

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 AGENDIZED

DATE: JUNE 19, 2008
3:30 P.M.

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

BRS FILE NO.: 81777

BARRISTERS' REPORTING SERVICE

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BARRISTERS' REPORTING SERVICE

1 COSTA MESA, CALIFORNIA; THURSDAY, MAY 19, 2008

2 3:30 P.M.

3
4 CHAIRMAN GOLDBERG: I'D LIKE TO CALL THE
5 MEETING TO ORDER. I'D ALSO LIKE TO SAY TO MEMBERS
6 OF THE PUBLIC THAT WHEN WE GET TO OPEN SESSION,
7 WE'LL HAVE A TWO-MINUTE RESTRICTION ON QUESTIONS AND
8 ANSWERS. MELISSA.

9 MS. KING: RICARDO AZZIZ.

10 DR. AZZIZ: PRESENT.

11 MS. KING: ROBERT PRICE FOR ROBERT
12 BIRGENEAU.

13 DR. PRICE: PRESENT.

14 MS. KING: FLOYD BLOOM.

15 DR. BLOOM: HERE.

16 MS. KING: MARCY FEIT. MICHAEL GOLDBERG.

17 CHAIRMAN GOLDBERG: HERE.

18 MS. KING: BOB KLEIN.

19 MR. KLEIN: HERE.

20 MS. KING: TED LOVE. TINA NOVA.

21 DR. NOVA: HERE.

22 MS. KING: ED PENHOET. PHIL PIZZO. DUANE
23 ROTH.

24 MR. ROTH: HERE.

25 MS. KING: JEFF SHEEHY.

BARRISTERS' REPORTING SERVICE

1 MR. SHEEHY: HERE.

2 MS. KING: OSWALD STEWARD. OSWALD

3 STEWARD. IS YOUR PHONE MUTED, DR. STEWARD?

4 DR. STEWARD: YES, IT IS. I'M SORRY.

5 HERE.

6 MS. KING: AND, JAMES HARRISON, I BELIEVE
7 THAT MEANS WE HAVE A QUORUM, CORRECT?

8 MR. HARRISON: WE DO INDEED.

9 CHAIRMAN GOLDBERG: I'D LIKE TO CONSIDER
10 AGENDA ITEM NO. 3, THE PROPOSED CIRM BUDGET FOR 2008
11 AND 2009. WE ARE HOPEFUL THAT AT EACH SITE THERE
12 ARE COPIES OF THAT BUDGET AVAILABLE. THE BUDGET WAS
13 MADE AVAILABLE ON LINE IN ADVANCE AS WELL.

14 AND TO PROVIDE A CONTEXT FOR THE BUDGET,
15 I'D SIMPLY LIKE TO START BY OUTLINING A PROPOSED
16 PROCESS, WHICH WOULD BE THAT WE HAVE MARGARET
17 FERGUSON WALK US THROUGH THE BUDGET ONCE WITHOUT
18 INTERRUPTION AND WITHOUT QUESTION, A SECOND TIME
19 WITH QUESTIONS FROM THE BOARD, A THIRD TIME WITH
20 QUESTIONS FROM THE PUBLIC, AND THEN FINALLY A PERIOD
21 OF OPEN DISCUSSION FOR BOTH THE SUBCOMMITTEE AND THE
22 PUBLIC TO COMMENT OR ASK QUESTIONS MORE GLOBALLY
23 ABOUT THE BUDGET ITSELF.

24 WITH THAT, I'LL TURN IT OVER TO MARGARET
25 AND ASK HER TO OUTLINE THE PROCESS BY WHICH WE

BARRISTERS' REPORTING SERVICE

1 ARRIVED AT THE BUDGET WHICH IN MY VIEW IS QUITE WELL
2 DONE.

3 MS. FERGUSON: THANK YOU. THE APPROACH
4 THAT I TOOK OR THAT WAS TAKEN TO PREPARE THIS
5 PROPOSED BUDGET WAS -- THIS IS MARGARET FERGUSON,
6 AND I'M GOING TO GO OVER THE APPROACH THAT WAS TAKEN
7 TO PREPARE THE BUDGET, AND THEN WE'LL TALK ABOUT THE
8 PROPOSED BUDGET ITSELF.

9 IN PREPARING THE BUDGET, I STARTED WITH
10 THE '07-'08 UPDATED BUDGET THAT WAS REVIEWED AT THE
11 MARCH ICOC MEETING AS MY BASELINE. I GARNERED
12 INFORMATION FROM THE VARIOUS COST CENTERS, WHICH
13 WOULD BE THE SCIENCE OFFICE, THE OFFICE OF
14 ADMINISTRATION, THE OFFICE OF THE PRESIDENT, THE
15 OFFICE OF THE CHAIR, REVIEWED AND COMPILED THAT
16 INFORMATION INTO WHAT IS NOW THE PROPOSED BUDGET.

17 I ALSO SPOKE WITH OUR LEGAL STAFF IN TERMS
18 OF CONTRACTS OR PROPOSED CONTRACTS AND HUMAN
19 RESOURCES ON POSITIONS.

20 MOVING ON TO THE ACTUAL CHART, I'LL GO TO
21 THE TOP HEADINGS, WHICH IT'S BROKEN OUT BY EACH OF
22 THE COST CENTERS WITH A TOTAL. THE FIRST COST
23 CENTER IDENTIFIED IS THE SCIENCE OFFICE. OOA
24 REPRESENTS THE OFFICE OF ADMINISTRATION; OOP IS THE
25 OFFICE OF THE PRESIDENT; OOC IS THE OFFICE OF THE

BARRISTERS' REPORTING SERVICE

1 CHAIR, AND OOVCP IS THE OFFICE OF THE VICE
2 CHAIR-PRESIDENT WITH A TOTAL PROPOSED BUDGET FOR
3 '08-'09. THERE'S ALSO ON THE CHART THE UPDATED
4 '07-'08 BUDGET, WHICH WAS MY STARTING POINT, AND A
5 DIFFERENCE, THE VARIANCE, BETWEEN THE TWO BUDGETS
6 AND THE PERCENTAGE INCREASES OR CHANGES.

7 AT THE VERY TOP OF THE CHART, YOU WILL SEE
8 THAT THE STAFF FOR '08-'09 AS IT IS CURRENTLY OR
9 PROPOSED TO BE ALLOCATED AMONG THE DIFFERENT COST
10 CENTERS, THE '07-'08 STAFFING ALLOCATION AMONG THE
11 COST CENTERS. THE FIRST MAJOR CATEGORY, WHICH IS
12 SALARIES AND BENEFITS, AT THIS POINT THE PROPOSAL IS
13 3.4, AND I'LL JUST ROUND EVEN MORE RIGHT NOW, 3.4
14 FOR THE SCIENCE OFFICE TO SUPPORT THE PROPOSED 25
15 POSITIONS, 1.8 IN THE OFFICE OF ADMINISTRATION TO
16 SUPPORT THE 12 PROPOSED POSITIONS IN ADMINISTRATION,
17 720,000 FOR THE OFFICE OF THE PRESIDENT IN SUPPORT
18 OF TWO POSITIONS; OFFICE OF THE CHAIR, 723,000 IN
19 SUPPORT OF 4.5 PERSONNEL YEARS OF POSITIONS.
20 OBVIOUSLY IT CAN'T BE A HALF A PERSON. AND ONE
21 POSITION IS ALLOCATED FOR THE OFFICE OF THE VICE
22 CHAIR WITH NO FUNDING AT THIS POINT IN TIME BECAUSE
23 THE FUNDING IS AT THIS MOMENT PART OF AN INTERAGENCY
24 AGREEMENT -- I'M SORRY -- EXTERNAL CONTRACT, FOR
25 TOTAL SALARIES AND BENEFITS OF \$6.7 MILLION.

BARRISTERS' REPORTING SERVICE

1 INTERAGENCY AGREEMENTS, AT THIS POINT
2 THERE ARE ONLY TWO COST CENTERS WITH INTERAGENCY
3 AGREEMENTS, OFFICE OF ADMINISTRATION AND OFFICE OF
4 THE CHAIR. EXTERNAL CONTRACTS ARE 682,000 IN THE
5 SCIENCE OFFICE, 1.1 MILLION IN THE OFFICE OF
6 ADMINISTRATION, A HUNDRED THOUSAND FOR THE OFFICE OF
7 THE PRESIDENT, AND 615,000 IN OFFICE OF THE CHAIR,
8 WITH THE 275,000 IN THE OFFICE OF THE VICE CHAIR.

9 ICOC MEETINGS, THAT'S IN SUPPORT OF
10 MEETINGS THAT ARE PUT ON OR MEETINGS OR TRAVEL TO
11 MEETINGS FOR THE ICOC. 10,000 WAS RESERVED IN THE
12 SCIENCE OFFICE WITH 267,000 IN THE OFFICE OF THE
13 CHAIR. SCIENTIFIC MEETINGS, 498,000 IN SCIENCE
14 OFFICE, 11 IN OFFICE OF ADMINISTRATION, AND 15 IN
15 OFFICE OF THE CHAIR. AND I'M SORRY, BUT THE
16 TOTAL -- I NEGLECTED TO SAY THE TOTALS THERE ARE AT
17 THE RIGHT-HAND SIDE OF THE COLUMN UNDER PROPOSED
18 2008-09 OF 524,000.

19 THEN WE HAVE MONIES SET ASIDE FOR OR
20 ALLOCATED FOR WORK GROUP GRANTS OF 560,000 IN THE
21 SCIENCE OFFICE, THE WORK GROUP STANDARDS OF 160,000
22 IN OFFICE OF ADMINISTRATION; WORK GROUP FACILITIES
23 FOR WRAP-UP, 51,000; OTHER TRAVEL, WHICH IS A
24 COMBINATION OF IN-STATE, REGULAR IN-STATE TRAVEL FOR
25 CIRM STAFF AS WELL AS OUT-OF-CALIFORNIA TRAVEL FOR

BARRISTERS' REPORTING SERVICE

1 CIRM STAFF. THAT'S IN OFFICE OF THE CHAIR.

2 FURNITURE AND EQUIPMENT, A MINOR AMOUNT OF
3 \$38,000; INFORMATION TECHNOLOGY, \$53,000; AND OTHER
4 OPERATING EXPENSE AND EQUIPMENT, 209,000 IN THE
5 SCIENCE OFFICE, 363,000 IN OFFICE OF ADMINISTRATION,
6 213 IN OFFICE OF THE PRESIDENT, 107 IN THE OFFICE OF
7 THE CHAIR FOR A TOTAL \$893,000.

8 AT THE VERY BOTTOM, THE VERY NEXT ROW,
9 WHICH SAYS TOTAL 2008-9, THAT IS THE TOTAL PROPOSED
10 BUDGET BY COST CENTER. 5.6 FOR THE SCIENCE OFFICE,
11 3.9 FOR OFFICE OF ADMINISTRATION, 1.1 FOR OFFICE OF
12 THE PRESIDENT, AND 2 POINT OR A LITTLE OVER 2
13 MILLION FOR OFFICE OF THE CHAIR, WITH 288,000 FOR
14 OFFICE OF THE VICE CHAIR.

15 THE 2007-8 COST CENTER ALLOCATIONS ARE
16 LISTED RIGHT BELOW FOR A TOTAL OF 8.9 MILLION, WHICH
17 IS THE UPDATED OR THE CURRENT BUDGET THAT WE'RE
18 WORKING WITH WITH THE DIFFERENCES BY COST CENTER
19 LISTED NEXT.

20 UNDER THE FUND ALLOCATIONS PER THE
21 PROPOSITION 71, THAT IS A DISTRIBUTION OF WHERE THE
22 EXPENDITURES WILL BE REFLECTED FOR THIS PROPOSED
23 BUDGET. GENERAL ADMINISTRATION MONEY, WHICH IS 2.5
24 MILLION UNDER OFFICE OF ADMINISTRATION; 1.1 UNDER
25 OFFICE OF THE CHAIR; AND 1.3 -- I'M SORRY -- OFFICE

BARRISTERS' REPORTING SERVICE

1 OF THE PRESIDENT, THEN 1.3 UNDER OFFICE OF THE CHAIR
2 FOR A TOTAL OF APPROXIMATELY \$5 MILLION, WHICH IS
3 CURRENTLY WELL BELOW THE 3-PERCENT CAP IF WE WERE
4 USING AN AVERAGE OF \$9 MILLION FOR GENERAL
5 ADMINISTRATION UNDER THE PROVISIONS OF PROP 71.

6 GRANTS ADMINISTRATION, 5.6 MILLION WILL BE
7 CHARGED FOR THE SCIENCE OFFICE; 574,000 UNDER OFFICE
8 OF ADMINISTRATION, FOR A TOTAL OF 6.2 MILLION.
9 AGAIN, WELL UNDER THE \$9 MILLION CAP IF WE WERE
10 USING AN AVERAGE FOR THE 3 PERCENT.

11 DIRECT RESEARCH IS WHAT WILL BE ALLOCATED
12 IS 805,000 UNDER THE OFFICE OF ADMINISTRATION,
13 694,000 FOR OFFICE OF THE CHAIR, AND 288 UNDER
14 OFFICE OF THE VICE CHAIR, AND THAT IS FOR LEGAL
15 COSTS THAT ARE ALLOWED TO BE CHARGED UNDER DIRECT
16 RESEARCH IN ACCORDANCE WITH PROP 71 GUIDELINES.

17 THE MAJOR DIFFERENCES RIGHT NOW BETWEEN
18 THE -- OR THE CHANGES BETWEEN THE '07-'08 UPDATED
19 BUDGET AND THE PROPOSED '08-'09 BUDGET, IF WE TAKE
20 THE MAJOR CATEGORIES OF SALARIES AND BENEFITS, THE
21 CHANGES THERE OR THE INCREASES ARE A RESULT OF THE
22 INCREASE IN PROPOSED POSITIONS, WITH THOSE POSITIONS
23 BEING IN THE SCIENCE OFFICE FOR THE MOST PART. I
24 BELIEVE IT WAS SIX POSITIONS THAT ARE PROPOSED. YOU
25 WILL SEE THAT ON THE PROPOSED NEW POSITIONS TABLE.

BARRISTERS' REPORTING SERVICE

1 AND ONE ADDITIONAL POSITION IN OFFICE OF
2 ADMINISTRATION.

3 CALCULATED IN THAT CHANGE AS WELL WOULD BE
4 AN ALLOWANCE FOR PERFORMANCE AWARDS, MERIT AWARDS,
5 AND COST OF LIVING INCREASE. AND, AGAIN, THAT IS
6 JUST A PROPOSED ALLOWANCE AND UNDER THE GUIDELINES
7 OF ICOC POLICY.

8 CHAIRMAN GOLDBERG: MARGARET, THAT WAS A
9 VERY HELPFUL OVERVIEW. WHY DON'T WE GO FIRST TO
10 MEMBERS OF THE SUBCOMMITTEE BY SITE, AND THEN WE'LL
11 CIRCULATE FOR QUESTIONS TO MEMBERS OF THE PUBLIC BY
12 SITE. CHAIRMAN KLEIN.

13 MR. KLEIN: WELL, MARGARET, WHAT I'D LIKE
14 TO DO IS PROVIDE SOME PERSPECTIVE FOR THE PUBLIC AND
15 THE MEMBERS ON THE OVERALL BUDGET NUMBER, WHICH IS A
16 SIGNIFICANT INCREASE. AS YOU'VE CALLED TO OUR
17 ATTENTION, WE HAVE A SUBSTANTIAL INCREASE IN THE
18 SIZE OF THE SCIENTIFIC STAFF, WHICH IS ADDING
19 SIGNIFICANTLY TO THE NUMBER OF SCIENTIFIC STAFF
20 MEMBERS THAT WE NEED TO SEND TO CONFERENCES SO THAT
21 WE MAKE CERTAIN THAT WE ARE LEARNING GLOBALLY AND
22 AVOIDING DUPLICATION. WE DON'T WANT TO FUND WORK
23 THAT THERE'S POSTERS PRESENTED ON AND PRESENTATIONS
24 MADE WHERE, ON THE OTHER HAND, IN PEER REVIEW WE
25 WANT OUR SCIENCE TEAM TO BE AWARE OF THESE BREAKING

BARRISTERS' REPORTING SERVICE

1 AREAS SO THAT WE UNDERSTAND THAT SOME THINGS ARE
2 FEASIBLE THAT ARE NOT CONSIDERED PREVIOUSLY TO BE
3 FEASIBLE.

4 SO WE REALLY NEED TO BE ON THE -- HAVE OUR
5 SCIENCE TEAM HAVE ACCESS TO THE LEADING EDGE OF
6 KNOWLEDGE IN THE FIELD AND GIVE THEM THE ABILITY TO
7 TRAVEL IN THE UNITED STATES AND OUTSIDE THE UNITED
8 STATES TO KEEP UP WITH THAT.

9 SECONDLY, IN LEVERAGING OUR INTELLECTUAL
10 ASSETS, AT THE BIOCONFERENCE, AS A NUMBER OF THE
11 MEMBERS ON THIS COMMITTEE ARE AWARE, WE JUST
12 ANNOUNCED A MEMORANDUM OF UNDERSTANDING WITH CANADA
13 ON CANCER STEM CELL RESEARCH AND WITH STATE OF
14 VICTORIA ON STEM CELL RESEARCH GENERALLY TO DEVELOP
15 COLLABORATIVE RELATIONSHIPS.

16 CANADA HAS PLEDGED TO FUNDING ON THEIR
17 SIDE \$100 MILLION. ALL OF THESE -- ANY
18 COLLABORATION WILL HAVE TO GO THROUGH OUR PEER
19 REVIEW. WE'LL ONLY FUND IN CALIFORNIA, BUT IT GIVES
20 US THE ABILITY TO LEVERAGE OUR FUNDS BECAUSE TO THE
21 EXTENT THAT THERE IS CANCER RESEARCH AS PART OF A
22 DISEASE TEAM RFA, FOR EXAMPLE, THAT IS BEING DONE IN
23 CANADA BECAUSE THE CALIFORNIA TEAM HAS REACHED OUT
24 TO SPECIAL EXPERTISE IN CANADA, THEY CAN BE FUNDED
25 THROUGH CANADA, AND THERE WILL BE TRAVEL INVOLVED

BARRISTERS' REPORTING SERVICE

1 FOR THE SCIENTIFIC STAFF, ADMINISTRATIVE STAFF, AND
2 AT TIMES MY TRAVEL IS INVOLVED IN THE IMPLEMENTATION
3 OF THESE MEMORANDA OF UNDERSTANDING.

4 AS A CONSEQUENCE OF THE INTERNATIONAL
5 CONFERENCE OF THE INTERNATIONAL STEM CELL FORUM,
6 THERE IS A MEMORANDUM OF UNDERSTANDING IN PROGRESS
7 WITH THE MEDICAL RESEARCH COUNCIL OF ENGLAND AS
8 WELL, NOT SURE IF IT'S ENGLAND, THE BRITISH EMPIRE,
9 TO WHAT LEGAL SOVEREIGN DIVISION THAT THEY ASCRIBE
10 THEIR AUTHORITY AT THIS POINT, BUT THE MEDICAL
11 RESEARCH COUNCIL IS THE OTHER PARTY, THE
12 COUNTERPARTY IN THAT.

13 WE HAVE ALSO AN OPPORTUNITY WITH SPECIFIC
14 DISEASE-RELATED FOUNDATIONS TO OBTAIN MATCHING FUNDS
15 THAT WILL STRETCH OUR RESOURCE FUNDING FURTHER.
16 AGAIN, ALL OF THESE ARE SUBJECT TO OUR REGULAR
17 RFA'S. IT'S SUBJECT TO GOING THROUGH OUR PEER
18 REVIEW PROCESS AND COMING TO OUR BOARD. IT'S JUST
19 ANOTHER SOURCE OF FUNDING.

20 FINALLY, IF THERE IS A DIFFERENT
21 ADMINISTRATION OR DIFFERENT CONGRESSIONAL
22 COMPOSITION NEXT YEAR, THERE IS A POTENTIAL FOR
23 FURTHER NIH FUNDING, ALTHOUGH THE FINANCIAL PICTURE
24 OF THE COUNTRY WILL MAKE ANY SUBSTANTIAL INCREASE
25 DIFFICULT. IT IS POSSIBLE. AND IF THERE ARE 60

BARRISTERS' REPORTING SERVICE

1 VOTES IN THE U. S. SENATE SO THAT WE COULD HAVE
2 CLOTURE ON DEBATE, WE MAY ACTUALLY HAVE A CHANGE IN
3 RULES ON EMBRYONIC STEM CELL RESEARCH. IF NOT, AT
4 LEAST VERY POTENTIALLY WE CAN HAVE MORE NIH FUNDING
5 FOR ADULT STEM CELLS AND HAVE COLLABORATION WITH NIH
6 INSTITUTES WHERE THEY CAN PROVIDE POTENTIALLY
7 FUNDING TO US ON GRANTS THAT GO THROUGH OUR PEER
8 REVIEW SYSTEM TO AUGMENT ADULT STEM CELL RESEARCH
9 THAT WE CAN FUND.

10 SO ALL OF THESE AMOUNT TO LEVERAGING OUR
11 INTELLECTUAL ASSETS, LEVERAGING OR FINANCIAL ASSETS,
12 AND LEARNING GLOBALLY. IT'S A VERY COST-EFFECTIVE
13 WAY OF AVOIDING DUPLICATION AND MAKING SURE THAT
14 WE'RE ON THE LEADING EDGE OF STEM CELL RESEARCH
15 GLOBALLY. AND WE CERTAINLY, WITH THE DEDICATION OF
16 THE SCIENTIFIC TEAM, NEED TO MAKE SURE THAT THE
17 PRESIDENT AND THE CHIEF SCIENTIFIC OFFICER AND THE
18 DIRECTOR OF SCIENTIFIC ACTIVITIES HAVE THE ABILITY
19 TO SEND OFFICERS TO THESE LEADING CONFERENCES TO
20 ACCOMPLISH THIS GOAL.

21 SO THAT'S CONTEXT, I THINK, FOR THIS
22 CHANGE IN TRAVEL. IS THAT APPROPRIATE?

23 MS. FERGUSON: THAT IS MOST APPROPRIATE.

24 MR. SHEEHY: I JUST HAD A COUPLE OF
25 THINGS. FIRST OF ALL, JUST FOR THE OE&E, WHAT

BARRISTERS' REPORTING SERVICE

1 TYPES?

2 MS. FERGUSON: THE TYPES OF THINGS THAT
3 ARE UNDER --

4 MR. SHEEHY: IT DOESN'T NEED TO BE
5 ENCYCLOPEDI C, BUT JUST HAVE A SENSE.

6 MS. FERGUSON: UNDER OE&E, YOU WOULD HAVE
7 ANY COST FOR -- RIGHT NOW THERE ARE THE MEMBERSHIPS
8 WHERE WE ARE PARTICIPATING IN INTERNATIONAL WHEN WE
9 PAY FOR INTERNATIONAL PARTICIPATION IN SCIENTIFIC
10 GROUPS. THERE IS YOUR GENERAL OFFICE SUPPLIES.
11 THERE IS -- THIS PARTICULAR OE&E IS MOSTLY MADE UP
12 OF THE MEMBERSHIPS, GENERAL SUPPLIES, TRAINING. AND
13 WHEN I SAY TRAINING, I MEAN PERSONAL DEVELOPMENT
14 TRAINING. COST TO PRODUCE THE ANNUAL REPORTS.
15 THAT'S PRETTY MUCH GENERALLY THAT'S WHAT IT IS.

16 MR. KLEIN: IN THAT REGARD, I THINK THAT
17 IT IS -- THE INFORMATION IS OUT THERE THAT
18 CALIFORNIA IS UNDER FINAL CONSIDERATION TO BE
19 DESIGNATED OR HAS BEEN DESIGNATED FOR THE ISSCR
20 CONFERENCE THE YEAR AFTER NEXT. SO THAT LOOKING
21 FORWARD IN 2010, COINCIDENTALLY THE SAME YEAR THAT
22 ALL OF THE MAJOR FACILITIES ARE GOING TO OPEN IN
23 CALIFORNIA, THE NEW STEM CELL FACILITIES WE JUST
24 FUNDED, THERE WILL BE A CONFERENCE DESIGNATED FOR
25 SAN FRANCISCO. THE HOPE TO BRING A TREMENDOUS

BARRISTERS' REPORTING SERVICE

1 AMOUNT OF GLOBAL COLLABORATION AND KNOWLEDGE TO SAN
2 FRANCISCO AS A RETURN FROM THE CONFERENCE THAT WAS
3 HERE IN 2005.

4 CHAIRMAN GOLDBERG: CONTINUING ON WITH
5 QUESTIONS FROM OTHER -- ANOTHER QUESTION FROM JEFF
6 SHEEHY. THEN I'M GOING TO GO TO YOU IN LA JOLLA,
7 FLOYD.

8 DR. BLOOM: I HAVE NO QUESTIONS.

9 MR. SHEEHY: I JUST WANTED TO REITERATE
10 WHAT BOB WAS MENTIONING ABOUT THE IMPORTANCE OF
11 TRAVEL BECAUSE I KNOW, HAVING READ THE BLOGS, I KNOW
12 MR. SIMPSON IS ON THE PHONE, AND I READ HIS
13 RELEASES. AS SOMEONE WHO IS PREPARING TO GO TO
14 MEXICO CITY IN AUGUST FOR THE INTERNATIONAL AIDS
15 CONFERENCE AND LEAVE MY DARLING DAUGHTER, AND I LOVE
16 MEXICO CITY, BUT, YOU KNOW, THESE CONFERENCES ARE
17 VERY IMPORTANT KEEPING AT THE CUTTING EDGE OF
18 SCIENCE. I KNOW A LOT OF PEOPLE HERE TRAVEL, AND
19 THEY THINK JUNKET AND PARTIES AND ROCK AND ROLL, BUT
20 THIS IS REALLY WORK. AND THIS IS A VERY -- AND MANY
21 TIMES THIS IS A SACRIFICE ON BEHALF OF STAFF TO
22 ATTEND THESE THINGS.

23 YOU KNOW, THE INTERNATIONAL STEM CELL
24 CONFERENCE WAS IN PHILADELPHIA. I'M SURE IT'S A
25 LOVELY CITY, BUT I DON'T THINK THAT'S THE TOP OF

BARRISTERS' REPORTING SERVICE

1 EVERYBODY' S LIST OF VACATION SPOTS. SO I APPLAUD
2 OUR TEAM FOR THE WILLINGNESS TO STAY -- TO DO THIS
3 TRAVEL AND TO STAY AT THE FOREFRONT OF THE KNOWLEDGE
4 THAT WE NEED TO HAVE TO REALLY DO THE SCIENCE. I
5 THINK THE OBJECTIONS ARE NOT NECESSARILY WELL
6 FOUNDED.

7 CHAIRMAN GOLDBERG: TINA?

8 DR. NOVA: I HAVE NO QUESTIONS. THANK
9 YOU.

10 CHAIRMAN GOLDBERG: DUANE?

11 MR. ROTH: YES. I WANT TO KNOW JUST A
12 COUPLE THINGS ON THE SALARIES, NEW HIRES THAT ARE IN
13 HERE, THE CALCULATION, OR DID YOU BUILD IN THE FACT
14 THAT THERE' S GOING TO BE TURNOVER AND VACANCIES?

15 MS. FERGUSON: I DIDN' T HEAR THE QUESTION.

16 MR. KLEIN: I THINK YOU ARE ASKING, DUANE,
17 SINCE YOU CUT OUT, WHETHER YOU' VE BUDGETED FOR A
18 FULL YEAR, OR DID YOU TAKE INTO ACCOUNT PARTIAL YEAR
19 TURNOVERS AND OTHER THINGS OF THAT KIND.

20 MS. FERGUSON: WE TOOK INTO ACCOUNT
21 PARTIAL YEARS, WHEN AN INDIVIDUAL WAS EXPECTED TO BE
22 BROUGHT ON BOARD, AND WE BUDGETED AT THAT POINT.

23 MR. ROTH: OKAY. AND THEN THE SECOND
24 QUESTION, AND IT' S MORE A COMMENT, ON THE SCIENCE
25 MEETINGS COMBINED WITH THE TRAVEL, BOTH OF THOSE

BARRISTERS' REPORTING SERVICE

1 NUMBERS ARE SIGNIFICANTLY HIGHER THAN THE PREVIOUS
2 YEAR. I MEAN THEY'RE VERY MUCH INCREASED. AND
3 WHILE WE DON'T HAVE THE DETAIL ABOUT ALL THE
4 ASSUMPTIONS THAT WENT INTO THAT, I GUESS THE
5 QUESTION, AND THIS IS REALLY I DON'T KNOW WHO TO
6 DIRECT IT AT, BUT IS THIS GOING TO CONTINUE, OR IS
7 THIS A LEVEL OF TRAVEL WE SHOULD EXPECT NOW THAT
8 WE'RE AT FULL FORCE?

9 MR. KLEIN: WELL, WE'RE NOT YET AT FULL
10 FORCE, DUANE. MY UNDERSTANDING -- MAYBE I SHOULD
11 CHECK. MARGARET, WE'RE AT ABOUT 34?

12 MS. FERGUSON: WE ARE PROPOSED TO BE --

13 CHAIRMAN GOLDBERG: AT 44.

14 MS. FERGUSON: -- 44.

15 MR. KLEIN: BUT WE'RE RIGHT NOW --

16 MS. FERGUSON: RIGHT NOW WE'RE AT 37.

17 MR. KLEIN: -- 37, AND WE WILL BE AT 44
18 DURING THIS NEXT YEAR.

19 MS. FERGUSON: RIGHT.

20 MR. KLEIN: DID SOMEONE JUST JOIN?

21 MS. FEIT: IT'S MARCY FEIT.

22 MR. KLEIN: HI, MARCY.

23 MS. FEIT: SORRY I'M LATE.

24 MR. KLEIN: NOT A PROBLEM. THIS IS BOB
25 KLEIN SPEAKING. THE MIC WILL GO OVER TO THE

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN, WHO HAS A DISCUSSION GOING ON THE BUDGET
2 ITEMS. AND DUANE HAS A QUESTION PENDING ABOUT
3 WHETHER THE SCIENTIFIC MEETINGS, WHICH IS A
4 SUBSTANTIAL INCREASE, AND THE TRAVEL IS GOING TO BE
5 NOW AT A FAIRLY LEVEL AREA.

6 DUANE, JUST AS ONE INPUT INTO THAT, I
7 WOULD SAY THAT THERE ARE A NUMBER OF OTHER COUNTRIES
8 THAT ARE PROPOSING OR HAVE DISCUSSED WITH DR.
9 TROUNSON MEMORANDUMS OF UNDERSTANDING. IF THEY CAN
10 BRING 50 OR A \$100 MILLION TO BEAR, IF OUR TRAVEL
11 INCREMENTALLY INCREASES TO REACH OUT FOR THOSE
12 OPPORTUNITIES, IT WOULD CERTAINLY LEVERAGE OUR
13 ASSETS SUBSTANTIALLY. BUT I WOULD GUESS THAT OTHER
14 THAN NEW MAJOR FINANCIAL OPPORTUNITIES THAT INCREASE
15 OUR FUNDING CAPACITY, THAT YOU'VE SEEN THE GREATEST
16 PERCENTAGE INCREASE, AND THE PERCENTAGE INCREASES IN
17 THE FUTURE WOULD BE SMALLER.

18 MR. ROTH: OKAY. THANKS. THAT'S WHAT I
19 WANTED TO KNOW. AND THE NEXT ONE DEALS WITH
20 EXTERNAL CONTRACTS ARE DOUBLED.

21 CHAIRMAN GOLDBERG: YOUR QUESTION, DUANE?

22 MR. KLEIN: THE EXTERNAL CONTRACTS, HE
23 SAID, WERE DOUBLED.

24 MR. ROTH: 50-PERCENT INCREASE.

25 MR. KLEIN: YOU MEAN 50 PERCENT, NOT

BARRISTERS' REPORTING SERVICE

1 DOUBLE.

2 MR. ROTH: I WAS JUST LOOKING AT THE
3 50-PERCENT INCREASE OVER THE PREVIOUS YEAR. AND
4 JUST A QUICK COMMENT ABOUT WHAT'S ENTAILED THERE.

5 CHAIRMAN GOLDBERG: MARGARET, WOULD YOU
6 LIKE TO ADDRESS IT?

7 MS. FERGUSON: YES, I WOULD. THE
8 INCREASES ARE, A GOOD PORTION OF IT IS THE ROLLOUT
9 OF THE GRANTS MANAGEMENT SYSTEM, WHICH ACTUALLY
10 STARTED IN '07-'08, BUT MOST OF THAT FUNDING WILL BE
11 PUSHED FORWARD INTO '08-'09 WHEN WE PROPOSE TO ROLL
12 OUT THE GRANT MANAGEMENT SYSTEM. TOGETHER WITH THAT
13 WE HAVE ALSO PROPOSED ALLOCATING A PORTION OF MONEY
14 FOR COMMUNICATIONS AS WELL AS LEGAL SERVICES,
15 INCREMENTAL CHANGES IN LEGAL SERVICES, BUT THE
16 MAJORITY OF IT IS REALLY THE ROLLOUT OF THE GRANTS
17 MANAGEMENT SYSTEM AND COMMUNICATIONS.

18 MR. KLEIN: MR. CHAIRMAN, I'M AWARE THAT
19 THERE'S AN EXTERNAL CONTRACT WITH KOCH, FOR EXAMPLE,
20 FOR INTELLECTUAL PROPERTY. AND WE HAVE JUST NOW
21 WITH THE FULL ADOPTION OF OUR INTELLECTUAL PROPERTY
22 STANDARDS FOR FOR-PROFITS HAVE A RAMP-UP TO DEAL
23 WITH ALL OF THOSE PROPOSALS. WE HAVE VERY
24 SIGNIFICANT INTEREST FROM THE FOR-PROFITS IN OUR NEW
25 GRANT ROUNDS, AND IT'S EXPECTED AND I THINK THIS

BARRISTERS' REPORTING SERVICE

1 BUDGET PLANS FOR THAT TO -- A SIGNIFICANT TIME
2 DEMAND ON NANCY KOCH IN INTELLECTUAL PROPERTY. I
3 KNOW THAT SHE IS THE PRINCIPAL OUTSIDE COUNSEL
4 ASSIGNED TO THE MEMORANDUMS OF UNDERSTANDING ALONG
5 WITH DR. TROUNSON.

6 CHAIRMAN GOLDBERG: THANK YOU. I'D LIKE
7 TO GO TO YOUR SITE, OS. YOU HAVE ANY QUESTIONS AS A
8 SUBCOMMITTEE MEMBER?

9 DR. STEWARD: NO QUESTIONS.

10 CHAIRMAN GOLDBERG: OKAY. MOVING UP THE
11 COAST, RICARDO?

12 DR. AZZIZ: I HAVE TWO QUESTIONS. ONE'S A
13 MINOR QUESTION, AND I THINK IT WAS ALONG WHAT DUANE
14 HAD ASKED, BUT I DIDN'T QUITE GATHER EVERYTHING.
15 YOU DO HAVE A LARGE NUMBER OF SCIENTIFIC OFFICERS,
16 WHICH LOOKS LIKE PARTIAL FTE'S, TEN MONTHS, SIX
17 MONTHS, ETC., AND THE REASON FOR THAT, OBVIOUSLY
18 WE'RE HIRING THESE PEOPLE FULL TIME, IS JUST FOR THE
19 TIME THAT THEY'RE COMING IN. IS THAT IT?

20 MS. FERGUSON: YES, CORRECT.

21 DR. AZZIZ: BUT THEY ON THE SUBSEQUENT
22 BUDGET FOR '09-'10 ARE GOING TO BE 100, 12 MONTHS,
23 CORRECT?

24 MS. FERGUSON: CORRECT.

25 DR. AZZIZ: THE SECOND QUESTION IS A MORE

BARRISTERS' REPORTING SERVICE

1 GLOBAL QUESTION. AND THAT IS, WE HAVE AN OVERALL
2 INCREASE OF 46 PERCENT IN THE OPERATING BUDGET WHICH
3 MAY WELL BE CONSISTENT WITH THE GENERAL PLANNED
4 GROWTH OF THE AGENCY SINCE WE ARE STILL RELATIVELY
5 YOUNG. BUT I DID WANT TO GET YOUR SENSE AS TO
6 WHETHER THIS FITS IN WITH THE EARLY STRATEGIC PLANS
7 AS FAR AS GROWTH WAS CONCERNED.

8 CHAIRMAN GOLDBERG: I'D ASK CHAIRMAN KLEIN
9 TO ADDRESS THAT.

10 MR. KLEIN: DR. AZZIZ, WE'RE ACTUALLY
11 BEHIND ON THIS GROWTH OBVIOUSLY BECAUSE OF THE
12 LITIGATION; BUT IF YOU ADJUST FOR LITIGATION, THAT
13 WOULD BE REFLECTED IN THE ORIGINAL STRATEGIC PLANS
14 FOR THE RAMP-UP IN THE AGENCY STAFFING. AS CAN BE
15 SEEN, WE'RE OPERATING SUBSTANTIALLY BELOW THE BUDGET
16 CEILINGS THAT WERE SET. SO WE'RE ACHIEVING THE
17 RAMP-UP. OUR BUDGET IS INCREASING SIGNIFICANTLY,
18 BUT WE ARE SUBSTANTIALLY BELOW THE LEVEL THAT WOULD
19 HAVE BEEN EXPECTED FOR THIS LEVEL OF STAFFING.

20 DR. AZZIZ: SOUNDS GOOD. THAT'S MY SENSE.
21 I JUST WANT TO MAKE SURE THAT I WAS NOT MISREADING.
22 OKAY. THAT'S ALL I HAVE FROM MYSELF.

23 CHAIRMAN GOLDBERG: MARCY, ANY QUESTIONS?

24 MS. FEIT: NO. SO FAR EVERYBODY IS ASKING
25 THE SAME QUESTIONS I HAD. THE ONLY ONE, JUST TO TAG

BARRISTERS' REPORTING SERVICE

1 ONTO WHAT DR. AZZIZ ASKED, IT WOULD BE HELPFUL IN
2 THE FUTURE, THEN, TO INCLUDE ANY COMMENTS REFERRING
3 BACK TO THE STRATEGIC PLAN SO WE COULD COMPARE WHERE
4 WE STAND WITH IT.

5 CHAIRMAN GOLDBERG: ALTHOUGH MY
6 UNDERSTANDING IS THE STRATEGIC PLAN WAS A SCIENTIFIC
7 STRATEGIC PLAN. IT DIDN'T INCLUDE AN OPERATIONS AND
8 ADMINISTRATION COMPONENT TO IT.

9 MR. KLEIN: I THINK THAT WHAT MARCY IS
10 REFERRING TO IS IN THE ORIGINAL INITIATIVE THERE WAS
11 A FINANCIAL STRATEGIC PLAN SUBMITTED TO THE
12 LEGISLATIVE ANALYST'S OFFICE, WHICH SHOWED A
13 FINANCIAL RAMP-UP. AND WE COULD CERTAINLY PROVIDE A
14 COMPARISON TO THAT.

15 MS. FEIT: RIGHT. I THINK THAT WOULD BE
16 REAL HELPFUL FOR THE BOARD.

17 CHAIRMAN GOLDBERG: POINT WELL TAKEN. BOB
18 PRICE.

19 DR. PRICE: UNLESS SOMEBODY HAS ALREADY
20 ASKED IT AND I MISSED IT, WOULD SOMEBODY EXPLAIN WHY
21 THE ALLOCATION FOR THE STANDARDS WORKING GROUP IS
22 EXPECTED TO QUADRUPLE?

23 MS. FERGUSON: IN THE STANDARDS WORKING
24 GROUP, THE INFORMATION THAT I RECEIVED FROM THE
25 SCIENCE OFFICE INDICATED THAT THERE WOULD BE

BARRISTERS' REPORTING SERVICE

1 ADDITIONAL MEETINGS, AND ACTUALLY THE COST INCREASES
2 REALLY ARE THE COST OF VENUES, TRANSPORTATION,
3 BRINGING IN THE REVIEWERS. ALL OF THAT COST HAS
4 INCREASED SIGNIFICANTLY.

5 DR. PRICE: I'M JUST SURPRISED BECAUSE I
6 THOUGHT THAT THAT WORKING GROUPS' S WORK HAD BEEN
7 PRETTY MUCH DONE ALREADY.

8 CHAIRMAN GOLDBERG: JEFF SHEEHY IS ON THE
9 COMMITTEE AND THE WORKING GROUP, AND HE'D LIKE TO
10 MAKE A COMMENT.

11 MR. SHEEHY: THAT'S KIND OF WHAT WE -- WE
12 DID THE FIRST ROUND OF DOING THE ETHICAL STANDARDS,
13 BUT WE ACTUALLY HAVE TWO MAJOR ISSUES THAT ARE
14 EMERGING THAT I THINK WE REALLY NEED TO GET A HANDLE
15 ON. ONE IS THE ISSUE OF EGG DONATION. AND, YOU
16 KNOW, WE'VE HEARD FROM DOUG MELTON AND KEVIN EGGAN,
17 WHO HAVE BEEN WORKING ON THIS ISSUE AT HARVARD, THAT
18 IT'S BEEN VERY CHALLENGING FOR THEM. SO WE NEED TO
19 FIGURE OUT HOW TO ACCOMPLISH OUR GOAL OF MOVING THE
20 SCIENCE FORWARD WITHIN AN ETHICAL CONTEXT.

21 SO I THINK THAT'S GOING TO TAKE A BIT OF
22 WORK. AND THE OTHER THING THAT'S COME UP IS THE
23 CONDUCT OF CLINICAL TRIALS. WE HAD A VERY
24 INTERESTING PRESENTATION BY JOHN WAGNER, WHO'S A
25 MEMBER OF THE WORKING GROUP, ON A CLINICAL TRIAL

BARRISTERS' REPORTING SERVICE

1 THAT HE STARTED THAT HAS HAD, FRANKLY, PHENOMENAL
2 RESULTS. IT'S ACTUALLY SAVING THESE KIDS' LIVES WHO
3 HAVE THIS DREADFUL DISEASE.

4 AND IN THE COURSE OF DESCRIBING WHAT HE
5 HAD GONE THROUGH TO INITIATE, A WHOLE HOST OF
6 ETHICAL ISSUES WERE IDENTIFIED. AND THEY'RE ONES
7 THAT ARE BEYOND THOSE THAT JOHN BROUGHT UP THAT ARE
8 KIND OF ENDEMIC TO ALL CLINICAL TRIALS. AS WE GET
9 CLOSER TO THE CLINIC, WE NEED TO BE IN A POSITION --
10 IT'S BETTER THAT WE'RE PREPARED.

11 I KNOW BERNIE LO, WHO IS CO-CHAIR, HAS
12 PROPOSED PERHAPS AN ALL-DAY MEETING JUST ON THE
13 ISSUES THAT WE'RE GOING TO CONFRONT IN CLINICAL
14 TRIALS. WHO GETS TO BE IN A CLINICAL TRIAL IS AN
15 ISSUE. YOU KNOW, I KNOW IN AIDS WE'VE SEEN THIS.
16 CLINICAL TRIAL, YOU JUST DON'T GO OUT AND DO A
17 CLINICAL TRIAL. THE ETHICS INVOLVED, INFORMED
18 CONSENT THAT'S INVOLVED, IT CAN BE A MORE COMPLEX
19 PROCESS.

20 MR. KLEIN: TO AUGMENT JEFF'S STATEMENTS,
21 THERE'S CONCERN THAT AT THE FDA ADVISORY GROUP
22 HEARING THERE WERE COMMENTS BY INDIVIDUAL MEMBERS OF
23 THE ADVISORY GROUP, WHICH ARE NOT BINDING ON THE
24 FDA, THAT UNLESS THERE WAS IMMINENT RISK TO LIFE,
25 THAT POTENTIALLY THE FDA, IN BALANCING THE RISK OF

BARRISTERS' REPORTING SERVICE

1 EMBRYONIC STEM CELL CLINICAL TRIALS, MIGHT WANT TO
2 DEFER HAVING ANY EMBRYONIC STEM CELL TRIALS IN THOSE
3 AREAS AND RESTRICT THEM TO AREAS WHERE THERE WASN' T
4 IMMINENT RISK TO LIFE.

5 AND THE COALITION FOR THE ADVANCE OF
6 MEDICAL RESEARCH AND OTHER ORGANIZATIONS
7 REPRESENTING PATIENTS CERTAINLY BELIEVE THAT WE
8 SHOULD PUT ON THE TABLE THE POINT OF VIEW THAT
9 PATIENTS PROPERLY INFORMED BY THEIR PHYSICIANS,
10 PROPERLY INFORMED BY SCIENCE WITH RIGOROUS FDA
11 REVIEW, IF THEY ARE PATIENTS WITH CHRONIC DISEASE,
12 THAT THERE SHOULD BE PERMISSION FOR FDA TRIALS ON
13 EMBRYONIC STEM CELL THERAPIES.

14 I KNOW JEFF RELATES BACK TO THE HIV
15 HISTORY WHERE THERE WERE SOME REASONABLE RISKS TAKEN
16 THAT WERE NOT ALWAYS WITH POSITIVE OUTCOMES, BUT
17 THOSE RISKS WERE ESSENTIAL TO SAVING LIVES IN THE
18 FUTURE AND LED TO BRILLIANT BREAKTHROUGHS THAT HAVE
19 BEEN REMARKABLE IN TURNING AROUND THE MEDICAL
20 IMPACTS OF HIV/AIDS.

21 MR. SHEEHY: I CAN GIVE YOU RIGHT OFF THE
22 TOP OF MY HEAD, DR. PRICE, AN ISSUE THAT IS
23 RELATIVELY SIMPLE. WHEN IS A PLACEBO-CONTROLLED
24 TRIAL APPROPRIATE? LIKE RIGHT NOW IN HIV, FOR ANY
25 NEW ANTIRETROVIRAL PRODUCT, WE WOULD NOT ALLOW A

BARRISTERS' REPORTING SERVICE

1 PLACEBO TRIAL. IT'S JUST NOT ETHICALLY APPROPRIATE
2 IN HIV FOR NEW DRUGS NOW. SO WHEN IS IT APPROPRIATE
3 TO DO A PLACEBO? IT'S JUST ONE INTERESTING ISSUE
4 THAT HASN'T BEEN THOUGHT ABOUT IN THIS CONTEXT YET.

5 CHAIRMAN GOLDBERG: ANY OTHER QUESTIONS,
6 DR. PRICE?

7 MS. FERGUSON: MY UNDERSTANDING IS, IN
8 ADDITION, THERE ARE SITE VISITS THAT HAVE TO BE
9 CONDUCTED TO ENSURE COMPLIANCE.

10 CHAIRMAN GOLDBERG: THAT'S RIGHT. GOOD
11 POINT.

12 MR. KLEIN: WAS THAT DR. PRICE'S QUESTION
13 OR DR. STEWARD'S QUESTION?

14 CHAIRMAN GOLDBERG: THAT WAS DR. PRICE'S
15 QUESTION.

16 DR. PRICE: ALL RIGHT. I'M DONE.

17 CHAIRMAN GOLDBERG: THANK YOU. I'D LIKE
18 TO NOW TURN IT OVER TO THE PUBLIC, AND WE'LL GO SITE
19 BY SITE STARTING HERE AT THE CIRM AND THEN MOVING TO
20 THE SOUTHERN PART OF THE STATE AND UP THE COAST.
21 PLEASE ANNOUNCE YOURSELF FOR THE TRANSCRIPTIONIST.

22 MR. REED: THIS IS DON REED. THE TRAVEL
23 IS CRUCIAL AS SEED MONEY FOR THE MATCHING GRANTS.
24 TO GIVE A PERSONAL CONTEXT TO IT, I JUST GOT SOME
25 FIGURES TODAY. THE ROMAN REED SPINAL CORD INJURY

BARRISTERS' REPORTING SERVICE

1 PROGRAM, SINCE ITS INCEPTION EIGHT YEARS AGO, HAS
2 SPENT A TOTAL OF \$12.5 MILLION ON RESEARCH, BUT THE
3 PROGRAM ATTRACTED \$50 MILLION IN ADDITIONAL GRANTS,
4 SO THE 12 MILLION BY VIRTUE OF MATCHING GRANTS
5 BECAME 62 MILLION FOR CALIFORNIA.

6 I SUSPECT THIS IS GOING TO BE THE CASE FOR
7 THE STEM CELL PROGRAM, BUT WE DO TEND TO SPEND EXTRA
8 MONEY TO SEND OUR SCIENTISTS SO THEY CAN BE INVOLVED
9 IN THE CUTTING EDGE RESEARCH WHEREVER IT IS IN THE
10 WORLD.

11 CHAIRMAN GOLDBERG: THANK YOU. ANY OTHER
12 QUESTIONS FROM THE PUBLIC IN SAN FRANCISCO?

13 MR. JENSON: DAVE JENSON, CALIFORNIA STEM
14 CELL REPORT. THE FUND ALLOCATIONS FOR PROPOSITION
15 71, DIRECT RESEARCH LEGAL, IT'S \$1.8 MILLION FOR THE
16 CURRENT FISCAL YEAR, CORRECT?

17 MS. FERGUSON: CORRECT.

18 MR. JENSON: THAT'S UP FROM \$1.2 MILLION
19 LEGAL EXPENSES FOR CURRENT FISCAL YEAR?

20 MS. FERGUSON: YES.

21 MR. JENSON: DOES THAT REPRESENT ALL LEGAL
22 COSTS THAT CIRM HAS?

23 MS. FERGUSON: YES, IT DOES.

24 CHAIRMAN GOLDBERG: WE'LL GO TO YOUR SITE,
25 FLOYD. DO YOU HAVE MEMBERS OF THE PUBLIC?

BARRISTERS' REPORTING SERVICE

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DR. BLOOM: NO, WE DON' T.
CHAIRMAN GOLDBERG: GENOPTIX SITE?
DR. NOVA: NO ONE FROM THE PUBLIC.
CHAIRMAN GOLDBERG: DUANE' S SITE?
MS. KING: NO ONE FROM THE PUBLIC.
CHAIRMAN GOLDBERG: IRVINE?
DR. STEWARD: NO PUBLIC.
CHAIRMAN GOLDBERG: CEDARS?
MR. SIMPSON: PUBLIC. THIS IS JOHN
SIMPSON. I DO THINK THIS IS A WONDERFUL TOP-LINE
BUDGET, BUT ONE OF THE THINGS THAT CONCERNS ME, TWO
POINTS. ONE, I HAD A GREAT DEAL OF DIFFICULTY
RECONCILING IT WITH YOUR ORGANIZATIONAL CHART. IN
OTHER WORDS, YOU SEEM TO TALK ABOUT DIFFERENT COST
CENTERS AND CALL THEM BY DIFFERENT NAMES. IN YOUR
ORGANIZATIONAL CHART YOU TALK ABOUT THE OFFICE OF
THE CHIEF OPERATING OFFICER. I GUESS THAT
TRANSLATES INTO THE OFFICE OF ADMINISTRATION, BUT
IT' S A LITTLE VAGUE. I WONDER IF YOU' RE GOING TO
RECONCILE THOSE TWO THINGS AND BRING THEM TOGETHER
AT SOME POINT.
THE SECOND ISSUE HAS TO DO WITH I THINK
IT' S AN EXCELLENT TOP LINE. YOU DON' T LIST ENOUGH
OF YOUR ASSUMPTIONS TO UNDERSTAND WHAT' S GOING ON.
I UNDERSTAND AND AM SYMPATHETIC TO THE NOTION OF THE

BARRISTERS' REPORTING SERVICE

1 NEED FOR TRAVEL, BUT I REALLY THINK THE PUBLIC NEEDS
2 TO KNOW WHAT ASSUMPTIONS YOU ARE MAKING. I SORT OF
3 DID A LITTLE BIT OF GUESSWORK MYSELF AND SAID, WELL,
4 IF THE AVERAGE TRIP IS \$3,000, THEN THAT WOULD BE 87
5 TRIPS. FOR THE SCIENTISTS, IT WOULD BE 48 TRIPS FOR
6 THE OFFICE OF THE CHAIRMAN. I DON'T KNOW EXACTLY
7 WHETHER THAT IS APPROPRIATE OR INAPPROPRIATE, BUT I
8 DO THINK YOU NEED TO BE EXPLICIT ABOUT THOSE
9 ASSUMPTIONS THAT YOU'RE MAKING.

10 AND THE SAME THING AGAIN WITH THE EXTERNAL
11 GRANTS -- EXTERNAL CONTRACTS. I THINK IT WOULD BE
12 VERY HELPFUL IF YOU COULD INCLUDE A SUPPORTING
13 DOCUMENT THAT LISTS WHAT THEY'RE ANTICIPATED TO BE.

14 FINALLY, TWO OTHER POINTS. I DON'T
15 UNDERSTAND WHY THE STANDARDS ALLOCATION IS ALLOCATED
16 TO THE OFFICE OF ADMINISTRATION WHEN THE STANDARDS
17 OFFICER IS WORKING IN THE SCIENCE OFFICE. SO I
18 DON'T UNDERSTAND WHY THE WORKING GROUP GETS
19 ALLOCATED THERE.

20 AND THE FINAL POINT WOULD BE A QUESTION.
21 DOES THIS BUDGET PROVIDE ANY SORT OF SALARY FUNDING
22 FOR EITHER THE VICE CHAIRMAN OR THE CHAIRMAN?

23 CHAIRMAN GOLDBERG: SHE'S TRYING TO
24 CATALOG YOUR QUESTIONS, JOHN.

25 MR. KLEIN: WHY DON'T YOU REPEAT YOUR LAST

BARRISTERS' REPORTING SERVICE

1 QUESTION, JOHN?

2 MR. SIMPSON: LAST QUESTION WAS DOES THE
3 BUDGET INCLUDE ANY FUNDS -- WE'RE ALL THANKFUL THAT
4 BOTH THE CHAIRMAN AND VICE CHAIRMAN CURRENTLY
5 DECLINE TO ACCEPT SALARIES, BUT I BELIEVE PEOPLE
6 SHOULD BE PAID WHAT THEY'RE ENTITLED TO. SO MY
7 QUESTION IS DOES THIS BUDGET INCLUDE ANY SALARY
8 FUNDS FOR EITHER THE CHAIRMAN OR THE VICE CHAIRMAN?

9 MS. FERGUSON: NO, IT DOES NOT.

10 MR. SIMPSON: THE OTHER COMMENTS WERE JUST
11 SORT OF SEEKING FURTHER EXPLANATION OF THE
12 ASSUMPTIONS THAT WENT INTO YOUR TRAVEL BUDGETING.

13 MS. FERGUSON: POINT WELL TAKEN. AND THE
14 ACTUAL ANSWER TO YOUR LAST QUESTION ABOUT THE VICE
15 CHAIR AND THE CHAIR, THERE ARE NO FUNDS PROVIDED IN
16 THIS BUDGET FOR A SALARY FOR EITHER ONE OF THOSE TWO
17 POSITIONS.

18 MR. KLEIN: THIS IS BOB KLEIN. I
19 APPRECIATE YOUR COMMENTS. I PERSONALLY WOULD, AS A
20 MATTER OF PREFERENCE, PREFER TO SEE NONTAXPAYER
21 DOLLARS USED FOR PAYMENT OF THOSE SALARIES. I'VE
22 BEEN KNOWN TO RAISE FUNDS BEFORE, BUT IT IS A GREAT
23 BENEFIT TO SEE THE TAXPAYER DOLLARS GOING TO THE
24 MEDICAL RESEARCH AND TO THE CORE SCIENTIFIC STAFF.
25 BUT IT IS TRUE THAT AT SOME POINT THIS ISSUE NEEDS

BARRISTERS' REPORTING SERVICE

1 TO BE ADDRESSED BECAUSE RESOURCES ARE LIMITED. I DO
2 APPRECIATE YOUR COMMENT. AND CERTAINLY IF YOU'D
3 LIKE TO WRITE A CHECK FOR THAT PURPOSE, I WOULD LIKE
4 TO WRITE IN YOUR BLOG TO THANK YOU.

5 CHAIRMAN GOLDBERG: MARCY FEIT, ARE THERE
6 ANY MEMBERS OF THE PUBLIC AT YOUR SITE?

7 MS. FEIT: NO PUBLIC.

8 CHAIRMAN GOLDBERG: BOB PRICE, ANY MEMBERS
9 OF THE PUBLIC?

10 DR. PRICE: NO, THERE ARE NO MEMBERS HERE.

11 CHAIRMAN GOLDBERG: OKAY. SO WHAT I SAID
12 WE WOULD DO IS A KIND OF OPEN DISCUSSION TO THE
13 BOARD AND THEN TO THE PUBLIC FOR MORE THAN SPECIFIC
14 QUESTIONS ABOUT THE BUDGET, BUT ANY COMMENTS IN
15 GENERAL ABOUT THE BUDGET, ABOUT THE BUDGET PROCESS.
16 OUR GOAL AS A SUBCOMMITTEE IS TO MAKE A
17 RECOMMENDATION TO THE BOARD -- TO THE ICOC AT OUR
18 MEETING NEXT WEEK EITHER IN SUPPORT OF THIS PROPOSAL
19 OR A MODIFIED FORM OF IT. SO I THINK THE GOAL OF
20 OUR MEETING OUGHT TO BE TO TRY TO GET TO SUCH A
21 RESOLUTION.

22 MR. KLEIN: MR. CHAIRMAN, WILL YOU
23 ENTERTAIN A MOTION?

24 CHAIRMAN GOLDBERG: YES.

25 MR. KLEIN: I'D LIKE TO MAKE A MOTION THAT

BARRISTERS' REPORTING SERVICE

1 WE RECOMMEND THIS BUDGET FOR APPROVAL. AND TO BE
2 RESPONSIVE TO MR. SIMPSON'S COMMENTS, I'M HAPPY TO
3 PROVIDE A DETAIL OF THE ASSUMPTIONS FOR THE OFFICE
4 OF THE CHAIR ON TRAVEL AS A SUPPLEMENTAL DETAIL. I
5 CAN'T SPEAK FOR OTHER DEPARTMENTS WHO HAVE
6 THOUGHTFULLY LOOKED AT THEIR BUDGET ESTIMATES, BUT
7 THEY'RE JUST NOT PRESENT.

8 CHAIRMAN GOLDBERG: WE HAVE A SECOND?

9 DR. BLOOM: SECOND.

10 CHAIRMAN GOLDBERG: SHOULD WE DO A ROLL
11 CALL, JAMES?

12 MR. HARRISON: YES.

13 MS. KING: RICARDO AZZIZ.

14 DR. AZZIZ: I'M SORRY. I WAS ON MUTE. DO
15 YOU WANT TO REPEAT THAT QUESTION?

16 MR. KLEIN: THERE'S A MOTION ON THE FLOOR
17 TO RECOMMEND THIS BUDGET TO THE BOARD.

18 DR. AZZIZ: SO YOU'RE GOING THROUGH A
19 VOTE. APPROVED OR SUPPORT OR YES.

20 MS. KING: DR. PRICE.

21 DR. PRICE: I'LL TRY YES.

22 MS. KING: DR. BLOOM.

23 DR. BLOOM: YES.

24 MS. KING: MICHAEL GOLDBERG.

25 CHAIRMAN GOLDBERG: YES.

BARRISTERS' REPORTING SERVICE

1 MS. KING: BOB KLEIN.

2 MR. KLEIN: YES.

3 MS. KING: TINA NOVA.

4 DR. NOVA: YES.

5 MS. KING: DUANE ROTH.

6 MR. ROTH: YES.

7 MS. KING: JEFF SHEEHY.

8 MR. SHEEHY: YES.

9 MS. KING: OS STEWARD.

10 DR. STEWARD: YES.

11 MS. KING: THAT MOTION CARRIES.

12 MS. FEIT: YOU MISSED MARCY FEIT.

13 MS. KING: I'M SORRY. MARCY FEIT. MARCY?

14 MS. FEIT: YES.

15 CHAIRMAN GOLDBERG: I'D LIKE TO PROCEED --
16 THE MOTION PASSES. I'D LIKE TO PROCEED TO ITEM NO.
17 4, AND I'D LIKE TO ASK CHAIRMAN KLEIN TO ADDRESS
18 THAT.

19 MR. KLEIN: I'LL TRY AND COVER SOME OF THE
20 POLICY QUESTIONS THAT THE LOAN TASK FORCE HAS PUT
21 FORWARD. BUT SINCE DUANE JOINED THE CALL, WHICH WE
22 WERE NOT CERTAIN, DUANE, WHETHER YOU COULD, I THINK
23 IT WOULD BE APPROPRIATE FOR YOU TO LEAD OFF AND
24 ADDRESS THE POLICY QUESTIONS THAT YOU'RE LOOKING TO
25 THIS FINANCE COMMITTEE AS A WHOLE TO ADDRESS. AND

BARRISTERS' REPORTING SERVICE

1 THEN I HAVE SOME COMMENTS THAT DR. PENHOET HAD THAT
2 I WILL AUGMENT YOURS WITH.

3 MR. ROTH: ALL RIGHT. SO LAST FULL BOARD
4 MEETING I SUMMARIZED WHERE WE STOOD ON WHAT OUR
5 RECOMMENDATION TO THIS COMMITTEE WOULD BE. AND IT
6 INCLUDED THE SEPARATION OF THE AMOUNTS AND CERTAIN
7 CRITERIA THAT WOULD BE DEALT WITH IN TERMS OF THE
8 RFA PROCESS AND THE TERMS THAT WOULD BE INCLUDED IF
9 AND WHEN THERE'S AN RFA THAT INCLUDES LOANS.

10 ONCE WE MADE THAT SEPARATION, MANY OF THE
11 THINGS THAT WE WERE DISCUSSING PREVIOUSLY DROPPED
12 OUT, AND WE'RE DEALING WITH THOSE ONLY ONCE THERE IS
13 A LOAN PROGRAM. AND THERE ARE OPTIONS AVAILABLE,
14 RECOMMENDATION IS ANYWAY, THERE ARE OPTIONS
15 AVAILABLE TO CHOOSE RECOURSE OR NONRECOURSE LOAN, TO
16 SELECT A TERM OF AN OPTION OF THE TERM THAT YOU
17 WOULD LIKE IT TO COVER, AND EARLY ACCELERATION IF
18 IT'S A LONGER TERM, AND THAT WOULD BE AT A DIFFERENT
19 POTENTIAL INTEREST RATE THAN THE SHORTER TERM LOANS.

20 SO MANY OF THE THINGS WE DEALT WITH, I
21 THINK, ARE FAIRLY EASY TO MAKE A DECISION ON POLICY
22 ISSUES. WHERE WE RAN INTO PROBLEMS WERE ALLOCATION,
23 HOW MUCH OF THE PROGRAM, ETC., WHAT STAGE IT SHOULD
24 BE, ALL OF WHICH NEEDS TO BE DEALT WITH ON AN RFA
25 BASIS AND POLICY BASIS.

BARRISTERS' REPORTING SERVICE

1 WITHOUT GETTING INTO SPECIFICS, BOB, I'M
2 GOING TO LEAVE IT THERE AND LET YOU --

3 MR. KLEIN: THANK YOU VERY MUCH, DUANE.
4 AND, DUANE, WE TREMENDOUSLY APPRECIATE THE STRUCTURE
5 AND THOUGHT THAT WENT INTO THE LOAN PROGRAM AND THE
6 ANALYSIS OF THE CONSULTANTS THAT YOU GUIDED IN THAT
7 PROCESS.

8 AT THIS MEETING, MY UNDERSTANDING, MR.
9 CHAIRMAN, IS JUST PUTTING THE ISSUES ON THE TABLE SO
10 THE PUBLIC HAS AN IDEA AND MEMBERS OF THE COMMITTEE
11 HAVE AN IDEA OF THE ISSUES WE'RE GOING TO BE FACING
12 IN THE NEXT MEETING.

13 CHAIRMAN GOLDBERG: THAT'S CORRECT.

14 MR. KLEIN: SO IN THAT CONTEXT, AS DUANE
15 SAID, THE PORTFOLIO SIZE THAT WE COMMIT TO IS GOING
16 TO BE CRITICALLY IMPORTANT BECAUSE IF THE TOTAL
17 PORTFOLIO OVER A PERIOD OF THREE OR FOUR YEARS WERE
18 A HUNDRED MILLION, THEN IT WOULD ESSENTIALLY SIZE
19 DOWN THE MAXIMUM LOAN YOU WOULD MAKE FOR ANY
20 INDIVIDUAL LOAN BECAUSE OF CONCENTRATIONS OF RISK
21 ISSUES AS TO -- BASED ON THE RELEVANT SIZE OF ANY
22 INDIVIDUAL LOAN TO OVERALL PORTFOLIO SIZE.

23 IF THE PORTFOLIO WERE \$500 MILLION TARGET
24 OVER FOUR YEARS, THAT ALLOWS A SIGNIFICANTLY HIGHER
25 INDIVIDUAL LOAN AMOUNT. AND ED PENHOET SPECIFICALLY

BARRISTERS' REPORTING SERVICE

1 HAD WANTED TO MAKE SURE THAT THE ISSUE WAS ON THE
2 TABLE THAT FOR GOING INTO HUMAN CLINICAL TRIALS AND
3 EMBRYONIC STEM CELL RESEARCH IN PARTICULAR, BECAUSE
4 OF THE HISTORY OF THIS RESEARCH AND THE DEARTH OF
5 CAPITAL IN THIS SPACE, THAT IT MAY TAKE A VERY
6 SIGNIFICANTLY SIZED LOAN EVEN ON A MATCHING FUND
7 BASIS FOR COMPANIES TO GET THROUGH THE PRECLINICAL,
8 PHASE I, AND PHASE II, AND PHASE II B STAGE BEFORE
9 PRIVATE CAPITAL WOULD BE PREPARED TO STEP IN. .

10 SO THAT EVEN IF IT'S MILESTONE DRIVEN, AND
11 INDIVIDUAL LOANS MIGHT HAVE INCREMENTS OF ONE
12 MILLION, THREE MILLION, FIVE MILLION AT DIFFERENT
13 MILESTONES, THE AGGREGATED TOTAL LOAN COMMITMENT ON
14 AN INDIVIDUAL PROGRAM, WHICH WOULD HAVE TO GO
15 THROUGH PEER REVIEW, COULD HAVE TO BE FAIRLY
16 SIGNIFICANT.

17 NOW, THAT ARGUES, IF IT IS APPROPRIATE,
18 FOR A FAIRLY -- FOR THE LARGER PORTFOLIO SIZE. AND
19 BEFORE THE NEXT MEETING, MAYBE THE COMMITTEE MEMBERS
20 CAN LOOK AT THE PWC RISK ANALYSIS BECAUSE THAT RISK
21 ANALYSIS SUGGESTS THAT EVEN WITH VERY SUBSTANTIAL
22 LOSSES AND A CONSERVATIVE SUCCESS RATE THAT, BECAUSE
23 OF WARRANTS THAT WOULD BE ATTACHED TO THESE LOANS
24 WHERE THERE WAS SUCCESS AND BECAUSE OF INTEREST
25 COLLECTED FROM THESE LOANS, THAT WITH A SIGNIFICANT

BARRISTERS' REPORTING SERVICE

1 SIZE PORTFOLIO, WE COULD HAVE CAPITAL -- WE COULD
2 HAVE CAPITAL SURVIVAL AND HAVE AN EVERGREEN FUND
3 THAT ACTUALLY GREW OVER TIME, WHICH WOULD SEEM TO
4 INDICATE THAT A REASONABLE ALLOCATION OF ASSETS TO
5 THIS PURPOSE WOULD BE AN APPROPRIATE RISK DECISION.

6 BUT THOSE ARE THE KINDS OF DECISIONS THAT
7 HOPEFULLY AFTER REVIEWING THE MATERIAL AND WITH
8 PREPARATORY MATERIAL THAT WOULD BE SENT OUT BEFORE
9 THE NEXT MEETING THAT WILL BE VITAL TO DECIDE. I
10 THINK THE GOAL IS BY THE AUGUST BOARD MEETING TO BE
11 ABLE TO HAVE A POLICY THAT WOULD BE APPROVED WITH
12 THE WORK THAT HAS BEEN DONE BY THE LOAN TASK FORCE
13 AND WITH DECISIONS BEING MADE ON HOW WE'RE GOING TO
14 DEAL WITH FINANCIAL UNDERWRITING.

15 THERE'S BEEN DISCUSSION PREVIOUSLY AND
16 WE'RE GOING TO TRY AND BRING IN SILICON VALLEY BANK
17 AND OTHERS IN THE FIELD WITH PROPOSALS AND IDEAS
18 ABOUT DELEGATED UNDERWRITING MODELS SIMILAR TO THE
19 FNMA DELEGATED UNDERWRITING MODELS WHERE YOU CAN
20 CONTRACT WITH PRIVATE COMPANIES, IN THIS CASE BANKS
21 AND INSTITUTIONS THAT ARE EXPERT IN BIOTECH LOANS,
22 AND HAVE THEM DO THE FINANCIAL UNDERWRITING AND
23 STRUCTURING UNDER THE SUPERVISION OF A STAFF MEMBER
24 BECAUSE WE DON'T HAVE THE INTERNAL STAFFING CAPACITY
25 TO BRING THAT IN-HOUSE. AND IF WE DID, IT WOULD

BARRISTERS' REPORTING SERVICE

1 TAKE US TOO LONG TO DEVELOP THE EXPERTISE.

2 SO THE METHOD OF STAFFING THIS TO MINIMIZE
3 OUR INTERNAL ADMINISTRATIVE LOAD WHILE GETTING THE
4 GREATEST EXPERTISE IN ADMINISTRATION AND OVERSIGHT
5 AND UNDERWRITING IS ANOTHER CATEGORY OF POLICIES TO
6 BE DISCUSSED.

7 CHAIRMAN GOLDBERG: THANK YOU. I'D LIKE
8 TO OPEN IT UP TO COMMENT FIRST TO SUBCOMMITTEE
9 MEMBERS AND THEN THE PUBLIC. DR. BLOOM?

10 DR. BLOOM: NO COMMENT. VERY CLEAR.

11 CHAIRMAN GOLDBERG: TINA? DUANE?

12 MR. ROTH: I DON'T THINK I DO AT THIS
13 POINT. YOU'RE NOT ASKING FOR ANYTHING IN TERMS OF
14 ACTION. YOU'RE JUST MAKING SOME GENERAL COMMENTS,
15 BOB, THAT YOU WANT TO HAVE MORE INFORMATION COMING
16 FORWARD.

17 MR. KLEIN: JUST TO OUTLINE THINGS THAT
18 WILL BE COMING UP FOR DISCUSSION ON THE AGENDA.

19 MR. ROTH: I WILL JUST PUT ONE NOTE IN
20 THERE ABOUT THE DESIGNATED UNDERWRITER, THAT I HAVE
21 SOME CONCERNS ABOUT CONFLICT OF INTEREST THAT ARE
22 GOING TO HAVE TO BE ADDRESSED. THEY ARE IN THIS
23 BUSINESS. AS A RESULT OF BEING IN THIS BUSINESS, I
24 HAVE CONCERNS ON OUR SIDE THAT WE CAREFULLY HANDLE
25 THAT SO THAT THEY AREN'T UNDULY INFLUENCED AND VICE

BARRISTERS' REPORTING SERVICE

1 VERSA. I THINK JUST AS WE ARE VERY CAREFUL TO MAKE
2 SURE, AS BEST AS WE CAN ANYWAY, THAT PEOPLE ARE NOT
3 CONFLICTED FOR MAKING DECISIONS ABOUT WHAT TO INVEST
4 IN AND WHAT NOT TO INVEST IN, SO THAT TO ME IS
5 SOMETHING THAT WE HAVE TO BE REALLY VERY COGNIZANT
6 OF.

7 CHAIRMAN GOLDBERG: OS?

8 DR. STEWARD: NO COMMENT.

9 CHAIRMAN GOLDBERG: MARCY?

10 DR. NOVA: I DIDN'T HAVE ANYTHING. I
11 APOLOGIZE FOR MISSING THE BUTTON.

12 CHAIRMAN GOLDBERG: MARCY?

13 MS. FEIT: NO COMMENT.

14 CHAIRMAN GOLDBERG: BOB PRICE?

15 DR. PRICE: NO COMMENT.

16 CHAIRMAN GOLDBERG: OKAY. I'D LIKE TO
17 OPEN IT UP TO MEMBERS -- OH, I APOLOGIZE. JEFF
18 SHEEHY.

19 MR. SHEEHY: WELL, I HAD ONE COMMENT. AND
20 I GUESS IT WOULD BE BETTER TO HAVE THIS IN MIND
21 GOING FORWARD. I WOULD FEEL MORE COMFORTABLE IF
22 WE'RE GOING TO TALK ABOUT A FIGURE OF, SAY, HALF A
23 BILLIONS DOLLARS, NOT ALLOCATING THAT ALL AT ONCE.
24 YOU KNOW, THIS IS GOING TO BE A NEW PROGRAM. AND IN
25 PRINCIPLE I'VE SEEN THE NUMBERS, NOT BEING A

BARRISTERS' REPORTING SERVICE

1 FINANCIAL PERSON, BUT IT DOES MAKE SENSE THAT YOU
2 HAVE TO PUT ENOUGH INTO THE POT TO BE ABLE TO GET
3 ENOUGH WIND. BUT WE'RE NOT GOING TO DO THIS ALL IN
4 ONE YEAR.

5 MAYBE WHAT I WOULD FEEL MUCH MORE
6 COMFORTABLE WITH IS SOMETHING THAT ANTICIPATED, AND
7 WE CAN'T KNOW UNTIL WE GET THE APPLICATIONS AND IT
8 GETS APPROVED, A CERTAIN AMOUNT ON AN ANNUAL BASIS
9 WITH SOME SORT OF FEEDBACK TO SEE HOW OUR PROCESS
10 WORKS. FIRST COUPLE YEARS WE'RE REALLY GOING TO
11 WANT TO KNOW HOW THE PROCESS IS WORKING. WE'RE NOT
12 GOING TO HAVE ANY REAL RESULTS. AND MAYBE BRINGING
13 IT BACK FOR, NOT NECESSARILY DOING A GLOBAL APPROVAL
14 OF 500 MILLION OVER FOUR YEARS, BUT SAYING OUR
15 TARGET IS X NUMBER OF DOLLARS OVER ONE YEAR, FOLLOW
16 UP WITH A REAPPROVAL FOR ANOTHER YEAR WITH A
17 REAPPROVAL FOR ANOTHER YEAR JUST SO THAT WE CAN KIND
18 OF TRACK AND HAVE SOME SORT OF FEEDBACK. WE'RE NOT
19 DOING IT ALL AT ONCE AND JUST SENDING THIS THING OFF
20 HURRIEDLY DOWN THE TRACKS.

21 I HAD ONE OTHER QUESTION. WHEN YOU'RE
22 TALKING ABOUT THE CLINICAL TRIAL, WHAT IS THE
23 BALLPARK NUMBER YOU'RE GOING TO BE THINKING ABOUT?
24 YOU SAID ONE TO THREE. ARE WE TALKING ABOUT \$20
25 MILLION, \$10 MILLION? WHAT DO YOU THINK IT'S GOING

BARRISTERS' REPORTING SERVICE

1 TO REALLY TAKE? DOES ANYBODY HAVE AN ESTIMATE,
2 PHASE I, PHASE II? OBVIOUSLY CELLULAR THERAPY IS
3 GOING TO BE MORE EXPENSIVE THAN A LOT OF OTHER
4 TYPES.

5 MR. KLEIN: I'D ACTUALLY LIKE ED TO TRY
6 AND ADDRESS THAT IN THE NEXT MEETING, BUT CERTAINLY
7 IT'S SOMETHING TO BE ADDRESSED AT THE NEXT MEETING.
8 HOPEFULLY WE COULD DO A HYPOTHETICAL EXAMPLE.

9 THE KEY TO THIS, I THINK, JEFF, IS THE
10 DIRECTION YOU'RE GOING, IS IF WE SET A STRATEGIC
11 PORTFOLIO SIZE, THEN WE CAN DO A RISK ANALYSIS BASED
12 ON THAT SIZE, BUT IT'S ALL INCREMENTAL. SO IF YOU
13 SAY IN FOUR YEARS APPROXIMATE PORTFOLIO SIZE IS 500
14 MILLION, EACH INDIVIDUAL ACTION HAS TO COME THE
15 BOARD. AND IF THE PROGRAM IS NOT WORKING, THEN YOU
16 EITHER MODIFY THE PROGRAM OR DON'T CONTINUE IT. SO
17 YOU CONSTANTLY HAVE A CHECK SYSTEM, THE CONTROL,
18 BASED UPON REAL-TIME FEEDBACK OF WHAT'S COMING OUT
19 OF THE ANNUAL EXPERIENCE WITH THIS PROGRAM.

20 SO THIS IS SOMETHING THAT WE'D BE
21 MONITORING. THEY ALL HAVE TO GO THROUGH PEER
22 REVIEW. THEY ALL HAVE TO COME TO THE BOARD FOR
23 APPROVAL. AND IT GIVES US A LOT OF INCREMENTAL
24 CONTROL AS WE GO. WE'LL DEFINITELY LEARN AS WE GO,
25 AND THERE'LL DEFINITELY BE LOSSES, AND WE HAVE TO

BARRISTERS' REPORTING SERVICE

1 LEARN FROM EVERY LOSS TO MAKE EVERY TAXPAYER DOLLAR
2 GO AS FAR AS POSSIBLE FOR EVERY PATIENT.

3 DR. AZZIZ: MICHAEL, THIS IS RICARDO. I
4 DON'T THINK YOU ASKED OUR CENTER. JUST FOR
5 COMPLETENESS, I HAVE NO COMMENTS.

6 CHAIRMAN GOLDBERG: I APOLOGIZE. I'D LIKE
7 TO OPEN IT UP TO THE PUBLIC FIRST AT THE SAN
8 FRANCISCO SITE AND THEN AT YOUR SITE, RICARDO.

9 MR. JENSON: DAVE JENSON FOR THE
10 CALIFORNIA STEM CELL REPORT. IT MIGHT BE USEFUL AT
11 SOME POINT, USEFUL, VERY USEFUL, FOR THIS AGENCY TO
12 EXPLAIN HOW A PROGRAM THAT ANTICIPATES DEFAULTS AT A
13 50-PERCENT RATE, HOW THAT PROGRAM CAN STILL TURN A
14 PROFIT. IT'S NOT READILY APPARENT FROM ANYTHING ON
15 THE PUBLIC RECORD IN TERMS THAT I THINK THE GENERAL
16 PUBLIC OR LEGISLATORS OR EVEN VERY WELL-INFORMED
17 PUBLIC CAN UNDERSTAND.

18 MR. KLEIN: ARE YOU REFERRING TO OUR
19 OVERALL GRANT AND LOAN PROGRAM?

20 MR. JENSON: I'M REFERRING TO THE LOAN
21 PROGRAM.

22 MR. KLEIN: OKAY. HAVE YOU SEEN THE PWC
23 PROJECTIONS THAT WERE IN THE TASK FORCE MEETING? SO
24 THOSE PROJECTIONS LAY OUT A STRATEGIC FLOW OF LOANS
25 WITH DEFAULT RATES FOR DIFFERENT CLASSES. AND, OF

BARRISTERS' REPORTING SERVICE

1 COURSE, OUR GOAL IS SO THAT WE HAVE A PUBLICLY
2 UNDERSTOOD GAME PLAN.

3 CHAIRMAN GOLDBERG: THANK YOU VERY MUCH.
4 DOES JOHN SIMPSON IN LOS ANGELES HAVE A COMMENT?

5 MR. SIMPSON: TWO QUICK ONES. I JUST
6 WANTED TO AGREE WITH MEMBER ROTH'S COMMENTS ABOUT
7 BEING VERY VIGILANT ABOUT HOW THE DESIGNATED
8 UNDERWRITERS WOULD WORK. I DO THINK THAT THAT'S A
9 POTENTIAL AREA FOR PROBLEMS AND WOULD LIKE TO SEE A
10 MUCH MORE THOROUGH DISCUSSION IN THE FUTURE ABOUT
11 HOW THAT WOULD ALL WORK.

12 AND I ALSO WAS VERY SYMPATHETIC TO MEMBER
13 SHEEHY'S COMMENTS ABOUT PHASING IT IN AND WHAT
14 CHAIRMAN KLEIN SAID ABOUT HOW THAT WOULD WORK, I
15 THINK, IS A VERY GOOD APPROACH. THANK YOU.

16 MR. ADAMS: THIS IS BILL ADAMS,
17 INTERNATIONAL STEM CELL. AS A SMALL FOR-PROFIT
18 COMPANY, WE'D LIKE TO SEE THE LOAN PROGRAM MATURE AS
19 QUICKLY AS POSSIBLE AND SEE WHETHER OR NOT OBVIOUSLY
20 WE AND OUR COMPATRIOTS FIT INTO IT. BASED ON THE
21 DISEASE TEAM RESULTS, WE'RE KIND OF SITTING ON THE
22 SIDELINES, AS MR. KLEIN KNOWS, TO KIND OF SEE WHAT
23 THE NEXT STEP IS GOING TO BE. THANK YOU.

24 CHAIRMAN GOLDBERG: THANK YOU. IF THERE
25 ARE NO FURTHER COMMENTS, IT APPEARS THAT WE'VE

BARRISTERS' REPORTING SERVICE

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COMPLETED THE AGENDA, AND I'D LIKE TO CALL THE
MEETING ADJOURNED. THANK YOU ALL VERY MUCH.

(THE MEETING WAS THEN ADJOURNED AT
04: 41 P. M.)

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 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 AT THE LOCATIONS INDICATED ON THE AGENDA ON JUNE 19, 2008, 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.



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