

BEFORE THE
INTELLECTUAL PROPERTY AND INDUSTRY SUBCOMMITTEE
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: MAY 8, 2012
2 P.M.

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

BRS FILE NO.: 92305

BARRISTERS' REPORTING SERVICE

I N D E X

ITEM DESCRIPTION	PAGE NO.
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1. CALL TO ORDER	3
2. ROLL CALL	3
3. CONSIDERATION OF AMENDMENTS TO THE LOAN ADMINISTRATIVE POLICY MEMO TO BOARD	4
4. CONSIDERATION OF THE IPSC BANK INTERIM REGULATIONS	45
5. PUBLIC COMMENT	NONE
6. ADJOURNMENT	55

BARRISTERS' REPORTING SERVICE

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MAY 8, 2012, 2 P.M.

CHAIRMAN JUELSGAARD: GOOD AFTERNOON,
EVERYONE. THIS IS THE MEETING OF THE INTELLECTUAL
PROPERTY AND INDUSTRY SUBCOMMITTEE. THIS IS STEPHEN
JUELSGAARD FOR THOSE OF YOU THAT ARE ON THE LINE.
I'M GOING TO CALL THE MEETING TO ORDER.

AND THE FIRST TOPIC IS ROLL CALL.

MS. BONNEVILLE: SUE BRYANT.

DR. BRYANT: HERE.

MS. BONNEVILLE: MICHAEL GOLDBERG. STEVE
JUELSGAARD.

CHAIRMAN JUELSGAARD: HERE.

MS. BONNEVILLE: DUANE ROTH.

MR. ROTH: HERE.

MS. BONNEVILLE: OS STEWARD. JONATHAN
THOMAS.

CHAIRMAN THOMAS: HERE.

MS. BONNEVILLE: AND WE HAVE A QUORUM.

CHAIRMAN JUELSGAARD: ALL RIGHT. WE HAVE
A QUORUM, MARIA TELLS ME.

SO THE FIRST ITEM OF BUSINESS IS THE
CONSIDERATION OF SOME AMENDMENTS TO OUR LOAN
ADMINISTRATION POLICY WHICH WERE DISTRIBUTED TO YOU
IN MULTIPLE COPIES OVER YESTERDAY AND THIS MORNING.

BARRISTERS' REPORTING SERVICE

1 I THINK WE'VE GOTTEN TO ONE THAT'S NOT QUITE SO
2 COLOR CODED. SO ANYWAY, I'VE ASKED ELONA IF SHE
3 WOULD SORT OF TAKE US THROUGH THE HIGHLIGHTS OF THE
4 PROPOSED CHANGES, AND WE CAN STOP AFTER EACH ONE AND
5 SEE IF THERE ARE ANY QUESTIONS THAT ANY OF YOU HAVE.

6 MS. BAUM: OKAY. THANK YOU, EVERYBODY.
7 AND DO FEEL FREE TO INTERRUPT ME IF SOMETHING I SAY
8 IS NOT CLEAR AS WELL.

9 AS STEVE ALLUDED TO, WE'VE HAD TWO
10 VERSIONS OF THE AGREEMENT. THE FIRST ONE LITERALLY
11 LOOKED LIKE A CHRISTMAS TREE. AND I MENTION THAT
12 BECAUSE THIS WAS A JOINT EFFORT BY MANY OF THE
13 ATTORNEYS, I THINK ALL OF THEM, PLUS MATT. SO THE
14 DIFFERENT COLORS AT THAT POINT IN TIME REPRESENTED
15 DIFFERENT COMMENTS FROM DIFFERENT ATTORNEYS.

16 WHAT WE'VE DONE IN YOUR SECOND VERSION IS
17 JUST TO TRY TO DELETE THAT DIFFERENTIATION SUCH THAT
18 RED NOW EQUALS DELETE, BLUE EQUALS AN ADDED TERM,
19 AND ANYTHING THAT IS YELLOW, HIGHLIGHTED YELLOW, IS
20 SOMETHING NEW THAT'S DIFFERENT FROM WHAT THE ICOC
21 APPROVED IN THE PAST.

22 AND BECAUSE THERE'S A LOT OF GRAMMATICAL
23 DIFFERENCES IN THIS VERSION AND A LOT OF
24 NONSUBSTANTIVE SUGGESTED CHANGES FOR CLARITY, ETC.,
25 WHAT I HAVE SUGGESTED ON THE COVER MEMO IS THAT WE

BARRISTERS' REPORTING SERVICE

1 REALLY JUST FOCUS ON THE STARRED ITEMS, WHICH I
2 THINK I'LL DO UNLESS SOMEBODY, WHEN WE'RE PAGING
3 THROUGH THIS, WANTS ME TO MAKE A COMMENT ABOUT
4 SOMETHING THAT I'VE OVERLOOKED.

5 SO WITH THAT AS A STARTING POINT, THE
6 FIRST WHAT I WOULD CALL SUBSTANTIVE CHANGE IS ON MY
7 VERSION PAGE 1, AND IT'S THE PURPOSE. WE DECIDED
8 THAT IT WOULD BE HELPFUL TO PUT OUR LOAN PROGRAM IN
9 CONTEXT AS TO WHAT THE OVERALL GOALS WERE AND THE
10 OBJECTIVES OF OUR FINANCING IN THIS REGARD AND TO
11 MAKE ACKNOWLEDGEMENT OF THE FACT THAT WE ARE NOT
12 YOUR TYPICAL LENDER. OUR DUE DILIGENCE DOESN'T RISE
13 TO THE LEVEL OF THE TYPICAL LENDER. WE KNOW THAT AS
14 A GOVERNMENT ENTITY THAT'S MISSIONED TO SEED THE
15 FIELD, WE HAVE TO EXERCISE AND TAKE ON A LOT MORE
16 RISK.

17 SO THAT'S ESSENTIALLY WHAT WE'VE SET FORTH
18 IN THIS PURPOSE. A LOT OF THE LANGUAGE WAS TAKEN
19 OUT OF PROP 71 WHEN IT RELATES TO BALANCING OUR
20 INTEREST IN REVENUE GENERATION VERSUS MAKING SURE
21 THAT WE DON'T HINDER THE OVERALL DEVELOPMENT OF THE
22 VERY THERAPEUTICS THAT WE'RE TRYING TO BRING TO
23 PATIENTS. AND THEN WE GO ON TO SAY THAT WE
24 UNDERSTAND THIS IS A RISKY VENTURE BOTH
25 SCIENTIFICALLY AND FINANCIALLY.

BARRISTERS' REPORTING SERVICE

1 SO IF ANYONE DOESN'T HAVE COMMENTS ON
2 THAT, I DON'T FEEL LIKE I NEED TO READ IT INTO THE
3 RECORD.

4 MR. ROTH: SO, ELONA, ONE QUESTION ON
5 THIS. WHEN YOU LOOK AT THE SECOND PARAGRAPH,
6 PAYMENTS TO CIRM BASED ON LOANS WHICH RESULT IN
7 COMMERCIALY SUCCESSFUL PRODUCTS.

8 MS. BAUM: YES.

9 MR. ROTH: IF IT IS A COMPANY-BACKED LOAN,
10 THAT IS NOT DETERMINED ON A SUCCESSFUL PRODUCT.

11 MS. BAUM: THAT'S CORRECT. SO WE COULD
12 JUST SAY PAYMENTS TO CIRM BASED ON REPAYMENT OF
13 LOANS.

14 MR. ROTH: YEAH. IT'S THE WORD
15 "COMMERCIALY SUCCESSFUL PRODUCTS" THAT IS NOT --

16 MS. BAUM: RIGHT. WE'LL MAKE THAT CHANGE.
17 THAT'S A GOOD POINT. THIS SECTION WAS NOT INTENDED
18 TO CONTROL THE ACTUAL TERMS OF THE REGULATIONS
19 THEMSELVES, AND MAYBE WE'LL ADD A SECTION ON THAT
20 POINT AS WELL. IT'S STRICTLY FOR BACKGROUND.

21 ALL RIGHT. SO THE NEXT SUBSTANTIVE CHANGE
22 IS IN NET COMMERCIAL REVENUE. AND YOU WILL NOTICE
23 THAT THE WHOLE DEFINITION IS HIGHLIGHTED, BUT IN
24 FACT THE ONLY THING THAT'S REALLY BEEN CHANGED IS
25 ITEM NO. 4. AND THAT ITEM ESSENTIALLY STATES THAT

BARRISTERS' REPORTING SERVICE

1 ANY PRECOMMERCIAL REVENUE SUCH AS AN UP-FRONT
2 PAYMENT OR A PRECOMMERCIAL OR DEVELOPMENT MILESTONE
3 IS NOT INCLUDED IN NET COMMERCIAL REVENUE. SO THAT
4 IS SOMETHING THAT WAS ADDED FOR EASE OF DRAFTING
5 WITHIN THIS ACTUAL DEFINITION THAT COMMERCIAL
6 REVENUE EVEN THOUGH IT'S NOT A TERM YOU WOULD
7 TYPICALLY EXPECT TO SEE IN THAT TERM WHEN IT'S USED
8 IN TYPICAL LICENSING AGREEMENTS.

9 CHAIRMAN THOMAS: ELONA, IS THAT A CHANGE,
10 OR WAS IT JUST AMBIGUOUS AS ORIGINALLY DRAFTED?

11 MS. BAUM: THAT'S A SUB -- WELL, I THINK
12 IT WAS AMBIGUOUS. WE DIDN'T REALLY HAVE A POSITION.
13 SO THIS IS A POLICY DECISION TO ELIMINATE THE
14 AMBIGUITY AND MAKE A DETERMINATION THAT WILL NOT BE
15 ATTRIBUTED.

16 MR. ROTH: SO, J.T., I CAN ADD.
17 ORIGINALLY WE INTENDED THAT MILESTONES WOULD COUNT
18 FOR REVENUE, NOT TALKING ABOUT NET COMMERCIAL
19 REVENUE, BUT REVENUE, AND THAT WE WOULD BE ENTITLED
20 TO A PORTION OF THOSE OR THEY'D BE COUNTED. AFTER A
21 LITTLE EXPERIENCE, IN FACT, IT MIGHT HAVE BEEN THE
22 FIRST EXPERIENCE WE HAD WITH THIS, THE ARGUMENT WAS
23 EFFECTIVELY MADE THAT IF THE MILESTONES WERE
24 REINVESTMENTS, THEN THEY SHOULDN'T COUNT. AND I
25 THINK WE'RE IN AGREEMENT THAT THAT'S TRUE.

BARRISTERS' REPORTING SERVICE

1 WHAT'S NOT IN THIS DEFINITION AND THE
2 REASON I THINK WE SHOULD EVEN CONSIDER PUTTING THIS
3 IN ANOTHER PLACE IS TO DEAL WITH THOSE MILESTONES
4 THAT ARE NOT REINVESTED INTO THE PRODUCT, THAT WERE
5 GENERATED BY THE PRODUCT, BUT NOT REINVESTED, WHICH
6 I THINK WILL BE HIGHLY UNUSUAL. BUT THAT
7 DISTINCTION SHOULD BE MADE, I THINK. OTHERS MAY
8 DISAGREE, BUT I THINK IF THEY CAN MAKE THE ARGUMENT
9 THAT THE MILESTONES EITHER ARE REIMBURSING FOR THE
10 WORK THEY ALREADY DID ON THE PRODUCT OR THEY'RE FOR
11 FUTURE WORK ON THE PRODUCT, THEN I DON'T THINK WE
12 SHOULD COUNT THOSE AS COMMERCIAL REVENUE. BUT IF
13 THEY'RE NOT, THEN WE PROBABLY WANT TO CONSIDER THAT.

14 CHAIRMAN JUELSGAARD: SO JUST I'M A LITTLE
15 CLEARER ON THIS, CAN YOU THINK OF SOMETHING THAT
16 WOULD NOT -- THAT A COMPANY MIGHT RECEIVE A PAYMENT
17 FOR THAT WOULD NOT NECESSARILY BE A PRECOMMERCIAL
18 DEVELOPMENT MILESTONE, A MILESTONE-BASED PAYMENT,
19 THAT WOULDN'T FIT WITHIN THESE WORDS?

20 MR. ROTH: CAN I THINK OF ANY?

21 CHAIRMAN JUELSGAARD: WELL, CAN ANYBODY
22 THINK OF ANY? I'M CURIOUS AS TO WHAT WOULD BE
23 EXCLUDED. IS REGULATORY APPROVAL CONSIDERED PART OF
24 DEVELOPMENT IN THIS DEFINITION? BECAUSE OFTEN
25 MILESTONES ARE PAID ON REGULATORY APPROVAL.

BARRISTERS' REPORTING SERVICE

1 MR. ROTH: HERE'S THE CONCERN I HAVE,
2 STEVE. I WANT TO MAKE SURE THE MONEY IS, IN FACT,
3 INVESTED IN OUR PRODUCT AND NOT -- IF IT'S GENERATED
4 BY OUR PRODUCT AND NOT HAVE THEM INVEST THAT MONEY
5 IN PRODUCT NO. 4.

6 CHAIRMAN JUELSGAARD: AS YOU KNOW, DUANE,
7 A LOT OF THIS IS SORT OF PAYMENT AFTER THE FACT. SO
8 THEY'VE GONE AT RISK WITH WHATEVER ACTIVITY THEY'VE
9 TAKEN ON. AND HAVING BEEN SUCCESSFUL WITH REGARD TO
10 THAT RISK ARE, IN ESSENCE, BEING COMPENSATED
11 RETROSPECTIVELY. SO IT'S SORT OF --

12 MR. ROTH: I AGREE IT WOULD BE VERY RARE
13 THAT THE MILESTONES AREN'T, BUT THERE IS THAT
14 POSSIBILITY THAT MILESTONES STAND INDEPENDENT AS
15 JUST BONUS PAYMENT, SUCCESS PAYMENT.

16 CHAIRMAN JUELSGAARD: I'M JUST ASKING
17 WHETHER -- AND TO ME IT'S JUST WHETHER THERE'S
18 AMBIGUITY IN THIS PHRASE OR NOT BECAUSE WE DO USE
19 THE WORDS "PRECOMMERCIAL DEVELOPMENT" IN MILESTONES.

20 MS. BAUM: I MEAN THE WAY I WOULD
21 INTERPRET PRECOMMERCIAL, SINCE THERE AREN'T ANY
22 SALES UPON REGULATORY APPROVAL, I WOULD SUGGEST THAT
23 THOSE WOULD BE PRECOMMERCIAL. AND THEN THAT'S A
24 POLICY DECISION AS TO WHETHER OR NOT YOU WANT IT TO
25 BE THAT BROADLY INTERPRETED.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN JUELSGAARD: ONE POSSIBILITY
2 WOULD BE JUST TO TAKE OUT THE WORD "DEVELOPMENT,"
3 JUST CALL IT PRECOMMERCIAL MILESTONES.

4 MS. BAUM: RIGHT.

5 CHAIRMAN JUELSGAARD: SO JUST A TIME BASE
6 AND NOT A TIME AND WHAT KIND OF ACTIVITY.

7 MS. BAUM: RIGHT. OKAY. WE'LL MAKE THAT
8 NOTE.

9 CHAIRMAN JUELSGAARD: JUST A SUGGESTION.
10 OTHERS HAVE DIFFERENT IDEAS.

11 MR. ROTH: AND THEN, YOU KNOW, AGAIN, THE
12 DEFINITION OF NET COMMERCIAL REVENUE IS A PRETTY
13 STANDARD ONE, BUT THIS ONE, I THOUGHT, MAYBE SHOULD
14 BE UNDER A HEADER ON THE SIDE THAT SAYS MILESTONES.

15 MS. BAUM: IF WE WERE GOING TO MOVE THIS
16 TERM, I WOULD SUGGEST MOVING IT UNDER THE
17 PRODUCT-BACKED LOAN SECTION, WHICH IS THE OPERABLE
18 SECTION FOR THIS.

19 MR. ROTH: IF IT WORKS HERE AND EVERYBODY
20 IS COMFORTABLE. I JUST THINK IT COULD CREATE SOME
21 CONFUSION IF IT ISN'T CLEARLY LABELED MILESTONES,
22 BUT I'M OKAY WITH IT.

23 MS. BAUM: OKAY.

24 CHAIRMAN JUELSGAARD: YEAH. I THINK IT
25 WORKS OKAY.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN THOMAS: YEAH. I AGREE.

2 DR. BRYANT: ME TOO.

3 MS. BAUM: SO WE'LL KEEP IT THERE.

4 SO PAGE 4 IS MY NEXT COMMENT THAT I WANT
5 TO BRING TO YOUR ATTENTION, AND IT'S JUST A SMALL
6 LITTLE HIGHLIGHTING. IT'S UNDER THE SECTION THAT
7 TALKS ABOUT THE FINANCIAL SERVICES PROVIDER. AND AT
8 ONE POINT IN TIME, WE ALL DECIDED, I GUESS THE
9 SUBCOMMITTEE, THE FINANCE SUBCOMMITTEE, DECIDED THAT
10 WE WOULD HAVE A THIRD-PARTY EXTERNAL FINANCIAL
11 SERVICES PROVIDER THAT DID THE DUE DILIGENCE. I
12 JUST WANTED TO LEAVE OPEN THE OPPORTUNITY THAT, NOW
13 THAT WE HAVE A CFO WITH SPECIFIC EXPERIENCE
14 IN-HOUSE, THAT SOMEDAY THE FINANCE SUBCOMMITTEE OR
15 THE APPROPRIATE SUBCOMMITTEE MIGHT REVISIT THIS.
16 AND SINCE WE'RE CHANGING THESE REGULATIONS, THIS
17 GIVES US LATITUDE TO CHANGE THAT PROCESS WITHOUT
18 HAVING TO MAKE A REGULATORY CHANGE.

19 SO IN AGREEING TO THIS CHANGE TODAY
20 DOESN'T MEAN THAT WE WILL CHANGE OUR INTERNAL
21 PURPOSES RIGHT NOW. UNTIL WE HEAR OTHERWISE, THE
22 PROCESS IS THAT WE'LL BE USING A THIRD PARTY TO
23 CONDUCT OUR DUE DILIGENCE. BUT THAT'S WHY THAT'S
24 THERE IS TO GIVE US LATITUDE.

25 AND THE NEXT CHANGE THAT I HAVE IS ON PAGE

BARRISTERS' REPORTING SERVICE

1 7, AND THERE'S JUST A NUMBER OF CROSSOUTS ON THIS
2 SECTION. BASICALLY, FOR INSTANCE, THE DELETED
3 LANGUAGE SAYS, "FURTHER, THE LOAN RECIPIENT SHALL
4 CONTINUE TO BE RESPONSIBLE FOR ALL ONGOING
5 OBLIGATIONS OF THE AWARD UNDER CIRM'S INTELLECTUAL
6 PROPERTY REGULATIONS." THAT'S BEING DELETED BECAUSE
7 THAT STANDS REGARDLESS. AND INCLUDING IT IN A SET
8 OF LOAN REGULATIONS WAS CAUSING A LOT OF Q AND A
9 THAT WE WERE RECEIVING, SO IT SORT OF SUGGESTED THAT
10 THERE MIGHT BE SOMETHING THAT'S NOT IN THE IP
11 REGULATIONS THAT WE'RE REFERRING TO.

12 SO JUST IN ORDER TO HAVE A CLEAR BREAK
13 BETWEEN OUR DIFFERENT SETS OF REGULATIONS, WE'RE
14 RECOMMENDING THAT THIS SECTION BE DELETED.

15 AND THEN THE REMAINING SECTIONS THAT ARE
16 HIGHLIGHTED BUT DELETED IS REALLY MORE A
17 REORGANIZATION AND BETTER ADDRESSED LATER IN CHANGE
18 OF CONTROL PROVISIONS. THEY WERE PLOPPED IN THIS
19 SECTION AT THAT TIME AND TRYING TO GET BETTER
20 ORGANIZATION AND HAVE IT TARGETED IN THE RIGHT AREA.

21 THEN IF I'M GOING TOO FAST, LET ME KNOW.

22 MR. ROTH: SO JUST ON THE THIRD ONE, ON
23 PAGE 8, THE ASSIGNEE OF CIRM-FUNDED INVENTION SHALL
24 HAVE THE SAME OBLIGATIONS AS THE LOAN RECIPIENT
25 UNDER THE LOAN ADMINISTRATION POLICY.

BARRISTERS' REPORTING SERVICE

1 MS. BAUM: THAT'S IN PAGE 20 OR SOMETHING.

2 MR. ROTH: SO THIS WAS THE LANGUAGE THAT
3 REALLY MADE SURE THAT IF THERE WAS A LICENSED
4 TRANSFER OR ANYTHING, THAT THE OBLIGATIONS FOLLOWED
5 THE TECHNOLOGY.

6 MS. BAUM: FOR AN ASSIGNEE, YES. WE
7 INTRODUCE THAT LATER ON IN THE REGULATIONS, WHICH
8 SCOTT IS TELLING ME IT'S PAGE 18.

9 MR. ROTH: SO IT ALL GOT PICKED UP AGAIN?

10 MS. BAUM: RIGHT. WE JUST MADE THE
11 CLARIFICATION. SO THAT THERE'S NOT A DOUBLE
12 PAYMENT, WE SAY EXCLUDING THE REVENUE SHARING
13 PROVISIONS. SO THIS IS MORE EXACT ON PAGE 18.
14 THANK YOU, SCOTT.

15 OKAY. SO ARE WE MOVING ALONG HERE? A LOT
16 OF GROUND TO COVER.

17 PAGE 9, AGAIN, THERE'S A SECTION THAT'S
18 HIGHLIGHTED AND IT'S TAKEN OUT. "AS PART OF THE
19 CLOSEOUT OF A PROJECT FUNDED BY A PRODUCT-BACKED
20 LOAN, THE LOAN RECIPIENT AND BORROWER SHALL SUBMIT A
21 PLAN FOR CONTINUED DEVELOPMENT," ETC. AGAIN, A LOT
22 OF THIS IS COVERED IN THE IP REGULATIONS. THE IP
23 REGULATIONS REQUIRE YOU TO BRING TO PRACTICAL
24 APPLICATION. SO WE DIDN'T WANT TO HAVE A LOT OF
25 BELTS AND SUSPENDERS BECAUSE ALTHOUGH IT INITIALLY

BARRISTERS' REPORTING SERVICE

1 SOUNDED LIKE A GOOD THING SO YOU WOULD ONLY HAVE TO
2 LOOK AT ONE DOCUMENT, WE FOUND THAT THE REGULATED
3 PUBLIC WAS LOOKING AT ALL THESE DOCUMENTS, AND THEY
4 WERE CONFUSED BY THE DIFFERENT LANGUAGE, SEEMING TO
5 THINK IT SUGGESTED TWO DIFFERENT THINGS. SO WE'RE
6 JUST, AGAIN, TRYING TO FIT THE TERMS TO THE
7 APPROPRIATE SETS OF REGULATIONS SO THAT WE DON'T
8 CAUSE CONFUSION.

9 THEN ON THE BOTTOM OF PAGE 9, THERE'S SOME
10 ADDED LANGUAGE AND AN ADDED SECTION, TERMINATION OF
11 CIRM-FUNDED PROJECT AND LOAN. SO THIS JUST SORT OF
12 MAKES IT CLEAR ABOUT WHO CAN TERMINATE THE LOAN. IT
13 COULD BE BOTH CIRM AND IT COULD BE AN AWARDEE THAT
14 WANTS TO TERMINATE A LOAN.

15 AND THEN IMPORTANTLY, ON PAGE 10 WE
16 DISCUSS THE TREATMENT OF WARRANTS IN THE EVENT OF A
17 LOAN TERMINATION AND STATE THAT ALL WARRANTS THAT
18 ARE DUE AND OWING TO CIRM MUST BE DELIVERED AND THEY
19 REMAIN CIRM'S PROPERTY.

20 CHAIRMAN THOMAS: ELONA, DO YOU WANT TO
21 PUT IN A DEFINITION THERE OF WHAT TRIGGERS
22 WARRANT -- WHAT EVENT TRIGGERS WARRANTS BEING OWED?

23 MS. BAUM: I CAN REFER BACK TO THE SECTION
24 UNDER COMPANY-BACKED AND PRODUCT-BACKED LOAN. SO
25 ALL WARRANTS OWING PURSUANT TO EITHER THIS LOAN, THE

BARRISTERS' REPORTING SERVICE

1 LAP, LOAN ADMINISTRATION POLICY, OR THE SPECIFIC
2 SECTION AND THE REFERENCE.

3 CHAIRMAN THOMAS: I JUST THINK YOU WANT TO
4 BE VERY CLEAR. WE WANT NO AMBIGUITY WHATSOEVER TO
5 GET INTO ANY DISCUSSIONS ON THIS TOPIC.

6 MS. BAUM: RIGHT. ALL RIGHT. SO WE'LL
7 REFER TO THE SPECIFIC SECTION.

8 CHAIRMAN JUELSGAARD: JUST REFER TO IT AS
9 LOAN ADMINISTRATION POLICY.

10 MS. BAUM: OKAY. YOU'D RATHER DO THAT.

11 CHAIRMAN JUELSGAARD: WE'D HAVE TO RECORD
12 A WHOLE BUNCH OF SECTIONS THAT WAY.

13 MS. BAUM: I GUESS WE RENUMBER THE
14 SECTIONS.

15 MR. ROTH: SO ELONA, BEFORE YOU GO ON,
16 SOMETHING YOU SAID JUST PRIOR TO THAT TRIGGERED A
17 QUESTION. YOU SAID THAT IT'S ALREADY COVERED IN THE
18 IP REGULATIONS.

19 MS. BAUM: WHICH? WELL, THAT WAS THE
20 CLAUSE BEFORE THIS?

21 MR. ROTH: YEAH. THE IP REGULATIONS DON'T
22 REALLY APPLY TO THIS.

23 MS. BAUM: YES, THEY DO. THERE'S A
24 SECTION, I THINK 100800, THAT SAYS ALL THE IP
25 REGULATIONS APPLY TO LOAN RECIPIENTS EXCEPT FOR THE

BARRISTERS' REPORTING SERVICE

1 REVENUE SHARING PROVISIONS. THAT'S WHAT CONFOUNDS
2 PEOPLE BECAUSE THEN THEY START READING THEM, AND
3 THEY'RE NOT THE EXACT SAME LANGUAGE. SO THEY THINK
4 THAT THEY MEAN DIFFERENT THINGS.

5 MR. ROTH: SO THE CLOSEOUT AND EVERYTHING
6 IS IN --

7 MS. BAUM: THE CLOSEOUT HAPPENS TO BE IN
8 THE GAP. THEN THE DUTY TO MAKE PRACTICAL USE
9 HAPPENS TO BE IN THE IP REGULATIONS. THE IP
10 REGULATIONS ALSO HAVE ANOTHER SECTION THAT TALKS
11 ABOUT IF YOU EXCLUSIVELY LICENSE, YOU NEED TO MAKE
12 SURE THAT THAT EXCLUSIVE LICENSE HAS A DEVELOPMENT
13 PLAN. SO IT WAS EMBODIED IN THIS LAP IN MANY PARTS
14 AND NOT AS PRECISE AS WHAT WAS IN THE IP
15 REGULATIONS.

16 CHAIRMAN JUELSGAARD: SO JUST SO I'M
17 CLEAR, SO THIS POLICY, DOES IT INCORPORATE WHOLESALE
18 IP REGULATIONS? IS THAT WHAT YOU'RE SAYING?

19 MS. BAUM: EXCEPT FOR THE REVENUE SHARING.

20 CHAIRMAN JUELSGAARD: OKAY.

21 MS. BAUM: WELL, ACTUALLY IT'S NOT THE
22 LAP. IT'S --

23 MR. HARRISON: 100801.

24 MS. BAUM: THANK YOU.

25 MR. HARRISON: IT'S THE REGULATION THAT

BARRISTERS' REPORTING SERVICE

1 EXPRESSLY INCORPORATES ALL OF THE PROVISIONS IN THE
2 IP REGULATIONS TO LOAN RECIPIENTS WITH THE EXCEPTION
3 OF PROVISIONS REGARDING REVENUE SHARING.

4 CHAIRMAN JUELSGAARD: OKAY.

5 MR. ROTH: THAT WAS A LIMITED SECTION,
6 RIGHT?

7 MS. BAUM: WHAT?

8 MR. ROTH: WELL, IT'S A QUESTION OF THE
9 ENTIRE IP REGULATION APPLYING TO THIS OR IF IT'S
10 JUST THE SECTION ABOUT SHARING OF MATERIALS --

11 MS. BAUM: NO. NO. IT'S THE
12 WHOLE -- EVERY SINGLE SECTION IS IDENTIFIED OF THE
13 IP REGULATIONS AS APPLYING TO THE LOAN RECIPIENT
14 EXCEPT FOR THE REVENUE SHARING PROVISIONS, 100608.

15 CHAIRMAN JUELSGAARD: SO WHEN YOU'VE GONE
16 THROUGH THIS AND PREPARED IT, YOU'VE JUST MADE SURE
17 THAT THERE'S INTERNAL CONSISTENCY BETWEEN THOSE
18 REGULATIONS, THE IP REGULATIONS, AND WHAT WE'RE
19 SAYING IN THIS POLICY, THAT THERE'S NOT A MISMATCH
20 ANYWHERE?

21 MS. BAUM: RIGHT.

22 CHAIRMAN JUELSGAARD: OKAY.

23 MS. BAUM: JAMES IS SHAKING HIS HEAD YES.

24 MR. HARRISON: THE ONE THING THAT WE MAY
25 NEED TO REVISIT WHEN WE LOOK AT THE IP REGS AGAIN IS

BARRISTERS' REPORTING SERVICE

1 THE DEFINITION OF PRECOMMERCIAL -- EXCUSE ME -- NET
2 COMMERCIAL REVENUE BECAUSE THAT DEFINITION IN THE IP
3 REGS IS DIFFERENT THAN THE ONE SET FORTH IN THIS
4 POLICY, BUT THAT'S SOMETHING WE CAN REVISIT AT A
5 LATER TIME.

6 MS. BAUM: THAT'S ON THE BURNER. THAT'S
7 ON THE LIST.

8 MR. ROTH: AND THE MILESTONES, OF COURSE,
9 ARE DIFFERENT.

10 MS. BAUM: YES. AND THAT'S WHY WE -- AND
11 WE DON'T WANT DOUBLE PAYMENT. WE'RE NOT SEEKING
12 THAT, SO THAT'S WHY WE CARVE OUT THE REVENUE
13 SHARING.

14 PAGE 10 AT THE BOTTOM. SO THIS IS
15 SOMETHING THAT I THINK IS IMPORTANT FROM A POLICY
16 PERSPECTIVE, AND IT RELATES TO THE DEFINITION OF
17 SUCCESS AND WHAT HAPPENS IF THERE'S SOME PAYMENT
18 THAT'S RECEIVED IN THE INSTANCE IN PARTICULAR WHERE
19 IT RELATES FOR A PRODUCT-BACKED LOAN, BUT THEN UNDER
20 THE CURRENT VERSION, IF YOU RECEIVE ANY MONEY UNDER
21 A PRODUCT-BACKED LOAN, YOU HAVE TO PAY IT ALL BACK.

22 LET'S SAY THE PROJECT IS NOT SUCCESSFUL
23 AND YOU WANT THE GRANTEE OR THE LOAN RECIPIENT IN
24 THIS CASE TO GO OUT AND TRY TO OUT LICENSE IT, BRING
25 IT TO PRACTICAL USE AS REQUIRED UNDER THE IP REGS

BARRISTERS' REPORTING SERVICE

1 FOR WHICH THEY ARE BOUND. THEY MIGHT NOT DO AS GOOD
2 A JOB OF DOING SO. THEY MIGHT JUST DO A QUICK
3 LITTLE PAPER, MAKE A HALF EFFORT IF WE DON'T ALLOW
4 THEM TO KEEP AT LEAST SOME OF THOSE PROCEEDS THAT
5 THEY INCURRED IN HIRING ATTORNEYS AND STAFF TIME AND
6 WHATNOT.

7 SO THIS IS REALLY A POLICY DECISION FOR
8 YOU TO DECIDE DO YOU WANT THE LOAN RECIPIENT TO HAVE
9 TO PAY BACK EVERYTHING OR, AS SUGGESTED IN THIS NEW
10 TERM, WOULD THEY BE ABLE TO DEDUCT FROM SOME OF THAT
11 REVENUE GENERATED 50 PERCENT, FOR INSTANCE, OF THE
12 COSTS INCURRED TO SEEK THAT LICENSE?

13 MR. ROTH: SO THEY HAVE AN OBLIGATION TO
14 REPAY THE LOAN, PERIOD, RIGHT NOW.

15 MS. BAUM: NOT IF THEY'RE A PRODUCT-BACKED
16 LOAN.

17 MR. ROTH: NO, A COMPANY-BACKED LOAN.

18 MS. BAUM: RIGHT. THIS IS JUST THE
19 DEFINITIONS.

20 MR. ROTH: FOR A PRODUCT ONLY?

21 MS. BAUM: SO THE DEFINITION OF SUCCESS IS
22 UNDER THIS SECTION, BUT IT MAYBE COULD HAVE BEEN IN
23 A BETTER -- IT SAYS REPAYMENT OF A PRODUCT-BACKED
24 LOAN IS PREDICATED ON SUCCESS, AND THEN WHAT IS
25 SUCCESS. AND SO WE'RE SAYING -- MAYBE I SHOULD READ

BARRISTERS' REPORTING SERVICE

1 IT. I THINK IT WILL BE BETTER FOR EVERYONE TO
2 UNDERSTAND. I THOUGHT IT MIGHT NOT BE NEEDED.

3 IT SAYS, "SUCCESS MEANS THAT THE LOAN
4 RECIPIENT HAS OBTAINED NET COMMERCIAL REVENUE
5 ARISING IN WHOLE OR IN PART FROM THE CIRM-FUNDED
6 PROJECT. TO THE EXTENT THAT A LOAN RECIPIENT HAS
7 OBTAINED NET COMMERCIAL REVENUE ARISING IN WHOLE OR
8 IN PART FROM THE CIRM-FUNDED PROJECT IN AN AMOUNT
9 LESS THAN THE LOAN BALANCE, THE LOAN RECIPIENT SHALL
10 BE REQUIRED TO REPAY CIRM THE LOAN BALANCE UP TO THE
11 AMOUNT OF REVENUE GENERATED." THEN WE ADD -- AND
12 THAT WAS ALREADY APPROVED, WHICH IS WHY IT WASN'T
13 HIGHLIGHTED.

14 THEN THEY SAY, WELL, BECAUSE OF THIS
15 INSTANCE I JUST EXPLAINED, THE LOAN RECIPIENT MAY
16 DEDUCT FROM THE AMOUNT OF REVENUE GENERATED
17 REASONABLE COSTS UP TO 50 PERCENT INCURRED IN
18 SEEKING TO BRING THE CIRM-FUNDED INVENTION OR
19 CIRM-FUNDED TECHNOLOGY TO PRACTICAL USE. AND THAT'S
20 JUST SO IT'S NOT A ONE FOR ONE. THEY TAKE IT IN,
21 THEY HAVE TO GIVE IT TO US. THIS INCENTIVIZES THEM
22 TO TRY TO SEEK AN OUT LICENSES WHICH HOPEFULLY WILL
23 END UP RESULTING IN A THERAPEUTIC BY SOME OTHER
24 ENTITY THAT DEEMS IT WORTHWHILE.

25 CHAIRMAN JUELSGAARD: SO WHY DID YOU USE

BARRISTERS' REPORTING SERVICE

1 THE WORD "BRING TO PRACTICAL USE" INSTEAD OF SEEKING
2 TO TRANSFER TO ANOTHER PARTY?

3 MS. BAUM: BECAUSE IT'S CITING TO THE
4 SECTION OF THE IP REGULATIONS THAT USE THAT
5 TERMINOLOGY. SO I JUST WAS MIMICKING THE IP
6 REGULATIONS THAT SAY THEY HAVE TO DO THIS. THEY
7 HAVE TO MAKE EFFORTS TO BRING TO PRACTICAL USE.
8 THOSE EFFORTS IN OUR IP REGULATIONS CAN BE
9 PUBLISHING OR TO OUT LICENSE.

10 SO I'M GOING TO KEEP MOVING.

11 CHAIRMAN THOMAS: ELONA, DO WE NEED ANY
12 DEFINITION OF THE TERM "COSTS" HERE?

13 MS. BAUM: YOU KNOW, I THINK THAT'S
14 PROBABLY A GOOD IDEA WHEN I WAS LOOKING AT THIS
15 BECAUSE, FOR INSTANCE, WE SHOULD DECIDE ON WHETHER
16 OR NOT THEY'RE EXTERNAL THIRD-PARTY COSTS OR
17 INTERNAL THIRD-PARTY COSTS. SO MAYBE THAT'S A NOTE
18 FOR US WHEN WE BRING IT TO THE ICOC? NO.

19 CHAIRMAN THOMAS: I THINK THAT WOULD BE A
20 GOOD IDEA.

21 MR. TOCHER: JUST IN TERMS OF OUR
22 TIMELINE, WE WOULD WANT TO POST THAT TODAY. ANY
23 LANGUAGE TO BE CONSIDERED BY THE ICOC WE NEED TO
24 POST TODAY.

25 MS. BAUM: WE CAN ALSO HAVE A SAP THAT

BARRISTERS' REPORTING SERVICE

1 DEFINES WHAT THOSE COSTS ARE, WHICH HAS ITS PLUSES
2 AND MINUSES.

3 DR. BRYANT: A QUESTION. WAS SOMEBODY
4 THERE REVIEWING THE COSTS? IT SAYS UP TO A MAXIMUM
5 OF 50 PERCENT. I MEAN IF THEY JUST CHOOSE TO USE 50
6 PERCENT, OR IS IT JUST AT THEIR DISCRETION?

7 MS. BAUM: WELL, YOU KNOW, SO A LOT OF
8 TIMES IT'S REASONABLE COSTS, AND THOSE ARE IN
9 CONTRACTS ALL THE TIME, AND SOMEONE DOES HAVE TO
10 REVIEW IT. I THINK USUALLY THE WAY I'VE DRAFTED
11 THESE THINGS BEFORE IS YOU CAN CAP IT, YOU CAN SAY
12 ONLY THIRD-PARTY COSTS, WHICH MEANS YOU HAVE TO
13 USE -- BUT IF THEY DON'T HAVE AN IN-HOUSE LAWYER,
14 THEN THAT'S OKAY. BUT IF THEY HAVE AN IN-HOUSE
15 LAWYER, IT MIGHT -- IT WOULD HAVE BEEN BETTER TO USE
16 THEIR TIME VERSUS AN OUTSIDE ATTORNEY'S.

17 CHAIRMAN JUELSGAARD: WELL, I JUST THINK
18 THAT WORD "REASONABLE COSTS" IS SO INCLUSIVE,
19 PARTICULARLY IF YOU'RE GOING TO USE INTERNAL
20 RESOURCES. GOD KNOWS HOW MUCH THAT AMOUNTS TO. IS
21 IT A BUSINESS DEVELOPMENT PERSON, IS IT THE OVERHEAD
22 ASSOCIATED WITH THEM FOR THE PERCENTAGE OF TIME
23 THAT'S REQUIRED, ETC.? I WOULD PREFER TO LEAVE THIS
24 TO THIRD-PARTY COSTS AND NOT THEIR OWN INTERNAL.

25 DR. BRYANT: THAT'S FINE.

BARRISTERS' REPORTING SERVICE

1 MS. BAUM: OKAY. THAT'S THE EASIEST WAY
2 TO DO IT.

3 OKAY. THEN PAGE 12 YOU WILL SEE UNDER THE
4 WARRANTS THAT ARE OWED UNDER COMPANY-BACKED LOANS,
5 WE JUST NEEDED A CLARIFICATION THAT WHAT WE REALLY
6 INTENDED WAS THE WARRANT COVERAGE SHOULD BE BASED
7 NOT ON THE FULL LOAN AMOUNT, BUT THE AMOUNT OF THE
8 LOAN DISBURSED AT EACH TIME OF DISBURSEMENT. SO
9 THAT'S WHAT'S STATED ON THE TOP OF THE PAGE MEANS.

10 THEN WE HAVE AN ORGANIZATIONAL CHANGE
11 WHICH IS IN THE MIDDLE OF THE PAGE WHERE WE ALWAYS
12 HAD SAID, "SUCH WARRANTS IN AGGREGATE WILL NEVER
13 EXCEED 20 PERCENT OF LOAN RECIPIENT'S FULLY DILUTED
14 SHARES IN EACH WARRANT ISSUED." YOU WILL SEE THAT
15 HIGHLIGHTED IN THE MIDDLE OF YOUR PAGE. THAT WAS IN
16 THE BEGINNING AT THE TOP OF THE SECTION. THAT'S A
17 REORGANIZATION WE PUBLISHED AND DIDN'T BOTHER
18 HIGHLIGHTING IT.

19 AND THEN, AGAIN, ON THE BOTTOM OF PAGE 12,
20 WE'RE NOT CHANGING THE FORMULA OR THE AMOUNT OWED
21 UNDER PRODUCT-BACKED LOAN, BUT SIMPLY CLARIFYING
22 THAT IT'S BASED ON THE AMOUNT OF DISBURSEMENT.

23 MR. ROTH: AND ABOVE YOU'RE DROPPING THE
24 75 PERCENT OF LOAN AMOUNT IF NONE OF THE CRITERIA
25 SET FORTH BECAUSE THEY HAVE A REAL RAW START-UP.

BARRISTERS' REPORTING SERVICE

1 MS. BAUM: THAT WAS AN OLD CHANGE.

2 MR. ROTH: SO THAT'S WHAT THE RED IS?

3 MS. BAUM: YEAH. UNLESS IT'S

4 HIGHLIGHTED -- SO IF IT WAS RED BUT NOT HIGHLIGHTED,
5 IT WAS SOMETHING THAT WAS AGREED TO BY THE ICOC IN
6 THE PAST. SO ALL WE ARE DOING IS JUST CLARIFYING
7 THAT IT'S BASED ON THE DISBURSEMENT AND NOT THE
8 TOTAL LOAN AMOUNT.

9 AND THE NEXT ON PAGE 13 WE ADDED A
10 CALCULATION AS TO WHAT FULLY DILUTED MEANS. AND WE
11 CLARIFY THAT IT INCLUDES STOCK OPTIONS. THAT'S
12 LITTLE I.

13 AND THEN WE ALSO ADDED A CLARIFICATION
14 THAT THE 20-PERCENT CAP FOR WARRANTS IS CUMULATIVE,
15 AND WE GIVE AN EXAMPLE. SO IF YOU HAD TWO LOANS,
16 THE CAP IS 20 PLUS 20, WHICH EQUALS 40 PERCENT OF
17 THE LOAN RECIPIENT'S FULLY DILUTED SHARES. SO
18 THAT'S OBVIOUSLY A POLICY ISSUE AS WELL.

19 CHAIRMAN JUELSGAARD: JUST UNDER
20 CALCULATION NUMBER LITTLE I, WHEN YOU TALK ABOUT
21 OPTIONS AND WARRANTS CALCULATED USING THE TREASURY
22 METHOD, I TAKE IT THAT'S OPTIONS AND WARRANTS
23 OUTSTANDING?

24 MS. BAUM: YES.

25 MR. TOCHER: MAYBE JUST ADDING THE WORD

BARRISTERS' REPORTING SERVICE

1 "OUTSTANDING" PERHAPS --

2 CHAIRMAN JUELSGAARD: I THINK IT JUST
3 CLARIFIES IT. I JUST DON'T KNOW A TREASURY SHARE.
4 I KNOW SOME OPTIONS THAT AREN'T OUTSTANDING. I
5 DON'T KNOW WHAT THEY'RE CONSIDERED AS IN THE
6 TREASURY METHOD. SO OPTIONS THAT ARE PART OF A
7 PLAN, BUT NOT YET ISSUED, SO RESERVED FOR FURTHER
8 ISSUANCE.

9 MS. BAUM: OUTSTANDING.

10 OKAY. SO THEN ON PAGE 14, THE TOP IS,
11 AGAIN, LANGUAGE THAT'S CLARIFYING THAT WARRANTS THAT
12 ARE DUE OR PROVIDED TO CIRM REMAIN CIRM'S PROPERTY
13 EVEN IF THE LOAN IS TERMINATED. THAT'S A BELTS AND
14 SUSPENDERS.

15 AND THEN WE ELIMINATED IN THE MIDDLE OF
16 PAGE 4 THE REFERENCE TO AN ADVISORY TERM -- ADVISORY
17 LETTER AND TERM SHEET. WE ACTUALLY THOUGHT THAT
18 PEOPLE WANTED US TO SORT OF PRENEGOTIATE THE REVENUE
19 STREAMS THAT WOULD BE APPLIED FOR A PRODUCT-BACKED
20 LOAN. THAT NEVER REALLY BECAME A REALITY. IT'S NOT
21 WHAT WE DO IN PRACTICE, AND IT'S DIFFICULT TO DO
22 BEFORE YOU EVEN KNOW WHETHER A LOAN IS AWARDED. SO
23 FOR THAT REASON, WE'RE ELIMINATING THIS REQUIREMENT
24 THAT WE ENGAGE IN THAT, AND WE'LL DO IT AFTER AWARD
25 IS MADE.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN THOMAS: ELONA, WITH RESPECT TO
2 THE WARRANTS HELD BY CIRM AT THE END OF THE DAY, DO
3 WE NEED TO PUT IN ANYTHING ABOUT WHAT HAPPENS TO THE
4 WARRANTS IF AND WHEN CIRM RIDES OFF INTO THE SUNSET?

5 MS. BAUM: I DON'T THINK SO. BY THE
6 WARRANT AGREEMENT THAT WE ENTER INTO, THOSE TERMS
7 ARE COVERED.

8 CHAIRMAN JUELSGAARD: THE LOANS ARE JUST
9 TRANSFERRED AUTOMATICALLY TO THE STATE OF
10 CALIFORNIA?

11 MS. BAUM: LOOKING AT JAMES, AND I WOULD
12 BELIEVE THAT THEY WOULD BECAUSE WE ARE -- JAMES,
13 THEY WOULD TRANSFER INTERNALLY.

14 MR. HARRISON: YES. WHATEVER AGENCY IS
15 THE SUCCESSOR AGENCY.

16 CHAIRMAN JUELSGAARD: PERFECT.

17 MS. BAUM: ALL RIGHT. SO NO QUESTIONS ON
18 THE ADVISORY LETTER. I'M GOING TO MOVE TO PAGE 15.
19 THE ONLY CHANGE ON THAT PAGE IS THAT IT'S SORT OF A
20 TRIGGER PAYMENT UNDER PRODUCT-BACKED LOANS FOR
21 MULTIPLE PREMIUMS. SO INITIALLY THE VERY FIRST
22 TRIGGER WAS 10 MILLION EARNED IN ANY YEAR. AND I
23 CHANGED THAT TO 50 MILLION FOR YOUR CONSIDERATION
24 BECAUSE OF THE SITUATION WHERE YOU CAN ACTUALLY HAVE
25 A \$20 MILLION LOAN BECAUSE OF A DISEASE TEAM, AND AT

BARRISTERS' REPORTING SERVICE

1 SOME POINT IN TIME HAVE COMMERCIAL REVENUE IN ONE
2 YEAR OF 10 MILLION AND THEN SUDDENLY A REPAYMENT
3 WHICH WOULD LOOK LIKE IT COULD BE A DEFAULT. SO I
4 JUST ADDED 50, AND REALLY QUITE HONESTLY I PICKED 50
5 OUT OF THE BLUE. SO IF SOMEONE THOUGHT A BETTER
6 NUMBER WAS APPROPRIATE, THIS WOULD BE A GOOD TIME TO
7 MAKE THAT SUGGESTION.

8 I'M GOING TO KEEP GOING BECAUSE WE HAVE A
9 WHOLE OTHER SET OF INTERIM REGS TO DO.

10 CHAIRMAN JUELSGAARD: KEEP MOVING FORWARD.

11 MS. BAUM: OKAY. SO PAGE 16, THEN 16,
12 PAGE 16, IS, AGAIN, A HIGHLIGHTED SECTION, AGAIN
13 TALKS ABOUT WHEN YOUR TRIGGER PAYMENTS ARE DUE. AND
14 FOR THE 50 MILLION, THE VERY, VERY FIRST PAYMENT
15 THAT'S OWED ON THESE RISK PREMIUMS, I SAID RATHER
16 THAN PAID OVER 12 MONTHS, I SUGGESTED THEY BE PAID
17 OVER 18 BECAUSE IT'S THE FIRST REVENUE STREAM.
18 THAT'S A POLICY DECISION. I JUST THOUGHT IT MIGHT
19 SORT OF EASE PAYMENT.

20 OKAY. NOW WE GET TO CHANGE OF CONTROL.

21 CHAIRMAN THOMAS: ELONA, ON THAT LAST
22 POINT THERE, SHALL BE PAID IN EQUAL QUARTERLY
23 INSTALLMENTS STARTING, IS THIS A -- WE NEED TO
24 DEFINE WHEN IN THE QUARTER, UP FRONT, IN ARREARS?

25 MS. BAUM: WHY DON'T YOU SELECT? I WAS

BARRISTERS' REPORTING SERVICE

1 GOING TO SAY THE FIRST DAY, BUT IF YOU WANT TO SAY
2 ARREARS.

3 CHAIRMAN THOMAS: I'D BE HAPPY WITH THE
4 FIRST DAY. I JUST THINK WE NEED TO MAKE IT CLEAR
5 WHAT THE TIMING IS.

6 MS. BAUM: OKAY. WE'LL MARK THAT CHANGE.

7 CHANGE OF CONTROL. SO HERE'S WHERE I JUST
8 WANT TO ADD SOME LANGUAGE CHANGES AS WELL. SO
9 HOPEFULLY, SCOTT, ARE YOU READY? I JUST THINK THAT
10 RIGHT BEFORE THE YELLOW HIGHLIGHT, WE JUST HAVE TO
11 SAY NOTWITHSTANDING THE ABOVE BECAUSE WE INITIALLY
12 SAY THAT IT'S UP TO THE IP AND INDUSTRY SUBCOMMITTEE
13 TO DECIDE WHETHER OR NOT IF THERE'S A CHANGE OF
14 CONTROL THAT THEY ACCELERATE. AND NOW WE'RE TRYING
15 TO CREATE A LITTLE MORE CERTAINTY IN CERTAIN
16 CIRCUMSTANCES. SO WE NEED TO ADD THAT LANGUAGE,
17 NOTWITHSTANDING THE ABOVE, AND THEN WE'LL START WITH
18 THE REST OF THAT SUBSECTION 1.

19 I ALSO AM RECOMMENDING THAT WE ELIMINATE B
20 LITTLE I, WHICH IS THE REQUIREMENT THAT THE
21 SURVIVING ENTITY BE INCORPORATED AND ORGANIZED UNDER
22 THE LAWS OF THE U.S. I JUST THINK THAT'S NECESSARY.

23 AND THEN, AS INDICATED, WHAT WE'RE TRYING
24 TO DO IS CREATE SOME CERTAINTY AROUND WHEN THERE IS
25 NOT AN ACCELERATION BECAUSE ACCELERATION IS

BARRISTERS' REPORTING SERVICE

1 SOMETHING THAT WE GET A LOT OF QUESTIONS ON. IT
2 MAKES PEOPLE VERY UNCOMFORTABLE BECAUSE IT INVOLVES
3 THEIR OWN BUSINESS PLANNING. AND I THINK SOME ARE
4 CONCERNED THAT IT INVOLVES A THIRD PARTY THAT THEY
5 REALLY DON'T WANT AT THE TABLE. SO IF WE CAN GIVE
6 SOME CERTAINTY AND THE APPROPRIATE CIRCUMSTANCES
7 AROUND WHEN THIS AUTHORITY WOULD BE EXERCISED, I
8 THINK IT WOULD HELP US ATTRACT INDUSTRY.

9 SO WHAT WE DECIDED TO DO IS JUST OUTLINE
10 THOSE SITUATIONS WHERE, AND I GIVE CREDIT FOR MATT
11 FOR COMING UP WITH THIS APPROACH, THE ENTITY, THE
12 SURVIVING ENTITY HAS EXECUTED AN INSTRUMENT THAT'S
13 SATISFACTORY TO CIRM ASSUMING THE OBLIGATIONS, OF
14 COURSE, THAT THE SHAREHOLDERS' EQUITY IS NO LESS
15 THAN THE MOST RECENTLY REPORTED SHAREHOLDER EQUITY,
16 AND THAT IT HAS A MARKET CAP LESS THAN TEN BILLION.
17 AND I HAVE TO ADMIT I SORT OF DID A DOUBLE-TAKE
18 MYSELF ON THE WORD "LESS" BECAUSE I THOUGHT ONE WAY
19 THAT YOU CAN LOOK AT THIS IS, WELL, CERTAINLY IF THE
20 SURVIVING ENTITY HAS A MARKET CAP THAT'S BIGGER THAN
21 \$10 MILLION, THEY'RE CERTAINLY GOOD FOR THE LOAN.

22 BUT I THINK THAT, AND I MIGHT CALL MATT TO
23 EXPLAIN IF YOU HAVE QUESTIONS, THE OTHER APPROACH IS
24 TO ALLOW CIRM TO RECAPTURE MORE QUICKLY THE BENEFITS
25 OF OUR AWARD BY SAYING, WELL, IF THEY HAVE A MARKET

BARRISTERS' REPORTING SERVICE

1 CAP THAT'S GREATER THAN \$10 MILLION, WHICH IS THE
2 OTHER WAY OF READING IT, THEN WE SHOULD BE PAID BACK
3 SOONER THAN LATER BECAUSE THEY HAVE THE MEANS TO DO
4 SO. SO THAT WAS THE RATIONALE AROUND THIS.

5 SO I THINK THERE'S TWO QUESTIONS HERE.
6 ONE, DO YOU WANT TO CREATE ANY MORE CERTAINTY BY
7 EVEN HAVING THIS PARAGRAPH AT ALL? AND, TWO, HOW
8 SOON DO YOU WANT TO ENSURE A PAYBACK?

9 CHAIRMAN JUELSGAARD: SO WHAT'S ODD ABOUT
10 THIS TO ME IS THAT THE FIRST THREE OF THESE REALLY
11 SPEAK TO THE CREDITWORTHINESS OF THE SUCCESSOR
12 ENTITY, RIGHT? IT'S REALLY ABOUT ITS WHEREWITHAL.
13 AND THEN ALL OF A SUDDEN WE SAY BUT IF YOU'RE WORTH
14 LESS THAN \$10 MILLION, THEN IT DOESN'T COUNT. AND
15 THERE ARE A LOT OF GOOD COMPANIES THAT ARE WORTHLESS
16 \$10 MILLION. SO I NOW UNDERSTAND THEY'RE AIMING TO
17 RESOLVE THIS. IT SEEMS, YOU KNOW, INSTEAD OF REALLY
18 SUPPORTING CREDITWORTHINESS, IT JUST SEEMS KIND OF
19 ODD TO HAVE IT CAPTURED THIS WAY. IS THAT THE GOAL?
20 IS THAT WHAT WE'RE TRYING TO DO THERE?

21 DR. PLUNKETT: ONE OTHER THING WHICH WE
22 CONTEMPLATED WAS SIMPLY TAKING OUT THAT CLAUSE 4
23 THERE ABOUT THE MARKET CAP. WE CAN CERTAINLY DO
24 THAT AS WELL. THE CONCEPT IS IF YOU HAVE TWO MEDIUM
25 SIZED COMPANIES COMING TOGETHER, WE DON'T WANT TO

BARRISTERS' REPORTING SERVICE

1 STAND IN THE WAY OF THAT. OR SHOULD CIRM NO LONGER
2 BE HERE, CREATE SOME UNCERTAINTY ABOUT PEOPLE MAKING
3 DECISIONS WITH NOBODY INVOLVED IN THE LOAN
4 (INAUDIBLE DUE TO RUSTLING PAPERS).

5 CHAIRMAN JUELSGAARD: WELL, WE'VE GOT TO
6 SOME EXTENT THREE LITTLE I'S COVERS THE NOTION IN
7 THE TERM OF THE SHAREHOLDERS' EQUITY AFTER A CHANGE
8 OF CONTROL BASIS. BY THE WAY, JUST UNDER THE CHANGE
9 OF CONTROL DEFINITION WAY BACK ON PAGE 2, I WOULD
10 SUGGEST THAT WE ALSO ADD THE WORD "CONSOLIDATION"
11 AMONGST THE LITANY OF TERMS, TRANSFERRED, CHANGE, OR
12 OTHER DISPOSITION BECAUSE THAT'S WHAT MATT JUST
13 TALKED ABOUT WITH TWO COMPANIES COMING TOGETHER,
14 WHICH EFFECTIVELY IS A CONSOLIDATION AS OPPOSED
15 TO -- TAKE, FOR EXAMPLE, THE BIOGEN/IDEC TRANSACTION
16 WHERE THOSE TWO COMPANIES MERGED TO FORM BIOGEN ON
17 THE ONE HAND AND IDEC ON THE OTHER.

18 MS. BAUM: SO THE SUGGESTION IS TO MAKE
19 THIS SECTION SUB 4 FROM THIS CARVE-OUT?

20 CHAIRMAN JUELSGAARD: SO IT'S ALL
21 REVOLVING AROUND WHETHER WE'RE GOING TO GET PAID
22 EARLIER OR NOT.

23 MS. BAUM: YES. IT'S A POLICY DECISION.

24 CHAIRMAN JUELSGAARD: IS THAT RIGHT?

25 MS. BAUM: BUT THE GOAL BEING THAT WE VOTE

BARRISTERS' REPORTING SERVICE

1 ON SOMETHING BY THE END OF THE DAY.

2 DR. PLUNKETT: I THINK THE PRACTICAL
3 CONSEQUENCES OF DELETING THAT CLAUSE IS FOR A LARGE
4 COMPANY/SMALL COMPANY ACQUISITION, WE'LL GET PAID
5 BACK RIGHT AWAY ANYWAY. SO I THINK THE PRACTICAL
6 DIFFERENCES ARE DE MINIMIS.

7 MR. ROTH: THE INTENT, THE ORIGINAL
8 INTENT, WAS IN A CHANGE OF CONTROL, WE HAD A SEAT AT
9 THE TABLE TO TALK ABOUT OUR LOANS. AND THAT,
10 THEREFORE, THERE'S A PRETTY SIMPLE DEFINITION IN THE
11 ORIGINAL THAT WE WANTED TO BE INCLUDED. DIDN'T SAY
12 THAT WE WOULDN'T CONTINUE THE LOAN, BUT THAT THAT
13 GAVE US A RIGHT TO COME IN AND TALK ABOUT IT. THIS
14 IS TRYING TO CARVE OUT THAT THERE IS NO DISCUSSION
15 IF YOU MEET THESE CONDITIONS.

16 CHAIRMAN JUELSGAARD: WHAT WOULD WE WANT
17 TO TALK ABOUT, DUANE?

18 MR. ROTH: WELL, WHETHER WE FELT THAT WE
19 SHOULD BE REPAYED AT THAT TIME. AND THAT'S WHERE A
20 BIG COMPANY BUYS A LITTLE COMPANY, AND WE COULD
21 ASK -- BUT REMEMBER, WE'RE TRYING TO RECYCLE THIS
22 MONEY INTO THE ORGANIZATION. SO WE WERE -- WE
23 STARTED WITH LONGER OR SHORTER TERMS AND THE IDEA
24 THAT THERE WOULD BE PAYBACK THAT COULD COME BACK IN.
25 SO JUST HISTORY OF WHY WE CREATED THAT, THAT ALMOST

BARRISTERS' REPORTING SERVICE

1 EVERY AGREEMENT I'VE ENTERED INTO AND THERE'S A
2 CHANGE OF CONTROL OF OWNERSHIP, THAT PROMPTED A
3 DISCUSSION ABOUT THE OUTSTANDING DEBT.

4 MS. BAUM: I THINK THAT -- AND I DO RECALL
5 THOSE CONVERSATIONS. WE WANTED TO SORT OF EVERGREEN
6 MORE QUICKLY THE ORGANIZATION. BEING THAT WE DON'T
7 HAVE THAT MANY LOANS TO BEGIN WITH, MAYBE THE
8 PRIORITIES HAVE CHANGED, ESPECIALLY IN LIGHT OF THE
9 FACT THAT WE'RE TRYING TO ATTRACT INDUSTRY. THEY DO
10 TEND TO GET NERVOUS ABOUT EXERCISING CONTROL HERE
11 BECAUSE THEY ACTUALLY THINK THAT WE WANT TO APPROVE
12 OR DISAPPROVE OF THE CHANGE OF CONTROL, THE VERY
13 NATURE OF THE TRANSACTION TO BEGIN WITH BECAUSE WE
14 DIDN'T IDENTIFY WHAT WE'RE TRYING TO ACHIEVE BY OUR
15 REVIEW.

16 CHAIRMAN THOMAS: DUANE, WHERE ARE YOU
17 WITH RESPECT TO THESE?

18 MR. ROTH: I DON'T CARE. THIS IS -- IT'S
19 ELEMENTARY. IF THERE'S PEOPLE, THEN WE HAVE A
20 NUMBER OF PEOPLE THAT POINTED TO THIS SECTION, THEN
21 WE SHOULD CHANGE IT.

22 CHAIRMAN JUELSGAARD: WELL, IF YOU GO BACK
23 AND READ THAT FIRST PARAGRAPH AGAIN, ESSENTIALLY
24 WHAT IT'S SAYING IS WHAT YOU WERE SAYING, DUANE.
25 THIS IS THAT THE DECISION, CIRM SHALL HAVE THE RIGHT

BARRISTERS' REPORTING SERVICE

1 BUT NOT THE OBLIGATION TO ACCELERATE REPAYMENT OF
2 THE LOAN. THE DECISION SHALL BE MADE BY THE IP AND
3 INDUSTRY SUBCOMMITTEE BASED ON RECOMMENDATIONS OF
4 THE PRESIDENT. SO THE IDEA WAS IS THAT WE COULD
5 CALL THE LOAN OR NOT, RIGHT?

6 MS. BAUM: UH-HUH.

7 CHAIRMAN JUELSGAARD: AND SO NOW WE'RE
8 TRYING TO INTRODUCE THE ELEMENT OF BUT HERE ARE THE
9 EXCEPTIONS UNDER WHICH WE WOULDN'T. AND THE
10 QUESTION IS IS THIS HELPFUL TO CREATE THESE
11 EXCEPTIONS? HAVE PEOPLE COMPLAINED ABOUT IT? AND
12 WHERE DOES THAT COME FROM?

13 MS. BAUM: YES. WHERE DOES IT COME FROM?
14 WELL, I THINK IT COMES FROM THE FACT THAT THEY SEEM
15 TO THINK THAT WE'RE INSERTING OURSELVES INTO A
16 PROCESS WHERE THEY REALLY DON'T WANT A THIRD PARTY
17 IN, AND MAYBE THEY SEEM TO THINK THAT THE CONDITIONS
18 ON ACCELERATION ARE ONE POINT OF REVIEW, BUT THEY
19 SEEM TO THINK THAT MAYBE WE'LL BE EXERCISING SOME
20 OTHER FORMS OF APPROVAL OF THE TRANSACTION. I CAN'T
21 SAY FOR SURE THAT THEY OBJECT TO ACCELERATION ONE
22 WAY OR ANOTHER, TO TELL YOU THE TRUTH. AND I DON'T
23 KNOW IF ANY OF MY COLLEAGUES --

24 CHAIRMAN JUELSGAARD: THE OTHER WAY TO DO
25 IT IS JUST TO SAY THAT UPON A CHANGE OF CONTROL, THE

BARRISTERS' REPORTING SERVICE

1 REPAYMENT OF THE LOAN IS AUTOMATICALLY ACCELERATED.
2 SO IN OTHER WORDS, IT'S PAYABLE AT THAT POINT
3 SUBJECT TO A DECISION BY CIRM NOT TO HAVE THAT
4 ACCELERATION OCCUR. THIS IS A LITTLE BIT LIKE DUANE
5 SAID, AND HE'S RIGHT. I THINK IN MOST INSTANCES
6 THAT I'M CERTAINLY FAMILIAR WITH, AND YOU MAY SEE IT
7 DIFFERENTLY, MATT, BUT IF YOU HAVE ONE OF THESE
8 EVENTS GOING ON AND THERE'S OUTSTANDING DEBT AT THE
9 INQUIRED COMPANY, IT USUALLY GETS TAKEN. IT DOESN'T
10 TRANSFER OVER TO THE NEW ORGANIZATION. CERTAINLY ON
11 BIG-TIME DEBT.

12 DR. PLUNKETT: LET ME ADDRESS THAT.
13 THERE'S REALLY TWO DIFFERENT FINANCIAL INSTRUMENTS
14 WE'RE TALKING ABOUT. ONE IS A LOAN FROM BANK OF
15 AMERICA OR A COMMERCIAL ENTITY WHERE THEIR PURPOSE
16 IS TO MAKE A PRODUCT. THE PURPOSE OF THIS FINANCIAL
17 INSTRUMENT IS TO GIVE MONEY TO CONDUCT R&D TO FIND
18 STEM CELL THERAPIES. AND IF IT SO HAPPENS THAT
19 THERE'S MONEY THAT COMES BACK TO CIRM TO PROVIDE US
20 MORE MONEY IN THE FUTURE, THAT'S PRETTY CLEAR. BUT
21 THE PRIMARY PURPOSE OF THIS IS TO FUND STEM CELL
22 RESEARCH.

23 AND THE FEEDBACK WHICH I RECEIVED FROM
24 NEARLY EVERY COMPANY THAT'S CLOSELY REVIEWED THESE
25 IN THE CONTEXT OF AN AWARD WHICH THEY'RE

BARRISTERS' REPORTING SERVICE

1 CONTEMPLATING IS THEY'RE VERY CONCERNED ABOUT THE
2 ABILITY TO MANAGE THEIR BUSINESS. AND PARTICULARLY
3 RECENTLY WE'VE GOTTEN A LOT OF QUESTIONS ABOUT WHO
4 MAKES THIS DECISION SHOULD A CHANGE OF CONTROL LIKE
5 THAT WERE TO OCCUR AT SOME POINT IN THE FUTURE WHEN
6 CIRM NO LONGER EXISTS.

7 SO WHAT WE WERE TRYING TO DO IS GET
8 AGREEMENT ON PROVISIONS WHICH WE WOULD ALLOW
9 TRANSFER TO PROCEED TODAY SUCH THAT SOMEBODY COULD
10 LOOK AT THIS AND GET COMFORT WITH IT AND NOT EITHER
11 DECIDE NOT TO PARTICIPATE IN OUR FUNDING PROCESS OR
12 SPEND A WHOLE LOT OF TIME TRYING TO NEGOTIATE AROUND
13 THIS SPECIFIC CLAUSE. I DON'T THINK WE'RE REALLY
14 LOSING A WHOLE LOT BY HAVING THIS. WE STILL DO HAVE
15 THE OPPORTUNITY, FOR EXAMPLE, WITH LARGE COMPANIES
16 WHERE THEY WILL HAVE AN ABILITY TO REPAY US
17 IMMEDIATELY TO GET THAT MONEY BACK AND SO FORTH.

18 CHAIRMAN THOMAS: ELONA, GOING BACK TO
19 WHAT YOU SAID AND IN PART WHAT MATT JUST SAID, HAS
20 THIS BEEN A MAJOR STUMBLING BLOCK TO GETTING LOANS
21 IN PLACE?

22 MS. BAUM: IT'S SOMETHING THAT WE HEAR
23 REPEATEDLY AS ONE OF THE TOP CONCERNS OF INDUSTRY.
24 THEY DON'T WANT A THIRD PARTY INVOLVED IN THAT.

25 CHAIRMAN JUELSGAARD: THEN LET'S LEAVE IT

BARRISTERS' REPORTING SERVICE

1 IN, BUT REMOVE 4. I JUST THINK THAT THAT'S -- IT'S
2 SORT OF AN ODDITY AND IT'S HARD TO FIGURE OUT WHAT
3 IT'S THERE FOR.

4 MS. BAUM: OKAY.

5 CHAIRMAN THOMAS: I'M COMFORTABLE WITH
6 THAT AS WELL.

7 MS. BAUM: THANK YOU. SO THE NEXT ON PAGE
8 18, THIS IS THE BELTS AND SUSPENDERS LANGUAGE WE
9 TALKED ABOUT EARLIER TODAY, THE ASSIGNEE HAVING THE
10 RESPONSIBILITY FOR ALL THE IP REGULATIONS EXCEPT
11 REVENUE SHARING. SO I DON'T THINK I HAVE TO TALK
12 ABOUT THAT ANYMORE.

13 AND I THINK ALSO ON PAGE 18 FURTHER DOWN,
14 IT'S, AGAIN, REITERATING THE REASONABLE COSTS UP TO
15 50 PERCENT OF SUCH COSTS. AND WE'LL HAVE TO SAY
16 THIRD-PARTY COSTS. THIS IS A CARRY-OVER FROM
17 EARLIER ON IN THE DAY.

18 AND THEN I REALLY WANT TO -- AND THIS IS
19 NOT ON THE MEMO, THIS SECTION, SUBORDINATION IS NOT
20 DISCUSSED ON THAT COVER MEMO. I THINK IT'S
21 SOMETHING THAT IS ANOTHER POLICY ISSUE WE SHOULD
22 DISCUSS; NAMELY, SHOULD CIRM SUBORDINATE OR NOT
23 SUBORDINATE TO OTHER DEBT.

24 SO RIGHT NOW WE'RE SAYING THAT FOR
25 PRODUCT-BACKED LOANS, WE'LL SUBORDINATE TO OTHER

BARRISTERS' REPORTING SERVICE

1 DEBT THAT IS THE SAME PRODUCT FUNDED. AND WE'RE
2 SILENT ON COMPANY-BACKED. SO WE'VE KIND OF MADE
3 HALF THE DECISION. THE QUESTION IS DO WE WANT TO
4 SUBORDINATE AT ALL? AND IT'S A POLICY DECISION.
5 IT'S, AGAIN, DO WE VIEW OURSELVES AS TRYING TO
6 FACILITATE AS MUCH AS POSSIBLE INVESTMENTS IN
7 COMPANIES THAT ARE WORKING ON OUR PROJECTS
8 REGARDLESS OF WHETHER OR NOT THEY ARE OR IS THE
9 PROJECT.

10 CHAIRMAN JUELSGAARD: SO WHAT IF YOU,
11 INSTEAD OF SAYING WHAT WE SAY RIGHT HERE, SAY
12 SOMETHING TO THE EFFECT OF CIRM WILL CONSIDER ON A
13 CASE-BY-CASE BASIS SUBORDINATING TO OTHER DEBT? YOU
14 CALL IT COMPANY-WIDE DEBT. WHATEVER YOU WANT TO
15 CALL IT.

16 CHAIRMAN THOMAS: STEVE, WHAT PAGE ARE YOU
17 ON?

18 CHAIRMAN JUELSGAARD: ON THE BOTTOM OF
19 PAGE 20. IT'S UNDER THE WORD "SUBORDINATION," J,
20 SUBORDINATION, THAT FIRST SENTENCE. IT JUST SAYS WE
21 PLAIN OUT AND OUT WON'T SUBORDINATE ON THE
22 COMPANY-BACKED LOAN SIDE. AND I WAS JUST ASKING THE
23 QUESTION WHAT IF WE SAID LET'S JUST MAKE THIS CASE
24 BY CASE. GIVE OURSELVES THE FLEXIBILITY TO MAKE THE
25 DETERMINATION ON A CASE-BY-CASE BASIS AS TO WHETHER

BARRISTERS' REPORTING SERVICE

1 WE WOULD SUBORDINATE OR NOT. SO I DON'T KNOW IF
2 THAT CREATES REGULATORY ISSUES OR CONFUSION OR
3 ANYTHING.

4 MS. BAUM: WELL, I MEAN PEOPLE WILL JUST
5 SAY, WELL, THEY'LL WANT TO KNOW WHAT THE TERM IS.
6 BUT I THINK IT'S OKAY.

7 CHAIRMAN JUELSGAARD: THAT WILL DEPEND
8 ENTIRELY ON THE DEBT DEAL THEY'RE DOING, THEIR
9 CREDITWORTHINESS, YOU KNOW, THINGS ONE WOULD
10 NORMALLY CONSIDER IF YOU WERE IN THAT POSITION OF
11 CONSIDERING A SUBORDINATION OR NOT.

12 MS. BAUM: I THINK WE CAN DO THAT. I
13 THINK WE COULD DO IT FOR BOTH TYPES OF LOANS BECAUSE
14 I THINK THE FOLLOWING PROVISION ON PRODUCT-BACKED IS
15 A LITTLE CONFUSING BECAUSE IT'S SORT OF WRITTEN IN
16 THE REVERSE. I THINK THE INTENT, AND I'M NOT SO
17 SURE ANYMORE, THE INTENT WAS TO SAY WE'LL
18 SUBORDINATE FOR PRODUCT-BACKED LOANS IF IT INVOLVES
19 THE SAME PROJECT. BUT IS THAT WHAT THE INTENT WAS?
20 WE CAN WRITE IT LIKE THAT SO WE'RE NOT IN THE DOUBLE
21 NEGATIVE SENSE.

22 MR. ROTH: I RECALL THE INTENT WAS TO
23 SUBORDINATE IN EITHER CASE.

24 MS. BAUM: IT WAS?

25 CHAIRMAN JUELSGAARD: WAS TO SUBORDINATE?

BARRISTERS' REPORTING SERVICE

1 MR. ROTH: YES. THAT WE WERE NOT GOING TO
2 CREATE PROBLEMS FOR PEOPLE THAT WANTED TO TAKE OUT
3 ADDITIONAL DEBT.

4 CHAIRMAN JUELSGAARD: WELL, I THINK THAT'S
5 A PRETTY SWEEPING STATEMENT, DUANE. YOU KNOW,
6 THERE'S A LOT OF DEBT DEALS THAT CAN BE DONE OUT
7 THERE. TO JUST GIVE CARTE BLANCHE TO SOMEBODY TO
8 RAISE ADDITIONAL DEBT AND PUT US WAY BACK IN
9 WHATEVER SEAT IS IN THE BACK OF THE BUS DOESN'T
10 REALLY --

11 MR. ROTH: THAT WAS ALL BASED ON A
12 DISCUSSION EARLIER, THAT THIS WAS NEVER INTENDED TO
13 BE, YOU KNOW, BANK DEBT. THIS IS A REPAYMENT OF A
14 SUCCESS. SO THAT'S WHY WE PUT IT THAT WAY.

15 CHAIRMAN JUELSGAARD: BUT THERE'S ALL
16 KINDS OF DEBT BEYOND --

17 MR. ROTH: I UNDERSTAND.

18 CHAIRMAN JUELSGAARD: ALL KIND OF PRIVATE
19 DEBT DEALS, ETC.

20 MR. ROTH: SO I'M FINE HAVING IT IN THIS
21 WAY, BUT IT IS WRITTEN SO IT'S SORT OF HARD TO
22 FOLLOW.

23 MS. BAUM: SO YOU'RE FINE ADDING CONSIDER
24 ON A CASE BY CASE WHETHER TO SUBORDINATE IN THE CASE
25 OF A COMPANY-BACKED LOAN, AND THEN FOR

BARRISTERS' REPORTING SERVICE

1 PRODUCT-BACKED LOAN, WE SHOULD I THINK CLARIFY THE
2 LANGUAGE TO SAY THAT WE WILL SUBORDINATE UNLESS IT'S
3 NOT RELATED TO THE PRODUCT THAT'S FUNDED, OR IS IT
4 ALL CASE BY CASE?

5 CHAIRMAN JUELSGAARD: SO THE REPAYMENT ON
6 THE PRODUCT-BACKED, YOU KNOW, PRODUCT-BASED LOAN,
7 PRODUCT-BACKED LOANS COME FROM THE PRODUCT, RIGHT?

8 MS. BAUM: RIGHT.

9 CHAIRMAN JUELSGAARD: SO, YOU KNOW, AT THE
10 END OF THE DAY, WHATEVER DEBT THEY INCUR I ASSUME IS
11 NOT GOING TO, UNLESS IT WERE TO SOMEHOW IMPACT THE
12 PRODUCT-BASED REVENUES. SO AT THE END OF THE DAY, I
13 WOULDN'T WANT TO SUBORDINATE OUR REPAYMENT STREAM TO
14 THE PRODUCT-BACKED LOANS TO REPAYMENT OF SOMEBODY
15 ELSE'S LOANS, STANDING IN A PRIOR POSITION BASED ON
16 THAT SAME REVENUE STREAM, RIGHT, I DON'T THINK.

17 MS. BAUM: RIGHT. RIGHT.

18 CHAIRMAN JUELSGAARD: THAT WOULD BE THE
19 KIND OF SUBORDINATION THAT WOULDN'T MAKE SENSE, I
20 DON'T THINK. UNDERSTAND?

21 MS. BAUM: SO THEN I'M DRAWING FROM THAT
22 THAT THE BETTER CLAUSE TO BE IS CASE BY CASE, RIGHT,
23 FOR BOTH?

24 MR. TOCHER: IT'S OKAY FOR PRODUCT-BACKED
25 LOANS KIND OF THE WAY IT IS, BUT AT LEAST ON THE

BARRISTERS' REPORTING SERVICE

1 COMPANY-BACKED LOANS --

2 CHAIRMAN JUELSGAARD: NO. I'M SAYING SO
3 IF YOU WIND UP SUBORDINATING YOURSELF TO THE
4 COMMERCIAL REVENUE THAT COMES IN FROM THIS PRODUCT
5 THAT'S BEING SOLD, SO YOU STAND SECOND IN LINE, AND
6 YOU DON'T GET REPAYED BECAUSE ALL THAT REPAYING IS
7 GOING TO THE LENDER THAT'S STANDING IN FRONT OF YOU,
8 YOU'VE SUDDENLY TAKEN YOURSELF OUT OF GETTING
9 REPAYED.

10 MR. HARRISON: WHICH IS WHAT THE
11 REGULATION CURRENTLY PERMITS.

12 MS. BAUM: BUT WE WANTED TO CHANGE IT TO
13 CASE BY CASE.

14 CHAIRMAN JUELSGAARD: WELL, I THINK THAT'S
15 THE BETTER -- AGAIN, JUST TRYING TO FIGURE OUT ALL
16 THE PERMUTATIONS TO ADDRESS THEM UP FRONT IS A
17 LITTLE DIFFICULT.

18 MR. TOCHER: BOTH CASES WE'LL TAKE IT ON A
19 CASE-BY-CASE BASIS.

20 CHAIRMAN JUELSGAARD: I WOULD PREFER THAT.
21 I WOULD SUGGEST THAT.

22 MR. TOCHER: REVIEW BY THE SUBCOMMITTEE?

23 CHAIRMAN JUELSGAARD: WELL, I THINK IT
24 GETS DONE -- IT GETS REVIEWED BY STAFF AND THEN YOU
25 NEED TO RECOMMEND TO THE COMMITTEE OR WHATEVER, BUT

BARRISTERS' REPORTING SERVICE

1 HOWEVER YOU GUYS HANDLE THESE SORTS OF THINGS.

2 MS. BAUM: WELL, THAT'S A POLICY DECISION.
3 SO I WOULD PERSONALLY RECOMMEND THAT IT WOULD BE
4 EASIER TO BE DONE BY THE PRESIDENT, WHICH MEANS THE
5 STAFF, IF PEOPLE ARE COMFORTABLE WITH THAT. WE HAVE
6 A CFO ON STAFF.

7 CHAIRMAN JUELSGAARD: SO I'M COMFORTABLE
8 WITH THAT, BUT I DEFER TO YOU AND J.T.'S AND DUANE'S
9 AND SUE'S THOUGHTS.

10 CHAIRMAN THOMAS: I'M FINE WITH THAT.

11 DR. BRYANT: YEAH. I'M OKAY WITH THAT.

12 CHAIRMAN JUELSGAARD: DUANE?

13 MR. ROTH: YEAH, THAT'S FINE.

14 MS. BAUM: THANK YOU.

15 ALL RIGHT. THERE ARE TWO OTHER CHANGES
16 THAT WERE MADE THAT AREN'T ON THE MEMO, BUT THEY'RE
17 NONSUBSTANTIVE ABOUT PROCEDURES AND PRACTICES. SO I
18 DON'T REALLY THINK WE NEED TO TALK ABOUT THAT.

19 CHAIRMAN JUELSGAARD: OKAY. SO, MEMBERS
20 OF THE SUBCOMMITTEE, ANY OTHER QUESTIONS OR COMMENTS
21 ON THIS PROPOSED CHANGE -- THESE PROPOSED CHANGES TO
22 THE LOAN ADMINISTRATION POLICY? ANY QUESTIONS OR
23 COMMENTS FROM THE PUBLIC? SO I ASSUME A MOTION
24 WOULD BE IN ORDER. IS THERE A MOTION TO APPROVE
25 THIS REVISED LOAN ADMINISTRATION POLICY THAT'S BEEN

BARRISTERS' REPORTING SERVICE

1 PRESENTED TO US?

2 CHAIRMAN THOMAS: SO MOVED.

3 CHAIRMAN JUELSGAARD: IS THERE A SECOND?

4 DR. BRYANT: SECOND.

5 CHAIRMAN JUELSGAARD: SO WE'LL DO A ROLL
6 CALL.

7 MR. HARRISON: CHAIR, JUST TO CLARIFY,
8 IT'S A MOTION TO RECOMMEND APPROVAL BY THE BOARD.

9 CHAIRMAN JUELSGAARD: WE'RE NOT GOING TO
10 DO THE BOARD'S WORK FOR THEM. THEY NEED MORE WORK.

11 MS. BONNEVILLE: SUE BRYANT.

12 DR. BRYANT: YES.

13 MS. BONNEVILLE: MICHAEL GOLDBERG. STEVE
14 JUELSGAARD.

15 CHAIRMAN JUELSGAARD: YES.

16 MS. BONNEVILLE: DUANE ROTH.

17 MR. ROTH: YES.

18 MS. BONNEVILLE: OS STEWARD. JONATHAN
19 THOMAS.

20 CHAIRMAN THOMAS: YES.

21 CHAIRMAN JUELSGAARD: THANK YOU ALL. SO
22 WE'RE KIND OF RUNNING OVER TIME. LET ME JUST ASK
23 REAL QUICKLY. J.T., DUANE, SUE, DO ANY OF YOU HAVE
24 TO GET OFF THE PHONE POSTHASTE?

25 DR. BRYANT: NO.

BARRISTERS' REPORTING SERVICE

1 MR. ROTH: I HAVE TO GET OFF IN ABOUT 20
2 MINUTES.

3 CHAIRMAN JUELSGAARD: WE SHOULD BE ABLE TO
4 GET THROUGH THIS LAST ITEM IN 20 MINUTES, I WOULD
5 HOPE.

6 CHAIRMAN THOMAS: I'M GOOD, STEVE.

7 CHAIRMAN JUELSGAARD: OKAY. PERFECT.
8 THANK YOU. WELL, THEN, LET'S TURN TO THE NEXT ITEM
9 OF BUSINESS, WHICH IS CONSIDERATION OF PROPOSED
10 INTERIM REGULATIONS TO THE INDUCED PLURIPOTENT STEM
11 CELL BANKING INITIATIVE. AND I WILL ASK ELONA AGAIN
12 TO WALK US THROUGH WHAT'S BEING PROPOSED HERE.

13 MS. BAUM: OKAY. BY WAY OF BACKGROUND,
14 YOU ALL WILL PROBABLY RECALL THAT DECEMBER 8, 2011,
15 THERE WAS AN APPROVAL OF A CONCEPT FOR DERIVING AND
16 BANKING A COMPREHENSIVE COLLECTION OF
17 DISEASE-SPECIFIC HUMAN INDUCED PLURIPOTENT STEM
18 CELLS WITH THE TOTAL COST OF THE INITIATIVE BEING
19 \$30 MILLION, IT BEING BROKEN UP, IN ESSENCE, TO
20 THREE RFA'S. ONE WHICH WOULD INVOLVE TISSUE
21 COLLECTION, WHICH COULD BE A SEPARATE GRANTEE, A
22 SECOND AWARD THAT WOULD INVOLVE DERIVING THOSE
23 TISSUES INTO IPS STEM CELLS, AND THEN THE THIRD WAS
24 THE BANKING. AND IT'S POSSIBLE, AS WE'RE FRAMING
25 THE RFA'S RIGHT NOW, THAT MOST LIKELY TWO AND THREE

BARRISTERS' REPORTING SERVICE

1 OR PHASE II AND III COULD BE THE SAME ENTITY. IT'S
2 YET TO BE DETERMINED.

3 BUT THE MOST IMPORTANT POINT ABOUT THIS
4 INITIATIVE IS THAT WE ALL RECOGNIZE IT'S COMPLETELY
5 DIFFERENT THAN ANYTHING THAT WE'VE FUNDED. WE'VE
6 BEEN DOING BASIC BIOLOGY OBVIOUSLY AND A LOT OF
7 TRANSLATION AND THERAPEUTIC INITIATIVES. THIS IS
8 THE FIRST TIME WE'RE INVESTING A CONSIDERABLE AMOUNT
9 OF MONEY IN A VERY, VERY LARGE EFFORT TO, IN
10 ESSENCE, CREATE A RESEARCH TOOL THAT WE WANT ALL OF
11 THE UNIVERSE OF SCIENTISTS TO HAVE ACCESS TO. WE
12 HAVE DRAFTS THAT WE'RE CONSIDERING, AND WE SAY THAT
13 WHILE WE WANT CALIFORNIANS TO BENEFIT AT A REDUCED
14 PRICE AND ACCESS TO THE ACTUAL CELL LINES, WE EXPECT
15 THAT WE WOULD BE ABLE TO SUPPLY THESE CELL LINES
16 WORLDWIDE.

17 SO WHAT DOES THAT MEAN? AS I WAS TRYING
18 TO ANTICIPATE HOW WE CAN ACTUALLY IMPLEMENT THIS, IT
19 BECAME VERY CLEAR TO ME THAT OUR CURRENT IP
20 STRUCTURE DOESN'T WORK BECAUSE OUR INTELLECTUAL
21 PROPERTY REGULATIONS WERE DRAWN WITH DIFFERENT GOALS
22 IN MIND. FOR INSTANCE, OUR IP REGULATIONS ALLOW YOU
23 TO EXCLUSIVELY LICENSE. THAT WOULD COMPLETELY
24 THWART THE PROCESS HERE WHERE WE WANT THIS TOOL TO
25 BE WIDELY AVAILABLE.

BARRISTERS' REPORTING SERVICE

1 THEY ALSO HAVE OTHER PROVISIONS THAT JUST
2 SIMPLY REALLY DON'T MAKE SENSE HERE. AND IN
3 ADDITION, I THINK WE WANT TO MAKE SURE THAT IN THIS
4 INSTANCE WE HAVE THE ABILITY TO CONTROL ULTIMATELY
5 SORT OF THE TERMS AND CONDITIONS OF WHAT ACCESS TO
6 THESE CELL LINES WOULD BE MADE UPON.

7 SO WHAT I'M SUGGESTING IS THAT WE CREATE
8 AN INTERIM SET OF REGULATIONS IN WHICH WE SORT OF
9 REALLY DEPART FROM THE PAST BECAUSE IT DOESN'T MAKE
10 SENSE. THE REGULATIONS WOULD CERTAINLY MAKE SURE
11 THAT OUR GRANTS ADMINISTRATION POLICY APPLIES AND
12 CERTAINLY THAT THE SCIENTIFIC AND MEDICAL
13 ACCOUNTABILITY STANDARDS APPLY. BUT I WOULD GO TO
14 SAY THAT THE IP REGULATIONS SHOULD NOT APPLY EXCEPT
15 FOR THE ONES THAT I'VE IDENTIFIED WITHIN THE
16 PROPOSED SET OF REGULATIONS. THOSE SHOULD APPLY,
17 AND WE'LL TALK ABOUT THOSE IN A SECOND.

18 AND IN ADDITION, WE WANT TO MIMIC THE WAY
19 THAT THIS IS DONE IN BUSINESS. SO THERE'S A NUMBER
20 OF BANKS AND THEY'RE USED TO OPERATING WITH WHAT I
21 WILL CALL DEPOSIT AGREEMENTS -- THAT'S THE TERM OF
22 ART THEY USE -- WHERE THE OWNER OF THE CELL LINE OR
23 THE MATERIAL IN A CONTRACT SETS FORTH THE TERMS.

24 AND SO I'M SUGGESTING THAT WHAT WE DO IS
25 THROUGH A SET OF REGULATIONS THIS FUTURE DEPOSIT

BARRISTERS' REPORTING SERVICE

1 AGREEMENT THAT WILL SET FORTH THE TERMS OF
2 DISTRIBUTION BY THE BANK AND THE TERMS OF ANY MTA'S
3 THAT ARE ENTERED INTO IN THE FUTURE BY PEOPLE WHO
4 WANT TO TAKE THE MATERIALS AND USE THEM FROM THE
5 BANK, THAT WE ARE IN THE BEST POSITION TO CONTROL
6 AND ENSURE THE WIDESPREAD USE OF THIS RESOURCE.

7 SO, FIRST, WE HAVE TO START BY SAYING IN
8 THESE INTERIM REGULATIONS THAT THE IP REGULATIONS
9 DON'T APPLY, WHICH IS ENCUMBERED IN THIS SET OF
10 PROPOSED REGULATIONS. THEN WHAT I'D LIKE TO SAY IS,
11 OF COURSE, THAT THE GRANT ADMINISTRATION REGULATIONS
12 APPLY, THE SCIENTIFIC AND MEDICAL ACCOUNTABILITY
13 REGULATIONS APPLY, AND I WANT TO TALK A LITTLE BIT
14 ABOUT OWNERSHIP. THAT'S 6.0 IN THE PROPOSED
15 REGULATIONS THAT SAY THAT INTELLECTUAL PROPERTY, OF
16 COURSE, IS OWNED BY THE GRANTEES AND COLLABORATORS
17 AND THEIR SUBCONTRACTORS. IT'S MORE OF COMFORT
18 LANGUAGE SO THAT THEY DON'T THINK THAT WE'RE TRYING
19 TO REACH INTO THEIR IP.

20 6.2, I'D LIKE TO SAY AND I'M RECOMMENDING
21 THAT CIRM OWN ALL THE IPS STEM CELL LINES. THAT IS
22 SOMETHING THAT I'VE HAD A NUMBER OF DISCUSSIONS WITH
23 NIH ABOUT. AND IN THEIR EFFORTS, ESPECIALLY THE
24 CENTER FOR REGENERATIVE MEDICINE AND THEIR EFFORTS
25 TO BUILD A SIMILAR BANK, THEY'RE ALSO GOING TO OWN

BARRISTERS' REPORTING SERVICE

1 THE CELL LINES. AND WE HAVE PARALLEL PROJECTS. SO
2 THEY THINK THAT'S THE BEST PRACTICE.

3 THE ONE THING THAT I DO WANT TO MAKE NOTE
4 OF IN THESE PROPOSED REGULATIONS BEFORE YOU IS THAT
5 I WOULD CROSS OUT IN SECTION 6.2 THE LANGUAGE THAT
6 SAYS CIRM WOULD OWN ALL DATA AND INTELLECTUAL
7 PROPERTY ARISING FROM THE FUNDED PROJECT. I HAVE
8 HIRED A HIPAA ATTORNEY. OWNING SORT OF SOME OF THE
9 DATA IS A LITTLE BIT OF A CONCERN, AND WE'LL FIGURE
10 OUT HOW TO ADDRESS THAT. AND IF THERE'S ANY
11 INTELLECTUAL PROPERTY THAT DOES ARISE THAT WE THINK
12 WE NEED TO OWN, WE CAN ADDRESS THAT. BUT RIGHT NOW
13 I WOULD RECOMMEND THAT WHEN YOU'RE CONSIDERING
14 WHETHER TO RECOMMEND TO THE BOARD APPROVAL OF THESE
15 INTERIM REGS, THAT THAT PHRASE NOT BE IN THERE.

16 CHAIRMAN JUELSGAARD: CAN I INTERRUPT FOR
17 JUST A SECOND?

18 MS. BAUM: SURE.

19 CHAIRMAN JUELSGAARD: SO THE CELL LINES
20 THEMSELVES, ARE THE LINES SUBJECT TO BEING PATENTED?

21 MS. BAUM: WELL, THAT'S WHY WE WANT TO OWN
22 THEM.

23 CHAIRMAN JUELSGAARD: I KNOW. BUT DON'T
24 YOU THEN ALSO WANT TO OWN THE INTELLECTUAL PROPERTY
25 THAT ISSUES REGARDING THEM?

BARRISTERS' REPORTING SERVICE

1 MS. BAUM: WELL, I WANT TO MAKE SURE THAT
2 OUR REGULATION ISN'T OVERBROAD BECAUSE THERE COULD
3 BE SOME OTHER INTELLECTUAL PROPERTY GOING INTO
4 DEPOSIT AGREEMENT, AND THEN IN THE RFA WE COULD
5 FIGURE OUT WHAT WE WANT TO OWN.

6 CHAIRMAN JUELSGAARD: I'M NOT SURE OWNING
7 THE CELL LINE, YOU KNOW, WITHOUT OWNING THE
8 INTELLECTUAL PROPERTY AS AN UNLICENSED SIDELINE,
9 JUST SEEMS LIKE THAT --

10 MS. BAUM: OKAY. HERE'S WHAT COULD BE
11 INVENTED. WHAT I DON'T WANT TO OWN IS, FOR
12 INSTANCE, SOME NEW METHODOLOGY THAT'S CREATED BY THE
13 GRANTEE WHO CREATES A CELL LINE.

14 CHAIRMAN JUELSGAARD: I DIDN'T SAY THAT.

15 MS. BAUM: RIGHT. SO BUT THE WAY I
16 PHRASED IT RIGHT NOW IT'S PROBABLY A LITTLE
17 OVERBROAD.

18 CHAIRMAN JUELSGAARD: I THINK IT IS. I
19 THINK, IN OTHER WORDS, IF YOU CREATE A CELL LINE,
20 YOU CAN PATENT THAT SPECIFIC CELL LINE. YOU'D WANT
21 TO OWN THAT.

22 MS. BAUM: RIGHT. RIGHT. YES.

23 CHAIRMAN JUELSGAARD: SO TO ELIMINATE ALL
24 INTELLECTUAL PROPERTY ELIMINATES WHAT I JUST --

25 MS. BAUM: WE MAY WANT TO OWN THE

BARRISTERS' REPORTING SERVICE

1 INTELLECTUAL PROPERTY RELATED TO --

2 CHAIRMAN JUELSGAARD: WHICH COVERS THE
3 CELLS.

4 MS. BAUM: YES. YES. THE COMPOSITION OF
5 MATTER, I GUESS.

6 I KNOW THAT THERE'S ALSO SORT OF OUT THERE
7 COMPETING PROCESS, METHODS PATENTS OUT THERE. SO I
8 DON'T EVEN KNOW IF WE COULD PATENT THE CELL LINES.
9 BUT WE CAN LEAVE THAT AS -- WE CAN EITHER ADDRESS
10 THAT IN THIS REGULATION, OR WE COULD ADDRESS THAT IN
11 AN AGREEMENT OR NOTICE OF --

12 CHAIRMAN JUELSGAARD: JUST LEAVE OPEN THE
13 POSSIBILITY. I WOULDN'T WANT TO JUST AUTOMATICALLY
14 EXCLUDE UNDER WHAT YOU'RE DEVELOPING HERE THAT
15 OPPORTUNITY IS BASICALLY WHAT I'M SAYING.

16 MS. BAUM: OKAY. SO LET'S DO THAT. SO IF
17 WE DELETE THIS, THAT DOESN'T MEAN THAT WE SAY THAT
18 WE WILL OWN THE INTELLECTUAL PROPERTY. WE HAVE
19 ANOTHER BITE OF THE AMPLER TO TAKE IN AND OWN WHAT WE
20 WANT THROUGH OUR NOTICE OF GRANT AWARDS AND DEPOSIT
21 AGREEMENTS AND WHATNOT.

22 AND THEN I WANTED TO MAKE NOTE OF THE FACT
23 THAT THERE WOULDN'T BE THE TYPICAL REVENUE SHARING.
24 I KNOW THAT SOME BANKS IN THE PAST ARE NOW AMENABLE
25 IN SOME CIRCUMSTANCES TO SHARE SOME OF THE REVENUES

BARRISTERS' REPORTING SERVICE

1 WITH THE OWNERS THAT DEPOSITED IN THE BANK. SO I
2 JUST SORT OF CREATED SOME NEW LANGUAGE THAT, AS
3 INDICATED, THAT CIRM CAN NEGOTIATE FOR SUCH REVENUE
4 SHARING IN A LICENSE AGREEMENT. SO THAT'S WHAT THAT
5 SECTION MEANS.

6 AND THEN, OF COURSE, THE PUBLICATION
7 SECTION THAT'S IN OUR IP REGULATIONS, THAT WOULD BE
8 ONE OF THE APPROPRIATE IP REGULATIONS TO INCLUDE IN
9 INTERIM REGULATIONS. OTHER THAN THAT, OTHER ASPECTS
10 THAT WE FEEL WE NEED TO HAVE CONTROL OVER WOULD BE
11 DEALT WITH IN A DEPOSIT AGREEMENT SUCH AS SETTING
12 PRICE AND PREFERENCE TO ACCESS TO CALIFORNIANS, THAT
13 SORT OF THING.

14 THAT'S MY PRESENTATION.

15 CHAIRMAN JUELSGAARD: SO THESE ARE CALLED
16 INTERIM REGULATIONS. SO WHAT DOES THE TERM
17 "INTERIM" MEAN THEN IN THIS? SO THERE'S GOING TO BE
18 A SET OF FINAL REGULATIONS. THESE ARE JUST KIND OF
19 A STOPGAP FOR THE TIME BEING.

20 MS. BAUM: RIGHT. AND THEY COME INTO FULL
21 FORCE AND EFFECT WITHOUT HAVING TO GO TO THE OFFICE
22 OF ADMINISTRATIVE LAW PER PROP 71.

23 MR. TOCHER: PROP 71 ALLOWED THE AGENCY TO
24 ADOPT INTERIM REGULATIONS OUTSIDE THE NORMAL AP
25 PROCESS. THAT WILL REMAIN IN EFFECT FOR 270 DAYS.

BARRISTERS' REPORTING SERVICE

1 SO THAT ALLOWS THE AGENCY, THEN, TO INITIATE
2 RULEMAKING UNDER THE APA AS WELL.

3 CHAIRMAN JUELSGAARD: OKAY. SO THESE WILL
4 BECOME FINAL REGULATIONS AT SOME POINT.

5 MR. TOCHER: EXACTLY.

6 CHAIRMAN JUELSGAARD: AND WHEN WE SAY
7 INTERIM, DO WE INTEND TO MODIFY OR REVISE THESE
8 BEFORE THEY GET TO THE FINAL FORM?

9 MS. BAUM: WE HAD AN INTERIM LOAN
10 ADMINISTRATION POLICY THAT WE'VE REVISED A LOT, AS
11 YOU CAN SEE. SO CHANCES ARE WE WILL LEARN AND WE
12 WILL BE SUBMITTING AMENDMENTS.

13 CHAIRMAN JUELSGAARD: SO THESE INTERIM
14 REGULATIONS WE'RE GOING TO RECOMMEND THAT WE APPROVE
15 TO THE ICOC BOARD AS WELL. ALL RIGHT. J.T., DUANE,
16 SUE, ANY QUESTIONS?

17 CHAIRMAN THOMAS: I'M GOOD.

18 DR. BRYANT: DITTO THAT.

19 MR. ROTH: I'M FINE.

20 CHAIRMAN JUELSGAARD: I AM TOO. ANY
21 QUESTIONS OR COMMENTS FROM THE PUBLIC?

22 UNIDENTIFIED SPEAKER: ONE QUESTION,
23 ELONA. DOES CIRM INTEND TO OWN, RETAIN RIGHTS AND
24 BANK THE INITIAL SAMPLES FROM THE PATIENTS? SO, FOR
25 EXAMPLE, IF THERE'S AN APPROVED METHOD FOR

BARRISTERS' REPORTING SERVICE

1 REPROGRAMMING, YOU MAY WANT TO GO BACK AND REPROGRAM
2 THOSE, SAY A METHOD THAT GENERATES FEWER MUTATIONS.
3 WILL THAT BE SOMETHING THAT'S STILL OPEN FOR
4 DISCUSSION?

5 MS. BAUM: THAT'S OUT OF THE SCOPE OF THE
6 DISCUSSION, BUT WE'LL TAKE THAT UNDER SUBMISSION.
7 THANK YOU FOR THAT SUGGESTION.

8 CHAIRMAN JUELSGAARD: OTHER COMMENTS OR
9 QUESTIONS FROM THE PUBLIC? SEEING AND HEARING NONE,
10 IS THERE A MOTION THAT WE APPROVE RECOMMENDING THESE
11 INTERIM REGULATIONS TO THE ICOC BOARD?

12 MR. ROTH: SO MOVE.

13 CHAIRMAN JUELSGAARD: IS THERE A SECOND?

14 DR. BRYANT: SECOND.

15 CHAIRMAN JUELSGAARD: MARIA, WILL YOU CALL
16 THE ROLL.

17 MS. BONNEVILLE: SURE. SUE BRYANT.

18 DR. BRYANT: YES.

19 MS. BONNEVILLE: MICHAEL GOLDBERG. STEVE
20 JUELSGAARD.

21 CHAIRMAN JUELSGAARD: YES.

22 MS. BONNEVILLE: DUANE ROTH.

23 MR. ROTH: YES.

24 MS. BONNEVILLE: OS STEWARD. JONATHAN
25 THOMAS.

BARRISTERS' REPORTING SERVICE

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CHAIRMAN THOMAS: YES.

CHAIRMAN JUELSGAARD: WONDERFUL. ALL
RIGHT. THAT'S EVERYTHING THAT WAS ON THE AGENDA.
IS THERE ANY OTHER PUBLIC COMMENT AT THIS POINT FOR
THIS COMMITTEE? IF NOT, THEN DO WE MOVE FOR
ADJOURNMENT, JAMES, OR JUST DECLARE ADJOURNMENT? I
DECLARE THIS MEETING ADJOURNED.

MS. BONNEVILLE: THANK YOU, EVERYONE.

(THE MEETING WAS THEN CONCLUDED AT
3:12 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 TELEPHONIC PROCEEDINGS BEFORE THE INTELLECTUAL PROPERTY AND INDUSTRY SUBCOMMITTEE OF THE INDEPENDENT CITIZEN'S OVERSIGHT COMMITTEE OF THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE IN THE MATTER OF ITS REGULAR MEETING HELD ON MAY 8, 2012, 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
160 S. OLD SPRINGS ROAD
SUITE 270
ANAHEIM, CALIFORNIA
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