARCH CENTER?

3 DR. STEWARD: NO PUBLIC.

4 MS. KING: ANY PUBLIC AT THE SCRIPPS
5 RESEARCH INSTITUTE?

6 DR. BLOOM: NO PUBLIC.

7 MS. KING: THAT'S IT, MICHAEL.

8 CHAIRMAN GOLDBERG: DO WE NEED A MOTION,
9 JAMES, TO VOTE?

10 MR. HARRISON: MICHAEL, BY MY COUNT YOU'RE
11 ONE MEMBER SHY OF A QUORUM. IF YOU'D LIKE, YOU CAN
12 GET A SENSE OF THE COMMITTEE.

13 MS. KING: JAMES, I FORGOT TO ASK ABOUT
14 MARCY FEIT'S SITE, VALLEY CARE HEALTH SYSTEM.
15 MARCY, DO YOU HAVE ANY PUBLIC WITH YOU?

16 MS. FEIT: NO, I DON'T.

17 MS. KING: GO AHEAD.

18 MR. HARRISON: MICHAEL, WE'RE ONE MEMBER
19 ONE SHY OF A QUORUM, SO WHAT I'D SUGGEST IS THAT YOU
20 GET A SENSE OF THE COMMITTEE, WHICH YOU CAN REPORT
21 TO THE BOARD.

22 CHAIRMAN GOLDBERG: THANK YOU, JAMES. SO
23 I GUESS THE QUESTION BEFORE THE COMMITTEE MEMBERS IS
24 WHETHER THEY'RE IN SUPPORT OF THE BUDGET AS
25 PRESENTED. OBVIOUSLY IT WILL BE RE-PRESENTED WITH

BARRISTERS' REPORTING SERVICE

1 SOME OF THE COMMENTS AND ADJUSTMENTS THAT WERE
2 DISCUSSED OVER THE PAST 40 MINUTES, BUT I'D LIKE TO
3 FIND OUT WHETHER PEOPLE ARE COMFORTABLE WITH IT OR
4 WHETHER THERE ARE OBJECTIONS.

5 MR. TORRES: I THINK WITHOUT OBJECTION, WE
6 MOVE TO A CONSENSUS.

7 CHAIRMAN GOLDBERG: ARE THERE ANY
8 OBJECTIONS? HAVING HEARD NONE, I WOULD AGREE WITH
9 YOUR COMMENT, SENATOR TORRES. PRESCIENT AS ALWAYS.

10 I'D LIKE TO MOVE TO THE NEXT AGENDA ITEM
11 AND ASK ELONA BAUM TO DISCUSS AMENDMENTS TO THE LOAN
12 ADMINISTRATION POLICY.

13 MS. BAUM: THANK YOU VERY MUCH. I'VE
14 ASKED SCOTT TO TAKE THE LABORING OAR ON THIS, SCOTT
15 TOCHER. I MIGHT INTERJECT SOME COMMENTS AS
16 APPROPRIATE.

17 MR. TOCHER: THANKS, ELONA, AND JAMES AS
18 WELL, AS NECESSARY. SORT OF FIRST ON A POINT OF
19 PROCESS, AS THE SUBCOMMITTEE MEMBERS WILL RECALL,
20 THIS IS AN ONGOING EFFORT TO REFINE THE LOAN
21 ADMINISTRATION POLICY WHICH MOST RECENTLY WAS
22 CONCLUDED IN NOVEMBER OF LAST YEAR IN ORDER TO HAVE
23 A POLICY IN PLACE FOR IPERIAN AND OTHER LOAN
24 APPLICANTS. SO WHAT WE'RE DOING HERE TODAY IS TO
25 CONSIDER CERTAIN ISSUES THAT WERE TABLED AT THE TIME

BARRISTERS' REPORTING SERVICE

1 AS WELL AS TO INCORPORATE ADDITIONAL AMENDMENTS TO
2 THE POLICY THAT HAVE ALREADY BEEN CONSIDERED BY THE
3 BOARD AS A WHOLE. AND THEN FINALLY TO CONSIDER A
4 THIRD SET OF ISSUES THAT HAVE BEEN DEVELOPED AND
5 AMENDMENTS THAT SEEM NECESSARY SINCE NOVEMBER.

6 THREE PARTS. AND THE POINT OF THIS
7 PARTICULAR MEETING IS TO LOOK AT THIS LANGUAGE AND
8 SEE IF IT IS ACCEPTABLE TO SEND FORWARD TO THE ICOC
9 TO RECOMMENDED THE PROCESS OF OPENING UP THE LAP
10 ONCE AGAIN TO INCORPORATE THESE AMENDMENTS. SO IT
11 REALLY IS THE BEGINNING OF THE BEGINNING, ONCE
12 AGAIN, OF A PROCESS TO FURTHER CLARIFY AND PERFECT
13 THE LOAN ADMINISTRATION PROBABLY.

14 AS A RESULT, THEN, THIS IS NOT THE FIRST,
15 NOR THE LAST TIME YOU WILL SEE ALL OF THESE CHANGES.
16 WELL, THE FIRST, BUT IT WON'T BE THE LAST. AFTER WE
17 INITIATE THE RULEMAKING PROCESS, WE WOULD HAVE
18 ANOTHER, AT LEAST ONE MORE MEETING OF THE
19 SUBCOMMITTEE TO CONSIDER THE PUBLIC COMMENT AND ANY
20 OTHER FURTHER REVISIONS IT WOULD LIKE TO MAKE.

21 SO WITH THAT, I WILL BE REFERRING TO THE
22 COPY THAT I HAVE THAT IS REDLINED, IF YOU WILL, THAT
23 HAS STRIKEOUT AND UNDERLINE TO REFLECT THE
24 AMENDMENTS. DUE TO A TECHNICAL GLITCH ON THE
25 WEBSITE, UP UNTIL A LITTLE WHILE AGO, THE VERSION

BARRISTERS' REPORTING SERVICE

1 THAT WAS POSTED REFLECTED THE CHANGES AS IF THEY HAD
2 ALL BEEN ACCEPTED. AND THAT WILL MAKE IT A LITTLE
3 HARDER TO OBSERVE THE CHANGES. I KNOW THAT WE HAVE
4 REPOSTED IT. SO IF YOU ARE ONLINE AND YOU HAVEN'T
5 ALREADY DONE SO, YOU CAN DRAW THE DOCUMENT UP AGAIN
6 AND ACTUALLY OBSERVE THE CHANGES IN MARKED FORMAT.
7 AND I BELIEVE, MELISSA, YOU HAVE SENT IT OUT TO THE
8 SITES AS WELL AS TO THE SUBCOMMITTEE MEMBERS.

9 MS. KING: THEY SHOULD HAVE THE TRACK
10 CHANGES IN FRONT OF THEM.

11 MR. TOCHER: WITH THAT, I THINK THE
12 PROBABLY EASIEST FLOW IS TO JUST TAKE THESE THINGS
13 IN THE ORDER IN WHICH THEY APPEAR IN THE LAP.

14 THE FIRST SUBSTANTIVE AREA BEGINS ON MY
15 PAGE ON PAGE 6, WHICH IS SUBPART D OF THE
16 PROPOSAL -- OF THE POLICY. AND THIS ADDITIONAL
17 LANGUAGE, THREE PARAGRAPHS, ADDRESSES THE ISSUES OF
18 TRANSFER AND ACQUISITION. SO IN THE EVENT THAT OUR
19 BORROWER EITHER TRANSFERS THE IP TO A THIRD PARTY OR
20 THE BORROWER IS ITSELF ACQUIRED, WE NEEDED TO
21 ADDRESS WHAT WOULD HAPPEN IN THOSE CIRCUMSTANCES IN
22 TERMS OF THE OBLIGATIONS TO REPAY THE LOAN.

23 AND SO WHAT THESE PARAGRAPHS SIMPLY STATE
24 IS THAT IN EITHER EVENT WHERE A CIRM-FUNDED
25 INVENTION IS TRANSFERRED OR WHETHER THE BORROWER

BARRISTERS' REPORTING SERVICE

1 ITSELF IS ACQUIRED, THAT THE OBLIGATIONS OF THE LOAN
2 WILL FOLLOW TO THE SUBSEQUENT ACQUIRER. AND,
3 FINALLY, THAT, AND THIS REFLECTS AN EARLIER DECISION
4 OF THE SUBCOMMITTEE, THAT THIS ASSIGNMENT OF
5 TRANSFER TO A SUCCESSOR IN INTEREST WOULD BE SUBJECT
6 TO CIRM'S APPROVAL, BUT THAT THAT APPROVAL WOULD NOT
7 BE UNREASONABLY WITHHELD.

8 IF THERE ARE NO QUESTIONS ON THAT, I WOULD
9 PROCEED TO PAGE 8 OF THE COPY REGARDING LOAN
10 REPAYMENT. THESE PARTICULAR PROVISIONS, WHICH BEGIN
11 ON PAGE 8, FIRST OF ALL, DEFINES THE TERM OF
12 SUCCESS. THIS IS AN IMPORTANT TERM IN THE LOAN
13 BECAUSE, OF COURSE, REPAYMENT OF A PRODUCT-BACKED
14 LOAN IS BASED ON THE SUCCESS OF THE PRODUCT. SO WE
15 HAVE A DEFINITION, THEN, IN PLACE IN ORDER TO
16 IDENTIFY THOSE REVENUE STREAMS OF A LOAN RECIPIENT
17 THAT WILL TRIGGER, FOR INSTANCE, REPAYMENT IF THE
18 LOAN HAS BEEN FORGIVEN.

19 AN IMPORTANT COMPONENT AS WELL OF THIS,
20 WHICH YOU WILL FIND ON THE NEXT PAGE, PROVIDES FOR
21 FLEXIBILITY FOR THE LOAN AGREEMENT TO BE MODIFIED
22 POST-RFA IF THERE IS AGREEMENT BETWEEN THE LOAN
23 RECIPIENT AND THE FINANCE SUBCOMMITTEE. IT'S
24 BELIEVED THAT THIS IMPORTANT FLEXIBILITY WILL ASSIST
25 SORT OF LATE DEVELOPMENTS AND UNANTICIPATED

BARRISTERS' REPORTING SERVICE

1 CONSEQUENCES THAT NEITHER PARTY WOULD, OF COURSE,
2 WISH TO SEE SCUTTLE THE DEAL. SO THIS IS A
3 MECHANISM TO ENSURE THAT ALL OPPORTUNITIES ARE
4 AVAILABLE TO CIRM IN ORDER TO CLOSE A LOAN
5 AGREEMENT.

6 DR. TROUNSON: I JUST WONDERED IF THERE'S
7 ANY CONSIDERATION OF ANY INVESTMENT BY THE COMPANY.
8 IS THAT CONSIDERED IN THIS, THE MOMENT OF MONEY THAT
9 THEY'VE INVESTED IN THE PROJECT IF THAT'S NOT
10 CONSIDERED?

11 MR. TOCHER: IN TERMS OF A PAYBACK?

12 DR. TROUNSON: IN TERMS OF THE DEFINITION
13 OF SUCCESS.

14 MR. TOCHER: I SEE. REALLY I THINK THAT
15 THIS PARTICULAR TERM IS RELEVANT TO THE CONTEXT ONLY
16 OF WHAT REVENUE STREAMS THAT ARE COMING TO THE
17 COMPANY ARE WE GOING TO LOOK AT WHEN WE ASSESS
18 WHETHER OR NOT THEY ARE MAKING MONEY ON THE PROJECT.

19 MS. BAUM: IT'S IRRELEVANT.

20 DR. TROUNSON: THANK YOU.

21 MR. TOCHER: TO CONTINUE, ON PAGE 9
22 REGARDING THE INTEREST RATE, THIS IS AN ISSUE THAT
23 WE'VE LOOKED AT FOR SOME TIME AND HAVE CONTINUED
24 SORT OF NOODLING ON TO TRY TO IDENTIFY WHAT THE
25 EASIEST MECHANISM IS FOR THE INTEREST RATE FOR

BARRISTERS' REPORTING SERVICE

1 FIVE-YEAR LOAN TERMS. AND WHAT HAS BEEN SETTLED
2 UPON IS TO RECOMMEND TO YOU AND TO THE BOARD THAT
3 THE LIBOR RATE, ONE-YEAR LIBOR RATE, PLUS 2 PERCENT,
4 WHICH WOULD RESET UPON EACH DISTRIBUTION. AND EACH
5 DISTRIBUTION WOULD BE DONE ITSELF ON AN ANNUAL
6 BASIS. I BELIEVE THAT THIS LANGUAGE IMPLEMENTS THE
7 PRIOR DISCUSSIONS OF THE FINANCE SUBCOMMITTEE ON THE
8 SUBJECT.

9 MS. BAUM: I'D LIKE TO ADD THAT THE
10 PRESENT LAP ACTUALLY PROVIDES FOR LIBOR PLUS 2
11 PERCENT, BUT THIS IS REALLY A CLARIFICATION, THAT
12 IT'S THE LIBOR, THE ANNUAL, THE ONE-YEAR LIBOR. AND
13 THE POINT OF RESETTING IS ALSO CLARIFIED WITHIN THIS
14 NEW TEXT.

15 CHAIRMAN KLEIN: IN ORDER TO ACHIEVE
16 ENOUGH REVENUE TO OFFSET THOSE CASES WHERE THE LOANS
17 ARE COMPLETELY WRITTEN OFF BECAUSE OF THE LACK OF
18 SUCCESS, I THINK IT IS IMPORTANT TO PUT A FLOOR ON
19 LIBOR. WE'RE IN ATYPICAL CONDITIONS, 50-YEAR LOWS
20 OR CLOSE TO 50-YEAR LOWS IN LIBOR RATES. AND IT'S
21 QUITE TRADITIONAL IN THE FINANCE INDUSTRY TO HAVE A
22 FLOOR, A VERY REASONABLE FLOOR, LIKE 3.5 PERCENT,
23 WOULD STILL CREATE WITH THE 2-PERCENT SPREAD MARKED
24 UP TO A 5.5 PERCENT LOAN, AND THESE SHOULD BE VERY
25 ATTRACTIVE AT THAT LEVEL.

BARRISTERS' REPORTING SERVICE

1 SO HAVING A FLOOR REALLY ASSURES US THAT
2 THOSE THAT ARE SUCCESSFUL, WE WILL COLLECT ENOUGH
3 INTEREST THAT WE CAN HELP OFFSET THE RISK OF LOANS
4 THAT WE HAVE TO WRITE OFF AND HELP REPLENISH OUR
5 FUNDS. SO I'D LIKE TO KNOW HOW OTHERS FEEL ABOUT
6 PUTTING A FLOOR ON THE LIBOR RATE.

7 CHAIRMAN GOLDBERG: I THINK A VOICE I'D BE
8 MOST INTERESTED IN HEARING FROM ON THIS IS DUANE,
9 WHOSE VOICE WE DON'T HAVE AVAILABLE AT THE MOMENT.
10 I UNDERSTAND HE'S TRYING TO PERHAPS JOIN AT THE TOP
11 OF THE HOUR. MELISSA, CAN YOU PERHAPS SEE AND CHECK
12 ON HIS AVAILABILITY? IN THE MEANTIME, LET'S
13 CIRCULATE COMMENTS ON THE OTHER ITEMS DISCUSSED AT
14 THE VARIOUS SITES FOR BOARD COMMENT.

15 MR. HARRISON: MICHAEL AND BOB, IF IT'S
16 HELPFUL, THE CURRENT LIBOR RATE IS .77.

17 CHAIRMAN KLEIN: THAT'S SEVEN-TENTHS OF 1
18 PERCENT.

19 MR. HARRISON: CORRECT.

20 CHAIRMAN KLEIN: THAT WOULD MEAN THAT WITH
21 THE 2-PERCENT INCREASE, IT WOULD BE 2.77, WHICH IS
22 BELOW THE FLOOR THAT WAS DONE IN THE MODELING ON THE
23 LOAN REPAYMENT PROGRAM TO CREATE A PROGRAM THAT
24 WOULD PERPETUATE SOME PORTFOLIO SIZE.

25 MS. BAUM: WHAT WAS THAT FLOOR THAT WAS

BARRISTERS' REPORTING SERVICE

1 USED FOR THAT CALCULATION? WAS IT THREE OR
2 THREE POINT SOMETHING?

3 CHAIRMAN KLEIN: I WAS SUGGESTING A FLOOR
4 OF THREE AND A HALF ON THE LIBOR RATE.

5 MR. HARRISON: ON LIBOR PLUS TWO, BOB.

6 CHAIRMAN KLEIN: LIBOR PLUS TWO. AND
7 THAT'S QUITE CONSISTENT WITH THE BANKING PRACTICES
8 FOR THE MOST HIGHLY PREFERRED CUSTOMERS IN THE
9 NATION. THEY ARE FACING A FLOOR AS WELL UNLESS, IN
10 FACT, WE HAVE HUNDREDS OF MILLIONS OF BALANCES.
11 THEY'VE GOT A DOLLAR-FOR-DOLLAR OFFSET BALANCE OR
12 SOME OTHER ANOMALY OF THAT KIND INFLUENCING IT, OR
13 THEY HAVE THE ABILITY TO BORROW ON COMMERCIAL PAPER,
14 IN WHICH CASE THEY GET A SPECIAL CATEGORY DISCOUNT.
15 THIS WOULD CERTAINLY LEAVE THE LOAN PROGRAM AS A
16 VERY PREFERRED SOURCE OF FUNDING FOR THOSE BIOTECH
17 COMPANIES THAT ARE TRYING TO PUSH THERAPIES FORWARD
18 AND ARE IN A RISK PROFILE WHERE THERE'S A GREAT
19 BENEFIT TO THE PUBLIC, BUT THEY CAN'T GET THE
20 COMMERCIAL LOAN AT ANYWHERE NEAR THIS.

21 CHAIRMAN GOLDBERG: MELISSA, CAN WE POLL
22 THE BOARD MEMBERS AT THE VARIOUS SITES WITH REGARD
23 TO EVERYTHING BUT THIS, WELL, INCLUDING THIS ISSUE.
24 I'D LIKE TO HEAR FROM DUANE AT THE END BEFORE WE
25 TAKE AN ACTION.

BARRISTERS' REPORTING SERVICE

1 MS. KING: ANY COMMENTS HERE AT THE CIRM,
2 SENATOR TORRES?

3 MR. TORRES: NO.

4 MS. KING: ANY COMMENTS AT ROANOKE STREET
5 IN SAN FRANCISCO?

6 MR. SHEEHY: NOT SPECIFICALLY, THOUGH I AM
7 INTRIGUED BY THE IDEA OF A FLOOR. THE INTEREST RATE
8 THAT WE'RE TALKING ABOUT IS MUCH LOWER.

9 MS. KING: ANY COMMENTS AT VALLEY CARE
10 HEALTH?

11 MS. FEIT: NO COMMENTS HERE.

12 MS. KING: OKAY. HOW ABOUT KLEIN
13 FINANCIAL?

14 CHAIRMAN KLEIN: NO ADDITIONAL COMMENTS.

15 MS. KING: DR. STEWARD, ANY COMMENTS UC
16 IRVINE?

17 DR. STEWARD: NO COMMENTS.

18 MS. KING: AND DR. BLOOM, HOW ABOUT YOU?

19 DR. BLOOM: I THINK BOB'S SUGGESTION IS A
20 VERY COGENT ONE, AND HE MADE A GOOD CASE FOR IT.

21 MS. KING: ALL RIGHT. THANK YOU.
22 MICHAEL.

23 CHAIRMAN GOLDBERG: LET'S CIRCULATE FOR
24 ANY PUBLIC COMMENTS.

25 DR. TROUNSON: I THINK IT WOULD BE WISE

BARRISTERS' REPORTING SERVICE

1 ALSO TO JUST CHECK WITH SOME PEOPLE IN INDUSTRY TO
2 SEE HOW THEY'D RESPOND. I THINK IT SEEMS TO BE VERY
3 REASONABLE AND FAIR, BUT I THINK IT WOULD BE WISE
4 JUST TO JUST TO GET A PLUMBING OF THEIR VIEW.

5 MS. BAUM: AS WE INDICATED BEFORE, THIS IS
6 THE FIRST TIME THAT THIS COMMITTEE WILL BE LOOKING
7 AT THIS PROPOSED SET OF AMENDMENTS. THIS WILL GO
8 OUT, AND I WILL PERSONALLY SOLICIT INPUT FROM
9 INDUSTRY THAT WE'VE BEEN IN TOUCH WITH BEFORE TO
10 MAKE SURE THAT WE GET THE INPUT THAT WE REALLY NEED
11 TO MAKE SURE THAT WE GET A SET OF REGULATIONS THAT
12 ARE WORKABLE.

13 CHAIRMAN GOLDBERG: CHAIRMAN KLEIN. THANK
14 YOU, ELONA.

15 CHAIRMAN KLEIN: FOLLOWING ON ELONA'S
16 COMMENTS, AS THESE, NOT ON THE PRIOR PROPOSALS, BUT
17 CERTAINLY ON THE ALTERNATIVE LOAN FORMAT, I WORK
18 VERY CLOSELY WITH ELONA IN MAKING SURE WE HAD
19 MULTIPLE SOURCES OF INDUSTRY INPUT. SO CERTAINLY,
20 DR. TROUNSON, BEFORE THIS GETS TO THE BOARD, WE'LL
21 DOUBLE-CHECK OURSELVES. AND I WILL BE VERY OPEN,
22 EVEN IF WE APPROVE THIS TODAY, TO ANY INDUSTRY
23 SUGGESTIONS THAT POINT OUT SOME FACTOR THAT I'M NOT
24 AWARE OF. SO WE CAN MODIFY AT THE BOARD IF THE
25 INDUSTRY FEEDBACK PROVIDES SOME DIFFERENT VIEW THAT

BARRISTERS' REPORTING SERVICE

1 IS RATIONALLY JUSTIFIED.

2 DR. TROUNSON: THANK YOU.

3 CHAIRMAN GOLDBERG: I'D LIKE TO PROCEED
4 AND LEAVE THAT AGENDA ITEM 4 OPEN UNTIL DUANE ROTH
5 CAN JOIN US, IF HE CAN JOIN US, AND THEN PROCEED TO
6 ITEM NO. 5 AND TURN IT OVER TO CHAIRMAN KLEIN FOR A
7 DISCUSSION OF THE IMPACT OF THE STATE BUDGET ON THE
8 SALE OF BONDS ON BEHALF OF CIRM.

9 MR. TOCHER: MICHAEL, THIS IS SCOTT IN SAN
10 FRANCISCO. WE HAVE JUST A FEW MORE PROVISIONS THAT
11 I WILL TRY TO MOTOR THROUGH IF --

12 CHAIRMAN GOLDBERG: I APOLOGIZE.

13 MR. TOCHER: THAT'S ALL RIGHT.

14 CHAIRMAN GOLDBERG: I THOUGHT I SAW A
15 WHITE FLAG RAISED, BUT I GUESS I WAS WRONG.

16 MR. TOCHER: WISHFUL THINKING. MOVING
17 QUICKLY, THEN, TO PAGES 10 TO 11, THESE CHANGES
18 REFLECT CHANGES THAT HAVE BEEN POLICY DECISIONS MADE
19 BY THE ICOC REGARDING SIMPLIFICATION OF OUR WARRANT
20 COVERAGE REQUIREMENTS. FOR INSTANCE, FOR
21 COMPANY-BACKED LOANS, WE HAVE TRIED TO ENTICE
22 FURTHER ANTICIPATION BY LOWERING THE WARRANT
23 COVERAGE TO THE ALTERNATIVE 50 PERCENT IN THE EVENT
24 THAT THE COMPANY IS UNABLE TO QUALIFY FOR A 20- OR
25 25-PERCENT WARRANT COVERAGE.

BARRISTERS' REPORTING SERVICE

1 AND IN THE CONTEXT OF PRODUCT LOANS, WHAT
2 WE'VE DONE THERE IS IF THEY CAN'T QUALIFY -- RATHER
3 IT'S THE LESSER OF EITHER 20 PERCENT OF THE LOAN
4 RECIPIENT SHARES OR AN AMOUNT THAT IS PROPORTIONAL
5 TO CIRM'S FUNDING AT ANY GIVEN DISBURSEMENT. SO THE
6 LANGUAGE THERE PROVIDES AN EXAMPLE SO THAT IF CIRM'S
7 FUNDS REPRESENT 50 PERCENT OF THE PROJECT COST FOR
8 THAT GIVEN DISBURSEMENT PERIOD, THAT WOULD BE THE
9 WARRANT COVERAGE THAT THE BORROWER WOULD HAVE TO
10 PROVIDE.

11 MS. BAUM: AGAIN, THIS WAS ALL DECIDED
12 UPON AS A POLICY MATTER ON THE 27TH OF JANUARY.

13 MR. TOCHER: RIGHT, ELONA, BY THE ICOC.

14 AND THEN YOU WILL SEE ON PAGES 11 TO 14,
15 THAT REALLY IS SIMPLY THE RISK PREMIUM ALTERNATIVE
16 CONCEPT THAT CAME BEFORE THE BOARD AND WAS APPROVED
17 BY THE BOARD ALSO IN JANUARY WITH AN EMERGENCY
18 REGULATION. SO THIS IS THE NECESSARY NEXT STEP IN
19 IMPLEMENTING THAT ON A PERMANENT BASIS BY
20 INCORPORATING THAT INTO OUR LAP. SO THAT'S WHAT
21 THIS LANGUAGE IS.

22 THE RISK PREMIUM, AS YOU WILL RECALL, IS
23 SIMPLY A MULTIPLE PAYBACK BASED ON A TIERED LEVEL OF
24 SUCCESS OF THE PRODUCT WITH DIFFERENT LEVELS OF
25 PAYBACK DEPENDING ON WHETHER, OF COURSE, IT IS A

BARRISTERS' REPORTING SERVICE

1 COMPANY-BACKED OR PRODUCT-BACKED LOAN.

2 I DON'T THINK THAT THERE ARE ANY TERRIBLY
3 SIGNIFICANT CHANGES TO WHAT THE BOARD HAD ALREADY
4 APPROVED. I THINK WE JUST CLARIFY THE SUNSET
5 PROVISION, THAT IT WILL APPLY IN ITS ENTIRETY OF
6 THOSE ELIGIBLE AWARDS FOR THE EARLY TRANSLATIONAL
7 III AND THE CIRM DISEASE TEAM THERAPY DEVELOPMENT.

8 MS. BAUM: JUST WITH ALL DUE RESPECT, I
9 WANT TO ACKNOWLEDGE THAT DUANE HAD VOICED SOME
10 CONCERN ABOUT THE SUNSET PROVISIONS, AND WE SHOULD
11 CIRCLE BACK WITH HIM TO GET HIS COMMENT WHEN HE
12 JOINS.

13 CHAIRMAN KLEIN: I THINK IT'S IMPORTANT TO
14 NOTE THAT DUANE HAS OBJECTED TO THE SUNSET PROVISION
15 BEING EXTENDED FOR ENOUGH TIME TO INCLUDE DISEASE
16 TEAMS II AND EARLY TRANSLATION III. THERE WAS A
17 SPECIFIC VOTE IN THIS COMMITTEE ON DISEASE TEAM II
18 AND AT THE BOARD ON DISEASE TEAMS II TO MAKE SURE
19 THAT, IN FACT, WE HAD SUFFICIENT TIME TO TEST THIS
20 PROGRAM ON DISEASE TEAMS II AND TO GET INDUSTRY
21 PARTICIPATION IN DISEASE TEAMS II.

22 SO HE DID VOTE AGAINST HAVING THIS
23 ORIGINALLY INCLUDED, BUT BOTH THIS COMMITTEE AND THE
24 BOARD SPECIFICALLY WERE TRYING TO DESIGN THE SUNSET
25 SO IT OCCURRED AFTER THESE ROUNDS SO THAT WE COULD

BARRISTERS' REPORTING SERVICE

1 GET A REASONABLE SAMPLE. OTHERWISE WE DON'T HAVE A
2 LARGE PROGRAM THAT THIS WOULD APPLY TO TO TEST THIS
3 MULTIPLE PAYBACK OPTION IN LIEU OF OR AS AN
4 ALTERNATIVE TO THE WARRANT COVERAGE.

5 MS. BAUM: RIGHT NOW WE ONLY HAVE TWO
6 LOANS.

7 CHAIRMAN KLEIN: TWO LOANS UNDER THE
8 WARRANT PROGRAM, SO THE MULTIPLE PAYBACK WAS AN
9 ATTEMPT TO HAVE A REASONABLE TEST PERIOD. AND THE
10 INDUSTRY WHO ARE IN THE PLANNING GRANTS PHASE FOR
11 DISEASE TEAMS II INDICATED THEY WERE CONCERNED THAT
12 IF THE PROGRAM WERE -- IF THE DISEASE TEAMS II GOT
13 ANY DELAYS IN IT, THAT THEN THEY WOULD GET ALL THE
14 WAY DOWNSTREAM AND THEIR LOANS WOULD FALL OUTSIDE OF
15 THE SUNSET PERIOD. SO THE ATTEMPT HERE IS TO MAKE
16 SURE THAT THE SUNSET BY DEFINITION INCLUDES DISEASE
17 TEAMS II AND EARLY TRANSLATION III SO WE CAN GIVE
18 THEM ASSURANCES THAT THEY WILL BE ABLE TO
19 PARTICIPATE IN THAT PROGRAM. IS THAT CORRECT,
20 ELONA?

21 MS. BAUM: IT'S ACTUALLY ONE LOAN UNDER
22 THE WARRANTS AND ONE LOAN UNDER THE RISK PREMIUMS.

23 CHAIRMAN KLEIN: OKAY. IS MY DESCRIPTION
24 OF THE SUNSET ISSUE CORRECT?

25 MS. BAUM: ABSOLUTELY.

BARRISTERS' REPORTING SERVICE

1 MR. TOCHER: MOVING TO OUR FINAL TWO
2 ISSUES, THESE ARE ISSUES THAT THE FINANCE
3 SUBCOMMITTEE WORKED, GRAPPLED WITH UP THROUGH
4 NOVEMBER, BUT DECIDED TO POSTPONE FINAL DECISIONS ON
5 UNTIL WE COULD INITIATE A NEW PROCESS. SO MUCH OF
6 THIS MAY LOOK FAMILIAR. IN SECTION VII H, BEGINNING
7 ON PAGE 15, WHAT WE HAVE HERE IS THE FORGIVENESS AND
8 RESTATEMENT CIRCUMSTANCES FOR A PRODUCT-BACKED LOAN.
9 AND IN BOTH CASES, WHAT WE TRIED TO DO IS
10 INCORPORATE AN AUTOMATIC MECHANISM FOR EACH, WHICH I
11 BELIEVE REFLECTS WHERE THE FINANCE SUBCOMMITTEE WAS
12 HEADED IN NOVEMBER.

13 SO, IN ESSENCE, THERE ARE THREE
14 REQUIREMENTS FOR FORGIVENESS, AND THEY ARE THAT,
15 FIRST, THE BORROWER MUST BE IN COMPLIANCE WITH ALL
16 REPORTING REQUIREMENTS. SECONDLY, THAT THE BORROWER
17 ABANDONS THE PROJECT AND SUBMITS A DECLARATION TO
18 CIRM STATING THAT AND DOES NOT RESUME ANY WORK ON
19 THE PROJECT. AND THIRD, THAT THE BORROWER IS PAID
20 UP IN PRINCIPAL AND INTEREST ON THE LOAN UP TO ANY
21 AMOUNT OF REVENUE THAT HAS BEEN GENERATED SO FAR BY
22 THE PROJECT. SO THEY ARE CURRENT WITH WHATEVER
23 FINANCIAL OBLIGATION THEY HAVE TO CIRM. SO UNDER
24 THOSE CIRCUMSTANCES, THE FORGIVENESS WOULD BE
25 AUTOMATIC.

BARRISTERS' REPORTING SERVICE

1 IN SUBDIVISION 2, THEN THAT DESCRIBES THE
2 CIRCUMSTANCES WHERE REINSTATEMENT WOULD BE
3 AUTOMATIC. AND THAT, IN ESSENCE, IS WHEN THE
4 BORROWER OBTAINS ADDITIONAL REVENUE. AND IN THAT
5 CIRCUMSTANCE, THE BORROWER MUST NOTIFY CIRM, AND THE
6 LOAN WILL BE REINSTATED UPON TERMS APPROVED BY THE
7 FINANCE SUBCOMMITTEE WITH THIS CAREFUL -- DRAW YOUR
8 ATTENTION TO THIS ADDITION. THAT THE INTEREST RATE
9 WOULD NOT BE HIGHER THAN IN THE ORIGINAL LOAN. SO
10 THAT IS SOMETHING NEW FROM PERHAPS WHAT WE
11 CONSIDERED LAST NOVEMBER, AND IT PROBABLY WOULD BE
12 AN IMPORTANT ISSUE OF FAIRNESS TO BORROWERS.

13 CHAIRMAN KLEIN: COULD YOU EXPLAIN THAT
14 POINT AGAIN? WHAT DID YOU JUST SAY, SCOTT?

15 MR. TOCHER: THAT THE REINSTATEMENT IS
16 AUTOMATIC, AND THE FINANCE COMMITTEE WILL APPROVE
17 THE TERMS OF THE REINSTATED LOAN. THE ONLY CAVEAT
18 IS THAT THE INTEREST RATE THAT WOULD OTHERWISE BE
19 THE SUBJECT OF AMENDMENT BY THE FINANCE
20 SUBCOMMITTEE, THAT WILL BE FIXED AT THE RATE THAT IT
21 WAS IN THE ORIGINAL LOAN.

22 MS. BAUM: OR USING THE SAME FORMULA, SO
23 IF IT'S LIBOR, THE LIBOR RATES WOULD APPLY.

24 MR. TORRES: THERE'S BEEN NO CHANGES TO
25 THE SUBORDINATION ISSUE THAT I CAN SEE?

BARRISTERS' REPORTING SERVICE

1 MS. BAUM: NO.

2 MR. TORRES: SO YOU STILL HAVE CONSENT OF
3 THE FINANCE SUBCOMMITTEE BASED UPON THE
4 RECOMMENDATION OF THE PRESIDENT STILL IN TACT?

5 MS. BAUM: YES.

6 MR. TOCHER: AND THEN, FINALLY, THE
7 SUBPART VII J IS THE LOAN APPLICATION PROCESS.
8 AGAIN, WE WORKED ON THIS THROUGH LAST NOVEMBER.
9 PRETTY STRAIGHTFORWARD. IT JUST CLARIFIES THAT THE
10 CIRCUMSTANCES OR ELEMENTS THAT MIGHT BE GROUNDS FOR
11 DENIAL OF AN AWARD -- OF A LOAN AWARD. SO THOSE ARE
12 FINANCIAL GROUNDS, BANKRUPTCY INSOLVENCY, OR FAILURE
13 TO MEET INDUSTRY STANDARDS FOR FINANCIAL PRACTICES.
14 PART 2, SCIENTIFIC REVIEW. JUST SIMPLY AN ALERT
15 THAT THE LOAN AWARDS ARE, DESPITE WHATEVER FINANCIAL
16 HEALTH THEY MAY HAVE OR PROPRIETY, THERE'S STILL A
17 SCIENTIFIC MERIT REVIEW THAT THE APPLICATION WILL BE
18 SUBJECT TO.

19 AND THEN FINALLY, THAT UNDER PART 3, THE
20 FINANCIAL FEASIBILITY REVIEW, TO MAKE CLEAR THAT
21 CIRM WILL DEDUCT THE COST OF THE FINANCIAL DUE
22 DILIGENCE FROM THE INDIRECT COSTS THAT ARE AWARDED
23 TO THE BORROWER. AND SO WITH THAT --

24 MR. TORRES: ONE FINAL QUESTION. ARE WE
25 GOING TO PROVIDE A LIST OF THOSE FINANCIAL SERVICES

BARRISTERS' REPORTING SERVICE

1 PROVIDERS?

2 MS. BAUM: RIGHT NOW WE ONLY HAVE ONE
3 UNDER CONTRACT.

4 MR. TORRES: SO THEY WOULD BE REQUIRED TO
5 USE THAT PROVIDER?

6 MS. BAUM: YES.

7 MR. TOCHER: I THINK AT THIS POINT I'M
8 AWARE WE DO NOT HAVE A QUORUM, BUT PERHAPS IT MIGHT
9 BE HELPFUL TO GET A SENSE OF THE COMMITTEE IF THIS
10 IS SOMETHING THEY'D LIKE TO MOVE FORWARD WITH AND
11 RECOMMEND THAT THE ICOC USE THIS AS A TEMPLATE FOR
12 INITIATING THE RULEMAKING PROCESS.

13 CHAIRMAN GOLDBERG: WITH THE EXCEPTION OF
14 THE -- WHO'S CALLING IN PLEASE?

15 LAUREN: THIS IS LAUREN FOR DUANE ROTH.
16 HE'LL BE HERE IN A MINUTE.

17 CHAIRMAN GOLDBERG: WELL, IT'S PROBABLY
18 WORTH WAITING FOR DUANE HERE.

19 (PAUSE IN PROCEEDINGS.)

20 MS. KING: MICHAEL, AS SENATOR TORRES HAS
21 SUGGESTED, WE'LL CHECK FOR PUBLIC COMMENT AS WE WAIT
22 FOR MR. ROTH.

23 ARE THERE ANY PUBLIC COMMENTS HERE OR
24 COMMENTS FROM MY ILLUSTRIOUS FELLOW STAFF MEMBERS
25 THAT ARE ATTENDING THE MEETING AT THE CIRM? ANYONE?

BARRISTERS' REPORTING SERVICE

1 ANYONE? NO. OKAY.

2 MR. TORRES: THEY'RE JUST ILLUSTRIOUS.

3 MS. KING: THEY'RE JUST ILLUSTRIOUS AND
4 THIS INFORMATION IS TOO EXCITING.

5 ANY PUBLIC -- WE DON'T HAVE ANY PUBLIC AT
6 ROANOKE STREET, CORRECT?

7 MR. SHEEHY: CORRECT.

8 MS. KING: HOW ABOUT AT KLEIN FINANCIAL
9 CORPORATION? HAVE ANY PUBLIC MEMBERS JOINED YOU?

10 CHAIRMAN KLEIN: NO.

11 MS. KING: HOW ABOUT AT UC IRVINE WITH DR.
12 STEWARD?

13 DR. STEWARD: NO PUBLIC HERE.

14 MS. KING: DR. BLOOM, ANY PUBLIC WITH YOU
15 AT THE SCRIPPS RESEARCH INSTITUTE?

16 DR. BLOOM: NONE.

17 MS. KING: ALL RIGHT. MARCY FEIT, AT
18 VALLEY CARE HEALTH SYSTEM, ANY PUBLIC WITH YOU?

19 MS. FEIT: NO.

20 MS. KING: SO WE'VE CHECKED FOR PUBLIC
21 COMMENTS. LAUREN, THANK YOU SO MUCH FOR CONNECTING
22 DUANE AS SOON AS HE'S READY. I BELIEVE A
23 COLLEAGUE -- WE COULD HAVE -- THAT'S UP TO MICHAEL.
24 WE COULD MOVE ON TO THE NEXT ITEM AND HAVE --

25 CHAIRMAN GOLDBERG: I'D RATHER NOT START

BARRISTERS' REPORTING SERVICE

1 THAT. DO WE EXPECT DUANE TO BE ON SHORTLY?

2 LAUREN: YES. ANY SECOND NOW.

3 CHAIRMAN GOLDBERG: FOR ANYONE WHO'S
4 FEELING ANXIOUS, THIS IS A GOOD OPPORTUNITY TO
5 BREATHE.

6 (PAUSE IN PROCEEDINGS.)

7 CHAIRMAN GOLDBERG: WE'LL WAIT FOR ANOTHER
8 60 SECONDS, AND THEN WE'LL PROCEED TO AGENDA ITEM 5.
9 CHAIRMAN KLEIN IS WARMING UP IN THE BULLPEN.

10 MR. TORRES: WATCH OUT FOR HIS OBLIQUES.

11 CHAIRMAN GOLDBERG: OKAY. CHAIRMAN KLEIN,
12 PLEASE LEAD US THROUGH AGENDA ITEM NO. 5.

13 CHAIRMAN KLEIN: THIS IS AN INFORMATIONAL
14 ITEM. I'M JUST DRAWING TO THE ATTENTION OF THE
15 BOARD THAT TOMORROW I WILL BE IN SACRAMENTO FOR A
16 MEETING OF THE CALIFORNIA STEM CELL RESEARCH AND
17 CURES BOND COMMITTEE, WHICH INCLUDES THE TREASURER,
18 THE STATE DIRECTOR OF FINANCE ON BEHALF OF THE
19 GOVERNOR, AND THE CONTROLLER, AS WELL AS I SERVE ON
20 THAT WITH TWO APPOINTMENTS. DR. PRIETO IS GOING TO
21 BE THERE. AND BECAUSE THIS IS NOT EXPECTED TO BE A
22 CONTENTIOUS MEETING, WE WILL BE ONE SHORT IN OUR
23 REPRESENTATION, BUT WE ARE ENTERING THIS MEETING FOR
24 AN AUTHORIZATION OF 343 MILLION OF ADDITIONAL BONDS
25 TO BE ISSUED.

BARRISTERS' REPORTING SERVICE

1 THIS IS PURSUANT TO AN AUGUST 2010 REQUEST
2 I MADE LOOKING FORWARD. WE HAD ACTUALLY AT THE TIME
3 OF THAT REQUEST EXPECTED THAT IN THE FALL/WINTER OF
4 2011 THAT WE WOULD BE IN LINE FOR A VERY SUBSTANTIAL
5 ADDITIONAL BOND ISSUE. THAT HAS BEEN CLOUDED. WE
6 ARE GOING TO REMAIN OPTIMISTIC THAT WE WILL GET A
7 SIGNIFICANT BOND ALLOCATION, BUT CERTAINLY WE AT
8 THIS MOMENT DO NOT BELIEVE IT WILL BE THE ENTIRE 343
9 MILLION. IT SHOULD PROBABLY, WE WOULD EXPECT, BE
10 SIGNIFICANTLY LESS THAN THAT, AND THEN WE WOULD NEED
11 SOMETHING ADDITIONAL IN THE SPRING OF 2012 TO CARRY
12 US THROUGH THE 2012-13 FISCAL YEAR.

13 IT SHOULD BE REMEMBERED THAT BECAUSE OF
14 THE LARGE COLLABORATIVE TEAMS WE BUILD IN CALIFORNIA
15 FOR DISEASE TEAMS, FOR EXAMPLE, OR LARGE
16 COLLABORATIVE TEAMS THAT ARE NECESSARY FOR CLINICAL
17 TRIALS, AND THE INTERNATIONAL TEAMS THAT WE NEED TO
18 MAKE CERTAIN THAT WE RETAIN A WORKING RESERVE SO
19 THAT WE PROVIDE ASSURANCES TO THESE TEAMS THAT THIS
20 EXTRAORDINARY EFFORT THEY PUT TOGETHER TO BRING
21 TOGETHER INSTITUTIONS AND SPECIAL EXPERTISE IS NOT
22 DEFEATED, ALTHOUGH WE HAVE AN APPROVED LOAN OR
23 GRANT.

24 SO FOR THAT MATTER, IT'S IMPORTANT TO THE
25 INDUSTRY AS WELL. SO IT'S GOING TO BE A VERY

BARRISTERS' REPORTING SERVICE

1 IMPORTANT PERIOD. THIS IS THE FIRST STEP IN THIS
2 PROCESS. AND IF YOU SEE AN APPROVAL OF THE \$343
3 MILLION AUTHORIZATION, DON'T CELEBRATE YET. IT'S
4 JUST THE FIRST, BUT IMPORTANT STEP IN THIS PROCESS
5 THAT BACK IN DECEMBER I INDICATED WE WOULD TRY AND
6 GET ACCOMPLISHED WHILE I WAS STILL A MEMBER OF THIS
7 COMMITTEE AND SERVING IN THIS SHORT PERIOD OF THE
8 FIRST SIX MONTHS OF THIS YEAR AS THE CHAIR.

9 THE STATE'S ANNOUNCEMENT ON THE BUDGET AND
10 THE IMPACT ON RATING AGENCIES AT THE STATE LEVEL
11 HAVE NOW BEEN COMPOUNDED BY ADDITIONAL CONSERVATISM
12 NATIONALLY REFLECTED BY THE STANDARD AND POORS
13 ANNOUNCEMENT OF A NEGATIVE RATING ON THE U.S.
14 TREASURY BONDS YESTERDAY. AND I AM HOPEFUL THAT
15 THEY CAN FIND AN EFFECTIVE WAY TO REACH A COMPROMISE
16 ON THIS BUDGET FAIRLY EARLY IN THIS SESSION. AS IT
17 IS LATER INTO THE YEAR, IT PUSHES THE STATE UP
18 AGAINST THE END OF THE YEAR AND THE STATE HAS
19 HISTORICALLY NOT GOTTEN SOME OF THEIR BEST PRICING
20 AT THE END OF THE YEAR. DECEMBER IS A TOUGH MONTH,
21 BUT LAST YEAR THEY DID ISSUE IN DECEMBER.

22 SO JUST TO KEEP YOU ABREAST OF WHAT'S
23 HAPPENING, THAT'S A QUICK OVERVIEW.

24 CHAIRMAN GOLDBERG: THANK YOU. ANY
25 QUESTIONS FOR CHAIRMAN KLEIN?

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN KLEIN: I WOULD SAY, JUST AS A
2 POSTSCRIPT TO THAT, THAT HISTORICALLY IN THE CASH
3 FLOWS THAT HAVE BEEN CARRIED INTERNALLY, THERE'S
4 BEEN ABOUT A \$15 MILLION LAG IN GRANTS APPROVED FOR
5 A SPECIFIC PERIOD AND THE PAPERWORK BEING COMPLETED
6 AND THE GRANTS PAID OUT. SO IN OUR CASH FLOWS
7 HISTORICALLY THE DEMAND FOR FUNDS HAS BEEN REDUCED
8 BY THAT 15 MILLION ON A FAIRLY CONSISTENT BASIS OVER
9 TIME.

10 AS INSTITUTIONS IN THE STATE HAVE THEIR
11 BUDGETS CUT DOWN, WE CAN EXPECT THAT THEY'RE GOING
12 TO DEMAND THEIR PI'S ARE MORE TIMELY IN FILLING OUT
13 ALL THE PAPERWORK AND PROVIDING THAT THEY MEET ALL
14 THE REQUIREMENTS AND TIGHTENING UP ON THE CASH FLOW.
15 SO IT'S MY EXPECTATION THAT OUR FUNDS THAT ARE
16 AVAILABLE FOR FUNDING ARE ACTUALLY GOING TO SHRINK
17 ON A CASH FLOW BASIS BECAUSE PEOPLE ARE GOING TO
18 APPLY EARLIER AND GET FUNDED EARLIER THAN
19 HISTORICALLY HIS BEEN TRUE.

20 SO WE'LL GET MORE CONSERVATIVE IN OUR CASH
21 FLOWS, AND IT IS VERY IMPORTANT, THEREFORE, TO
22 CREATE AN APPROPRIATE RESERVE, UNDERSTANDING THAT
23 THAT IS GOING TO BE ANOTHER FACTOR INFLUENCING OUR
24 FUND AVAILABILITY.

25 CHAIRMAN GOLDBERG: THANK YOU.

BARRISTERS' REPORTING SERVICE

1 MR. TORRES: MR. GOLDBERG, MR. CHAIRMAN,
2 JUST GIVEN THE TIME SINCE DUANE IS NOT --

3 MR. ROTH: I AM HERE.

4 MR. TORRES: OH, GREAT.

5 CHAIRMAN GOLDBERG: HAVING SAID THAT,
6 PLEASE PROCEED WITH YOUR COMMENTS.

7 MR. ROTH: WHOSE COMMENT ARE YOU LOOKING
8 FOR?

9 CHAIRMAN GOLDBERG: SENATOR TORRES.

10 MR. TORRES: I'M GLAD THAT DUANE IS HERE,
11 SO I DEFER TO HIM.

12 CHAIRMAN GOLDBERG: DUANE, JUST AS A
13 RECAP, WE COVERED DISCUSSION OF THE BUDGET AND
14 POLLED THE MEMBERS AS TO THEIR SENSE OF SUPPORT OR
15 OBJECTION TO THE BUDGET AS PROPOSED. THERE WAS AN
16 EXTENSIVE DISCUSSION AND SOME CLARIFICATIONS ABOUT
17 WHAT SOME OF THE BUDGETED INCREASE ITEMS WOULD BE
18 FUNDED THROUGH SPECIFICALLY DONOR FUNDS FOR THE IOM
19 STUDY AND THE WORLD STEM CELL CONFERENCE ATTENDANCE
20 BY PATIENT ADVOCATES.

21 AND WITH THAT CLARIFICATION AND CONSEQUENT
22 ADJUSTMENT TO THE ACTUAL YEAR-OVER-YEAR INCREASE IN
23 CORE SPENDING, THERE WAS CONSENSUS TO SUPPORT THAT
24 BUDGET. I DID READ INTO THE RECORD YOUR DISSENT
25 WITH RESPECT TO THE IOM STUDY, BUT THERE WERE

BARRISTERS' REPORTING SERVICE

1 QUESTIONS AS TO WHETHER OR NOT YOU UNDERSTOOD THAT
2 THAT WAS BEING PROPOSED TO BE FUNDED BY DONOR FUNDS
3 WHICH HAVE ALREADY BEEN RAISED AS OPPOSED TO
4 TAXPAYER-DERIVED FUNDS. AND SO LET ME ASK YOU TO
5 ADDRESS THAT.

6 MR. ROTH: YES. AND I UNDERSTAND AND, IN
7 FACT, OFTEN WE REFER TO DONOR FUNDS FOR THINGS LIKE
8 THIS. AND I JUST WOULD POINT OUT THAT THOSE MONIES
9 I THINK WE SHOULD VIEW JUST AS WE DO THE MONEY FROM
10 BOND SALES, THAT IT'S THERE, IT'S THERE FOR A
11 PURPOSE, AND IT SHOULD BE A PRETTY HIGH STANDARD IN
12 THESE ECONOMIC TIMES BEFORE WE SPEND MONEY ON THINGS
13 THAT WOULD BE POTENTIALLY NICE TO HAVE, BUT MAYBE
14 NOT ESSENTIAL. SO WHILE I SUPPORT THE GRANTS FOR
15 ATTENDANCE AT THE MEETING, I DON'T THINK, WITHOUT
16 MORE DISCUSSION, THAT I WANT TO GET BEHIND AN
17 EXPENSIVE ADDITIONAL STUDY ON THIS ORGANIZATION.

18 I THINK WE HAVE ONE THAT HAS BEEN DONE.
19 IT WAS DONE VERY WELL, AND IT CAME OUT VERY WELL FOR
20 US. SO I DON'T SEE THE BENEFIT OF AN ADDITIONAL
21 STUDY.

22 CHAIRMAN GOLDBERG: THE SECOND POINT THAT
23 CAME UP IN DISCUSSION WAS THAT THE BOARD HAD
24 APPROVED THE IOM STUDY. AND SO THE MECHANICS OF
25 REVISITING THAT AREN'T SIMPLY TO BE ADDRESSED

BARRISTERS' REPORTING SERVICE

1 THROUGH THE REVIEW OF THE BUDGET, BUT, IN FACT,
2 WOULD REQUIRE A SEPARATE MOTION TO THE BOARD.

3 MR. ROTH: I'LL BE SATISFIED IF THE FULL
4 BOARD HAS A DISCUSSION ON THAT ITEM. I WOULD NOT
5 VOTE AGAINST THE BUDGET BECAUSE THAT ITEM IS IN
6 THERE BECAUSE I DON'T VIEW THAT NECESSARILY AS
7 ENDORSING EVERY ITEM IN THE BUDGET PER SE.

8 CHAIRMAN KLEIN: THE FINANCE COMMITTEE
9 ACTED, THE BOARD ACTED ON THIS ITEM, AND THE
10 CONTRACT WITH THE IOM HAS BEEN EXECUTED. SO, YOU
11 KNOW, AT THIS POINT ON A PROSPECTIVE BASIS, WE CAN
12 HAVE A DISCUSSION, BUT WE HAVE A CONTRACT WITH THE
13 IOM THAT WAS ENTERED INTO AFTER MONTHS OF
14 DISCUSSIONS AND CONTRACT NEGOTIATIONS AFTER THE
15 BOARD ACTION.

16 MS. KING: MICHAEL, DID YOU WANT TO MOVE
17 ON TO THE LAP ITEM AND GET DUANE'S COMMENTS ON THAT
18 AND MAYBE HAVE A VOTE ON THAT SINCE WE NOW HAVE A
19 QUORUM?

20 CHAIRMAN GOLDBERG: I ALSO -- YES, I THINK
21 I CAN ACCURATELY REFLECT TO THE FULL BOARD THE
22 DISCUSSION OF THE COMMITTEE WITH RESPECT TO THE
23 BUDGET.

24 SO, DUANE, IN THE DISCUSSION OF THE
25 VARIOUS AMENDMENTS TO THE LAP, WE ALSO, IN ADDITION

BARRISTERS' REPORTING SERVICE

1 TO THE COMMENTS THAT YOU HAD SEEN, I GUESS, ELONA
2 REFLECTED YOUR SENSE OF THE OPTIONAL RISK PREMIUM.

3 MR. ROTH: THE TIME FRAME?

4 CHAIRMAN GOLDBERG: CORRECT. AND IF
5 ANYONE, I'LL LEAVE IT TO MEMBERS OF THE COMMITTEE IF
6 ANYONE WOULD LIKE TO HEAR DUANE SPEAK TO THAT
7 SPECIFICALLY. IF NOT, WE CAN MOVE ON TO THE ONE
8 OTHER OPEN ISSUE THAT WE PUT A PIN IN FOR YOUR
9 COMMENT. OTHER BOARD MEMBERS, ANY DESIRE TO HEAR
10 FURTHER ON ITEM NO. 7 IN THE LAP CONCERNING THE
11 EXTENSION OF THE OPTIONAL RISK PREMIUM BEYOND 18
12 MONTHS? HEARING --

13 CHAIRMAN KLEIN: DUANE, YOU SHOULD KNOW
14 THAT THE DISCUSSION WAS THAT THE INTENT OF THIS
15 PROVISION WAS MAKE SURE THAT DISEASE TEAM II AND
16 EARLY TRANSLATION III CAME WITHIN THAT TIME FRAME
17 EVEN THOUGH THEY MAY BE DELAYED. CERTAIN INDUSTRY
18 PARTICIPANTS WHO WANTED TO PARTICIPATE IN THOSE
19 ROUNDS AND ARE PARTICIPATING IN THE EARLY STAGES OF
20 THOSE ROUNDS WANTED TO MAKE SURE THAT IF THERE WAS A
21 DELAY, THEY WOULDN'T GET CUT OFF. AND IN THIS
22 COMMITTEE AND IN THE BOARD PREVIOUSLY, DISEASE TEAM
23 II WAS SPECIFICALLY MENTIONED AS AN INTENTION OF
24 BEING COVERED TO MAKE SURE WE HAD A TEST PERIOD,
25 ACTUAL PROGRAMS OF A SIZE THAT WOULD QUALIFY FOR

BARRISTERS' REPORTING SERVICE

1 LOANS UNDER OUR POLICY.

2 MR. ROTH: I THINK THIS IS A DEBATE ABOUT
3 LOANS WITH THIS NEW RISK PREMIUM THAT'S A MULTIPLE
4 OF SALES WHICH WILL COME DECADES FROM NOW VERSUS
5 WHETHER WE WANTED TO STICK TO OUR ORIGINAL WARRANTS
6 THAT MAKE THIS PROGRAM WORK AND WITHOUT THEM, IT
7 DOESN'T REALLY PENCIL. SO THAT WAS MY ONLY -- AND
8 WE HAD A DISCUSSION. WE STARTED AT A YEAR. I THINK
9 WE COMPROMISED AT 18 MONTHS. AND NOW WHAT IS THE
10 SUGGESTION WE GO TO?

11 CHAIRMAN KLEIN: THAT DISEASE TEAM II AND
12 EARLY TRANSLATION III BE INCLUDED IN THIS PERIOD SO
13 IF THEY GET DELAYED BY A FEW MONTHS, IT DOESN'T
14 KNOCK THEM OUT OF THE 18 MONTHS.

15 MS. BAUM: I'D LIKE TO CLARIFY THAT THE
16 WAY IT'S DRAFTED, IT WOULD ALSO INCLUDE THE TARGETED
17 CLINICAL DEVELOPMENT RFA BECAUSE IT PRECEDES.

18 CHAIRMAN KLEIN: THAT'S WITHIN THE 18
19 MONTHS.

20 MS. BAUM: EXACTLY. I JUST WANTED TO
21 CLARIFY IF THERE'S ANY CONFUSION.

22 CHAIRMAN GOLDBERG: THE OTHER DISCUSSION
23 THAT WE'RE INTERESTED IN YOUR FEEDBACK ON, DUANE,
24 HAD TO DO WITH ESTABLISHING A FLOOR ON THE LIBOR
25 RATE FOR THE LOANS.

BARRISTERS' REPORTING SERVICE

1 MR. ROTH: I'M INDIFFERENT ON THAT,
2 MICHAEL.

3 CHAIRMAN GOLDBERG: OKAY. SO WHAT WE
4 DECIDED TO DO --

5 MR. ROTH: THE POINT IS THAT INTEREST
6 RATES AND THINGS LIKE THAT HAVE LITTLE BEARING ON
7 THE RETURN HERE.

8 CHAIRMAN GOLDBERG: THAT'S CERTAINLY MY
9 SENSE, BUT ELONA WAS GOING TO POLL THAT QUESTION
10 ALONG WITH SEVERAL OF THE OTHER QUESTIONS THAT CAME
11 UP IN CONNECTION WITH THE REVIEW TODAY WITH MEMBERS
12 OF INDUSTRY AND SOLICIT FEEDBACK FOR THE BENEFIT OF
13 THE BOARD BEFORE THE ICOC TAKES UP A VOTE.

14 CHAIRMAN KLEIN: DUANE, IT WAS A 3.5
15 PERCENT FLOOR. JUST LIBOR RIGHT NOW IS AT .77,
16 SEVEN-TENTHS OF A PERCENT. SO AS STANDARD PRACTICE
17 IN THE BANKING INDUSTRY, AT LEAST CREATE A FLOOR,
18 SOME REASONABLE FLOOR, AT THIS POINT.

19 MR. ROTH: THAT'S FINE.

20 CHAIRMAN GOLDBERG: OKAY. SO, JAMES, DO
21 WE NEED TO TAKE A VOTE ON THE LAP AMENDMENTS?

22 MR. HARRISON: YES, MICHAEL. WE HAVE A
23 QUORUM, SO IF YOU'RE INTERESTED, WE CAN ASK FOR A
24 MOTION TO RECOMMEND THE PROPOSED LAP AMENDMENTS TO
25 THE BOARD CONTINGENT UPON FURTHER DISCUSSION

BARRISTERS' REPORTING SERVICE

1 REGARDING THE INTEREST RATE FLOOR.

2 MR. TORRES: SO MOVED.

3 CHAIRMAN KLEIN: SECOND.

4 MS. KING: THE MOTION IS FROM SENATOR
5 TORRES, AND THE SECOND IS FROM BOB KLEIN.

6 CHAIRMAN GOLDBERG: MELISSA, COULD YOU
7 PLEASE POLL THE BOARD.

8 MS. KING: FLOYD BLOOM.

9 DR. BLOOM: YES.

10 MS. KING: MARCY FEIT.

11 MS. FEIT: YES.

12 MS. KING: MICHAEL GOLDBERG.

13 CHAIRMAN GOLDBERG: YES.

14 MS. KING: BOB KLEIN.

15 CHAIRMAN KLEIN: YES.

16 MS. KING: DUANE ROTH.

17 MR. ROTH: YES.

18 MS. KING: JEFF SHEEHY.

19 MR. SHEEHY: YES.

20 MS. KING: OSWALD STEWARD.

21 DR. STEWARD: YES.

22 MS. KING: ART TORRES.

23 MR. TORRES: AYE.

24 MS. KING: THAT MOTION CARRIES.

25 CHAIRMAN GOLDBERG: THANK YOU. IS THERE

BARRISTERS' REPORTING SERVICE

1 ANY OTHER BUSINESS OR COMMENTS FROM ANY OF THE
2 MEMBERS OF THE SUBCOMMITTEE?

3 MR. TORRES: THANK YOU, MR. CHAIRMAN AND
4 THE STAFF.

5 CHAIRMAN GOLDBERG: THANK YOU. AND I'D
6 LIKE TO SECOND THAT EXPRESSION OF APPRECIATION TO
7 THE STAFF FOR AN EXCELLENT BUDGET. I THINK THE KIND
8 OF BUDGET TIMELINE IN PROCESS WHICH WE WOULD HOPE
9 WOULD BE REPEATED IN SUBSEQUENT YEARS.

10 CHAIRMAN KLEIN: SO SENATOR TORRES, THIS
11 IS BOB. MY UNDERSTANDING IS YOU ARE GOING TO WORK
12 WITH THE STAFF THERE AT THE AGENCY TO GET OUT A
13 SUMMARY TODAY THAT POINTS OUT IF YOU BREAK DOWN
14 THESE PERCENTAGE FACTORS, THAT NET OF THE CRITICAL
15 PERSONNEL, ADDITIONS SPECIFICALLY AUTHORIZED BY THE
16 LEGISLATURE, THAT WE'RE ONLY AT ABOUT A 1.3-PERCENT
17 INCREASE YEAR TO YEAR. IS THAT THE GOAL?

18 MR. TORRES: 1.3 PERCENT INCREASE? I
19 THOUGHT IT WAS HIGHER THAN THAT.

20 CHAIRMAN KLEIN: AFTER DEDUCTING THE
21 LEGISLATIVE MANDATED STUDY, THE DONOR FUNDS THAT ARE
22 NOT STATE FUNDS --

23 MR. TORRES: I GET TWO THOSE.

24 CHAIRMAN KLEIN: -- AND CALLING OUT THE
25 9.3 PERCENT OF THE INCREASE IS THE SIX PERSONNEL

BARRISTERS' REPORTING SERVICE

1 MEMBERS UNDER THE LEGISLATIVE AUTHORIZATION
2 SPECIFICALLY FOR ADDITIONAL STAFF TO DEAL WITH THESE
3 CLINICAL CHALLENGES AND LATER STAGE RESEARCH
4 DEVELOPMENT DISEASE TEAM-TYPE PROGRAMS.

5 MR. TORRES: CORRECT. THEY'RE NODDING IN
6 CONCURRENCE.

7 CHAIRMAN KLEIN: OKAY.

8 CHAIRMAN GOLDBERG: THANK YOU. IF NO
9 OTHER BUSINESS OR COMMENTS, I'D MOVE TO ADJOURN THE
10 MEETING.

11 (THE MEETING WAS THEN ADJOURNED AT
12 11:25 A.M.)

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BARRISTERS' REPORTING SERVICE

REPORTER'S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE TELEPHONIC PROCEEDINGS BEFORE THE FINANCE SUBCOMMITTEE OF THE INDEPENDENT CITIZEN'S OVERSIGHT COMMITTEE OF THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE IN THE MATTER OF ITS REGULAR MEETING HELD ON TUESDAY, APRIL 19, 2011, WAS HELD AS HEREIN APPEARS AND THAT THIS IS THE ORIGINAL TRANSCRIPT THEREOF AND THAT THE STATEMENTS THAT APPEAR IN THIS TRANSCRIPT WERE REPORTED STENOGRAPHICALLY BY ME AND TRANSCRIBED BY ME. I ALSO CERTIFY THAT THIS TRANSCRIPT IS A TRUE AND ACCURATE RECORD OF THE PROCEEDING.

BETH C. DRAIN, CSR 7152
BARRISTER'S REPORTING SERVICE
1072 BRISTOL STREET
SUITE 100
COSTA MESA, CALIFORNIA
(714) 444-4100