

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

LOCATION: AS INDICATED ON THE AGENDA

DATE: TUESDAY, OCTOBER 26, 2010
2 P.M.

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

BRS FILE NO.: 88643

BARRISTERS' REPORTING SERVICE

I N D E X

ITEM	DESCRIPTION	PAGE NO.
1.	CALL TO ORDER.	5
2.	ROLL CALL.	3
3.	CONSIDERATION OF AMENDMENTS TO AND ADOPTION OF LOAN ADMINISTRATION POLICY. MEMORANDUM DISCUSSING PROPOSED AMENDMENTS.	7
4.	PUBLIC COMMENT.	NONE
PROPOSED ADDITIONAL ITEMS:		
1.	CONSIDERATION OF PROPOSAL TO PERMIT LOAN RECIPIENT TO PAY CIRM A MULTIPLE OF LOAN AMOUNT AS ALTERNATIVE TO WARRANT COVERAGE.	30
2.	CONSIDERATION OF PROPOSAL TO REQUIRE NOT HEARD FOR-PROFIT ENTITY TO TAKE ALL OR A PORTION OF AN AWARD AS A LOAN IF IT RECEIVES A CERTAIN PERCENTAGE OF THE AWARD.	

BARRISTERS' REPORTING SERVICE

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TUESDAY, OCTOBER 26, 2010; 2 P.M.

MS. KING: I WILL TURN IT OVER TO YOU,
CHAIR GOLDBERG. I COULD GO THROUGH A FORMAL ROLL
CALL WHILE STAFF IS CHECKING IN ON THOSE THREE
MEMBERS.

CHAIRMAN GOLDBERG: PLEASE DO SO.

MS. KING: ROBERT BIRGENEAU. FLOYD BLOOM.

DR. BLOOM: HERE.

MARCY FEIT. MICHAEL GOLDBERG.

CHAIRMAN GOLDBERG: HERE.

MS. KING: BOB KLEIN.

CHAIRMAN KLEIN: HERE.

MS. KING: TED LOVE. ED PENHOET. PHIL
PIZZO.

DR. PIZZO: HERE.

MS. KING: DUANE ROTH. DAVID
SERRANO-SEWELL. JEFF SHEEHY.

MR. SHEEHY: HERE.

MS. KING: OSWALD STEWARD. ART TORRES.

MR. TORRES: HERE.

MS. KING: WHO JUST JOINED? THIS IS
MELISSA.

DR. STEWARD: THIS IS OS STEWARD.

MS. KING: THANKS SO MUCH, DR. STEWARD.

BARRISTERS' REPORTING SERVICE

1 YOU MAY BE GETTING CALLS FROM OUR STAFF IN A MINUTE
2 HERE JUST TO CHECK IN ON YOU. YOU CAN IGNORE THOSE
3 AND STAY WITH US.

4 SO WE NEED TWO MORE PEOPLE, JUST SO YOU
5 ARE AWARE, CHAIR GOLDBERG, FOR A QUORUM. I WILL GO
6 FOLLOW UP ON THE CHECK-INS WITH DUANE ROTH AND DAVID
7 SERRANO-SEWELL, AND I WILL TURN THE MEETING OVER TO
8 YOU.

9 CHAIRMAN GOLDBERG: THANKS. IN THE
10 MEANTIME WHY DON'T I TAKE A CENSUS ON WHERE WE HAVE
11 MEMBERS OF THE PUBLIC REPRESENTED. I'LL START HERE
12 IN PALO ALTO. WE HAVE A MEMBER OF THE PUBLIC
13 PRESENT. CIRM?

14 MS. KING: WE DO HAVE ONE HERE IN SAN
15 FRANCISCO AS WELL SO FAR.

16 CHAIRMAN GOLDBERG: DR. PIZZO, IS ANYONE
17 THERE?

18 DR. PIZZO: NOPE.

19 CHAIRMAN GOLDBERG: DR. BLOOM?

20 DR. BLOOM: NO.

21 CHAIRMAN GOLDBERG: DR. STEWARD?

22 DR. STEWARD: NO PUBLIC.

23 CHAIRMAN GOLDBERG: THANK YOU.

24 MR. SERRANO-SEWELL: THIS IS DAVID. I
25 JUST JOINED THE CALL.

BARRISTERS' REPORTING SERVICE

1 MR. TOCHER: GREAT, DAVID. THIS IS SCOTT
2 TOCHER AT CIRM. MELISSA JUST STEPPED OUT TO ROUND
3 UP ANOTHER BOARD MEMBER. SHE'LL BE RIGHT BACK.

4 CHAIRMAN GOLDBERG: DAVID, DO YOU HAVE
5 MEMBERS OF THE PUBLIC AT YOUR LOCATION?

6 MR. SERRANO-SEWELL: NO.

7 CHAIRMAN GOLDBERG: THANK YOU.

8 MR. ROTH: IT'S DUANE. I'M SORRY, GUYS.
9 I WAS TIED UP HERE.

10 MS. KING: THANK YOU SO MUCH, DUANE.
11 CHAIRMAN GOLDBERG, WE DO NOW HAVE A QUORUM, SO WE CAN
12 PROCEED RAPIDLY WHILE WE HAVE DR. PIZZO.

13 CHAIRMAN GOLDBERG: I'D LIKE TO OPEN THE
14 MEETING AND PROCEED INITIALLY ON AGENDA ITEM NO. 2,
15 WHICH IS THE CONSIDERATION OF PROPOSAL TO REQUIRE
16 FOR-PROFIT ENTITIES TO TAKE ALL OR A PORTION OF AN
17 AWARD AS A LOAN IT RECEIVES, A CERTAIN PERCENTAGE OF
18 THE AWARD.

19 MS. KING: MICHAEL, I APOLOGIZE FOR
20 INTERRUPTING YOU. THE ITEM THAT YOU ARE TALKING
21 ABOUT ACTUALLY IS ON THE AGENDA THAT REPRESENTS TWO
22 PROPOSED ADDITIONAL ITEMS, AND WE ACTUALLY NEED TO
23 HAVE A FORMAL MOTION, SECOND, AND VOTE AS TO WHETHER
24 OR NOT THE SUBCOMMITTEE WOULD LIKE TO TAKE UP THOSE
25 TWO ITEMS BEFORE WE TAKE THEM UP.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN KLEIN: MY UNDERSTANDING IS THAT
2 THIS IS BECAUSE THESE ITEMS WERE NOT ORIGINALLY
3 CONTEMPLATED AT THE TIME THE AGENDA WAS PUT
4 TOGETHER, AND THERE'S A NECESSITY TO DEAL WITH THESE
5 ITEMS IN A SHORT TIME FRAME. AND IF THAT'S THE
6 CONTEXT, I WOULD MAKE A MOTION THAT WE ADD THESE
7 ITEMS TO THE AGENDA.

8 MS. KING: THAT IS CORRECT. THANK YOU.

9 CHAIRMAN KLEIN: IS THERE A SECOND?

10 DR. BLOOM: I SECOND.

11 MS. KING: I DO NEED TO TAKE A ROLL CALL
12 VOTE SINCE WE'RE ON THE PHONE. I WILL CALL THOSE
13 THAT I KNOW ARE PRESENT.

14 FLOYD BLOOM.

15 DR. BLOOM: HERE.

16 MS. KING: IS YOUR VOTE YES ON THAT
17 MOTION?

18 DR. BLOOM: CORRECT.

19 MS. KING: MICHAEL GOLDBERG.

20 CHAIRMAN GOLDBERG: YES.

21 MS. KING: BOB KLEIN.

22 CHAIRMAN KLEIN: YES.

23 MS. KING: PHIL PIZZO.

24 DR. PIZZO: YES.

25 MS. KING: DUANE ROTH.

BARRISTERS' REPORTING SERVICE

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MR. ROTH: YES.

MS. KING: DAVID SERRANO-SEWELL.

MR. SERRANO-SEWELL: YES.

MS. KING: JEFF SHEEHY.

MR. SHEEHY: NO.

MS. KING: OSWALD STEWARD.

DR. STEWARD: YES.

MS. KING: ART TORRES.

MR. TORRES: YES.

MS. KING: ART TORRES' VOTE IS YES; AND
THAT MOTION, THEREFORE, CARRIES WITH ONE NO VOTE AND
EIGHT YES VOTES. YOU MAY PROCEED, CHAIR GOLDBERG.

CHAIRMAN GOLDBERG: I'D LIKE TO PROCEED
WITH THE ITEM NO. 3, WHICH WAS THE CONSIDERATION OF
AMENDMENTS TO THE LOAN ADMINISTRATION POLICY PER THE
ORIGINAL AGENDA ITEM.

MS. BAUM: THIS IS ELONA BAUM, GENERAL
COUNSEL. I'LL BE PRESENTING FOR CONSIDERATION OF
THE AMENDMENTS.

FIRST, I WANTED TO THANK SCOTT FOR
PREPARING THE VERY IN-DEPTH MEMORANDUM AND, OF
COURSE, JAMES FOR YOUR INPUT AND SCOTT FOR YOUR
INPUT ALONG THE WAY.

WE HAVE FOUR AMENDMENTS TO DISCUSS. TWO
ARE MINOR OR UNDER A CLARIFICATION, TWO ARE MORE

BARRISTERS' REPORTING SERVICE

1 SUBSTANTIVE, AND I THOUGHT I WOULD JUST TAKE THEM IN
2 ORDER.

3 SO THE FIRST PROPOSED AMENDMENT OCCURS ON
4 PAGE 2. IT IS SECTION 1(D), AS IN DOG, OF THE LAP.
5 AND IT'S REALLY JUST CHANGING THE PHRASE "ONLY OFFER
6 GRANTS" AND REPLACING IT WITH "NOT OFFER LOANS" FOR
7 AMOUNTS LESS THAN \$3 MILLION PER AWARD. IT WAS
8 REALLY A CLARIFICATION, AND THAT WAS THE INTENT. SO
9 UNDER THIS NEW REVISION, IF THE AWARD IS LESS THAN
10 \$3 MILLION, UNLESS THE FINANCE SUBCOMMITTEE OF THE
11 ICOC, BASED ON A RECOMMENDATION FROM THE PRESIDENT,
12 REQUESTS OTHERWISE, CIRM WILL NOT OFFER A LOAN IF
13 IT'S AN AMOUNT LESS THAN \$3 MILLION. THAT'S THE
14 FIRST PROPOSED CHANGE.

15 THE SECOND PROPOSED CHANGE IS ON PAGE 7 OF
16 THE LAP THAT HAS BEEN PRESENTED. THAT ONE ALSO IS A
17 MINOR CLARIFICATION.

18 ACTUALLY I WANTED TO GET BACK -- MAKE A
19 STATEMENT WITH RESPECT TO THE MEMORANDUM THAT
20 ACCOMPANIED THIS AGENDA WITH RESPECT TO THE CHANGE
21 THAT I HAD STATED -- JUST TALKED ABOUT. THE MEMO
22 INDICATES THAT UNDER NO CIRCUMSTANCES IT WAS THE
23 INTENT OF THE ICOC TO OFFER A LOAN FOR LESS THAN \$3
24 MILLION. IT REALLY MEANT UNLESS THE FINANCE
25 SUBCOMMITTEE AGREES OTHERWISE. SO I JUST WANTED TO

BARRISTERS' REPORTING SERVICE

1 MAKE THAT CLARIFICATION.

2 NOW, AGAIN, RETURNING TO THE SECOND
3 PROPOSED AMENDMENT, PAGE 7, 5(F) OF THE LAP. IT'S
4 REALLY JUST A VERBIAGE CHANGE AGAIN AND TO ALSO MAKE
5 SURE THAT CIRM OBTAINS NOTICE IF THERE'S ANY INITIAL
6 PUBLIC OFFERINGS AND/OR, IN ESSENCE, RECEIPT OF
7 FOLLOW-ON FINANCING OBTAINED BY A GRANTEE. THIS IS
8 JUST TO ENABLE US TO BETTER TRACK OUR GRANTEES AND
9 FIND OUT HOW SUCCESSFUL THEY ARE. IT HAS NOTHING TO
10 DO WITH THIS AND WILL NOT TRIGGER AN ACCELERATION.
11 IT'S JUST A REPORTING REQUIREMENT.

12 THIRD CHANGE IS ON PAGES 10 AND 11, AND
13 THAT RELATES TO SECTION 5(G). NOW, THIS IS A MORE
14 DETAILED SET OF REQUIREMENTS, AND THE INTENT HERE
15 WAS TO BRING MORE CERTAINTY AND CLARIFICATION TO OUR
16 FORGIVENESS PROCESS AND TO, IN ESSENCE, ELIMINATE
17 THE TERMINOLOGY "SUSPENSION."

18 SO WHEN WE LAST MET, WHEN THE FINANCE
19 SUBCOMMITTEE LAST MET, WE WENT OVER A COUPLE OPTIONS
20 AND GOT A LOT OF GREAT INPUT. WHAT WE'VE DONE IS
21 TAKEN, I THINK, THE BEST ASPECTS OF TWO PROPOSED
22 ALTERNATIVES THAT WERE DISCUSSED DURING THE LAST
23 MEETING OF THE FINANCE SUBCOMMITTEE AND COMBINED
24 THEM TO SOME PROPOSED LANGUAGE HERE. AND WITH YOUR
25 INPUT TODAY, WE CAN DO FURTHER CHANGES IF FURTHER

BARRISTERS' REPORTING SERVICE

1 TWEAKS OR OTHER SUGGESTIONS ARE REQUIRED.

2 BUT, IN ESSENCE, WHAT THIS PROPOSED
3 LANGUAGE DOES IS WHAT HAD ORIGINALLY BEEN INTENDED
4 FROM THE OTHER SUGGESTED CHANGES THAT WERE DISCUSSED
5 THE LAST TIME. IT'S THAT WE WOULD HAVE AN AUTOMATIC
6 FORGIVENESS IN THE EVENT OF CERTAIN OCCURRENCES, THE
7 FIRST BEING THAT THE BORROWER HAS TO COMPLY WITH ALL
8 REPORTING REQUIREMENTS, THAT THE BORROWER EITHER
9 ABANDONED A CIRM-FUNDED PROJECT DURING A LOAN PERIOD
10 AND SUBMITTED A DECLARATION TO THAT EFFECT AND DID
11 NOT RESUME WORK ON SUCH PROJECT, OR THAT CIRM
12 TERMINATED THE PROJECT, AND THAT THE BORROWER HAD
13 FAILED TO OBTAIN AT LEAST ONE MARKET AUTHORIZATION
14 OR OTHERWISE HAD FAILED TO GENERATE REVENUE FROM A
15 CIRM-FUNDED INVENTION FOR CIRM-FUNDED TECHNOLOGY
16 ARISING IN WHOLE OR IN PART FROM THE PRODUCT-BACKED
17 LOAN.

18 THE INTENT AGAIN WAS TO MAKE THIS AN
19 AUTOMATIC FORGIVENESS IF THOSE TERMS HAD BEEN
20 SATISFIED, BUT WITH THE PROVISIO IN SECTION B THAT IT
21 WOULD AUTOMATICALLY, THE LOAN WOULD AUTOMATICALLY BE
22 REINSTATED IN THE EVENT THAT THE BORROWER OBTAINS
23 REVENUE FROM A CIRM-FUNDED INVENTION OR CIRM-FUNDED
24 TECHNOLOGY ARISING IN WHOLE OR IN PART FROM THAT
25 PRODUCT-BACKED LOAN. THERE ARE CERTAIN REQUIREMENTS

BARRISTERS' REPORTING SERVICE

1 SUCH THAT THE LOAN RECIPIENT WOULD BE REQUIRED TO
2 NOTIFY CIRM OF THIS REVENUE OR THIS EVENT, AND THAT
3 THE REINSTATEMENT WOULD BE ON THE TERMS THAT ARE
4 APPROVED BY THE FINANCE SUBCOMMITTEE.

5 SO RATHER THAN SETTING OUT SPECIFIC TERMS
6 ON THE INTEREST RATE FOR THE REINSTATED LOAN,
7 WHETHER OR NOT THERE IS ACCRUED INTEREST, WHAT THE
8 TERM WOULD BE, THESE WOULD ALL BE NEGOTIATED OR
9 DETERMINED, I SHOULD SAY, BY THE FINANCE
10 SUBCOMMITTEE.

11 AND THEN THE PROPOSED AMENDMENT FURTHER
12 PROVIDES THAT IF, AGAIN, THE PROJECT THAT'S BEEN
13 FUNDED TERMINATES WITHOUT SUCCESS, SO TO SPEAK,
14 WITHOUT ANY REVENUES BEING GENERATED, IT IS ENTITLED
15 TO FORGIVENESS, ONCE AGAIN; AND, OF COURSE,
16 LIKewise, IT WOULD BE ALSO REQUIRED TO HAVE A
17 REINSTATEMENT IF, ONCE AGAIN, IT RESUMES A
18 CIRM-FUNDED PROJECT.

19 SO THAT'S THE SUM AND SUBSTANCE OF THAT
20 PROPOSED AMENDMENT. I DON'T KNOW IF ANYONE WANTED
21 TO TAKE QUESTIONS OR IF I SHOULD MOVE ON TO THE
22 NEXT.

23 MR. ROTH: ELONA, IT'S DUANE. CAN YOU
24 EXPLAIN III, LITTLE I THREE, THE BORROWER HAS FAILED
25 TO OBTAIN?

BARRISTERS' REPORTING SERVICE

1 MS. BAUM: SO IN THE EVENT THAT YOU GO ALL
2 TO A PHASE III AND YOU JUST DON'T GET A MARKETING
3 AUTHORIZATION, THAT WAS INTENDED TO SORT OF
4 ENCOMPASS THAT LACK OF SUCCESS.

5 MR. ROTH: SO THEN IT'S COMING OFF OF
6 DOUBLE II, AND IT SAYS "AND." THAT'S THE CONNECTION
7 BETWEEN II AND III? SHOULDN'T IT BE OR?

8 MS. BAUM: WELL, I GUESS --

9 MR. ROTH: THEY'VE EITHER ABANDONED OR
10 THEY HAVE FAILED. AND THAT'S WHAT I WAS TRYING TO
11 FIGURE OUT. I'M NOT SURE WE NEED III.

12 MS. BAUM: CERTAINLY I -- YEAH. CERTAINLY
13 I HAS TO OCCUR.

14 MR. ROTH: YEAH. AND II HAS TO OCCUR,
15 THAT THEY HAVE TO DECLARE THEY ABANDONED.

16 MS. BAUM: RIGHT.

17 MR. ROTH: I'M NOT SURE III HAS
18 ANYTHING -- I MEAN IN THEORY -- IT'S THE
19 CONNECTIVITY THAT CAUSED ME TO ASK THE QUESTION. IT
20 SAID AND THE BORROWER HAS FAILED.

21 MS. BAUM: WELL, I GUESS IF YOU ABANDON,
22 TECHNICALLY SPEAKING, YOU SHOULD HAVE FAILED TO
23 GENERATE MARKET AUTHORIZATION.

24 CHAIRMAN KLEIN: THOSE WOULD BE MUTUALLY
25 EXCLUSIVE.

BARRISTERS' REPORTING SERVICE

1 MS. BAUM: THEY WOULD BE. WE CAN CHANGE
2 THE ARTICLES SO THAT WE MAKE SURE THAT CERTAINLY
3 THERE IS COMPLIANCE WITH THE REPORTING REQUIREMENTS
4 BECAUSE THAT'S FUNDAMENTAL.

5 MR. ROTH: I WANT THEM TO DECLARE
6 ABANDONMENT.

7 MS. BAUM: RIGHT.

8 MR. ROTH: THOSE TWO, I THINK, ARE FINE.
9 I'M NOT SURE III ADDS ANYTHING.

10 MS. KING: SO WE EITHER NEED TO MAKE THE
11 "AND" AN "OR" OR WE NEED TO GET RID OF III
12 ALTOGETHER.

13 CHAIRMAN KLEIN: IT PROBABLY NEEDS TO BE
14 AN OR.

15 MS. BAUM: I THINK IT SHOULD BE OR. MY
16 GUT WAS IS IT'S I AND II OR III.

17 MS. BAUM: WE NEED A DECLARATION.

18 MR. ROTH: THE DECLARATION WE NEED, BUT
19 I'M NOT SURE III -- JUST BECAUSE THEY FAILED TO GET
20 AT LEAST ONE MARKETING AUTHORIZATION, I'M NOT SURE
21 WHY WE WOULD FORGIVE THAT. THEY COULD CONTINUE TO
22 TRY. THEY HAVEN'T ABANDONED.

23 CHAIRMAN KLEIN: I THINK HE'S RIGHT HERE
24 BECAUSE AT THE END OF THE TERM, IF THEY'RE
25 CONTINUING TO TRY AND GET A MARKET AUTHORIZATION AND

BARRISTERS' REPORTING SERVICE

1 THEY'RE NOT ABANDONING THE PRODUCT, WHY SHOULD WE
2 FORGIVE THE LOAN?

3 MR. ROTH: THAT'S RIGHT.

4 CHAIRMAN GOLDBERG: THAT'S A GOOD CATCH.

5 CHAIRMAN KLEIN: IT'S I AND II. IT'S
6 ROMANETTE I AND II, AND III SHOULD GO AWAY.

7 MS. BAUM: WELL, I GUESS IT GETS TO THE
8 POINT OF WHAT'S ABANDONMENT BECAUSE IF YOU GO TO
9 PHASE III, IN MY MIND THAT'S NOT ABANDONING THE
10 PROJECT. THAT MEANS YOU JUST FAILED BECAUSE YOU
11 WENT ALL THE WAY THROUGH WITH YOUR PROJECT, AND THEN
12 YOU FAILED TO GET AN APPROVAL ANYWHERE IN THE WORLD.

13 MR. ROTH: BUT THAT'S TRUE, ELONA, EXCEPT
14 THAT UNTIL THEY DECLARE IT'S DEAD, WE WANT TO KEEP
15 THE LOAN IN FORCE. SO JUST BECAUSE THEY FAILED A
16 PHASE III AND THEY HAVEN'T RECEIVED ANY REVENUES
17 DOESN'T MEAN THEY'VE ABANDONED IT.

18 MS. BAUM: OKAY.

19 CHAIRMAN KLEIN: THEY MIGHT RUN ANOTHER
20 TRIAL.

21 MS. BAUM: YOU COULD RUN ANOTHER TRIAL.

22 MR. ROTH: THEY CAN KEEP GOING WITH ALL
23 THE TERMS AND CONDITIONS IN PLACE UNTIL THEY DECLARE
24 ABANDONMENT, AND THEY HAVE TO OBVIOUSLY COMPLY WITH
25 ALL OUR REPORTING. I DON'T THINK IT'S NECESSARY.

BARRISTERS' REPORTING SERVICE

1 WE CAN GIVE IT SOME MORE THOUGHT, BUT I THINK --

2 MS. BAUM: I SEE YOUR POINT THERE. I
3 GUESS OUR POINT IS I JUST THOUGHT IT WASN'T
4 ABANDONED, BUT YOU'RE RIGHT. IT MIGHT NOT BE
5 ABANDONED EVEN IF THEY FAIL TO GET APPROVAL. THAT'S
6 GOOD INPUT. THANK YOU.

7 ANY OTHER?

8 MR. TORRES: WHAT'S THE SOLUTION?

9 MS. KING: WE'RE GETTING RID OF III AND
10 PUTTING AN AND AFTER ROMANETTE I.

11 MR. TORRES: MY QUESTION IS HOW DOES I
12 ENSURE THE GENERATION OF REVENUE? THAT SEEMS TO BE
13 THE OTHER ISSUE IN ITEM ROMAN NUMERAL III, OR
14 OTHERWISE HAS FAILED TO GENERATE REVENUE.

15 MS. BAUM: THAT'S -- YEAH. YEAH. YEAH.
16 THAT'S RIGHT. THANK YOU. YOU'RE RIGHT BECAUSE I
17 EVEN -- YOU DON'T HAVE TO -- WE WOULD HAVE TO HAVE
18 ANOTHER SECTION, WHICH WE DO, EMBEDDED IN III THAT
19 SAYS THAT THEY'RE FORGIVEN UP UNTIL THE AMOUNT OF
20 WHAT THE REVENUE IS GENERATED.

21 MR. TORRES: WHERE IS THAT STATED?

22 MS. BAUM: IT'S AT THE END OF THE TERM.

23 CHAIRMAN KLEIN: IT'S IN SUB-B.

24 MS. BAUM: SUB-B TOWARDS THE END. THE
25 VERY LAST SENTENCE. WE WOULD JUST NEED TO SORT OF

BARRISTERS' REPORTING SERVICE

1 HAVE THAT BROUGHT OUT.

2 MR. TORRES: THAT EVEN SPEAKS MORE TO
3 DELETE ITEM III THEN.

4 MS. BAUM: WE MAKE THAT A C BECAUSE THAT
5 SHOULD APPLY IN BOTH INSTANCES. IF YOU EMBED THAT
6 IN B, IT IMPLIES IT'S ONLY UPON REINSTATEMENT.

7 CHAIRMAN GOLDBERG: BOB KLEIN HAD A
8 COMMENT ON EXISTING PARAGRAPH B.

9 CHAIRMAN KLEIN: ELONA, SUB-B AT THE END,
10 AS YOU REFERENCED A MOMENT AGO, SAYS IF AT THE END
11 OF THE TERM OF SUCH REINSTATED LOAN, THE REVENUE
12 RECEIVED FROM CIRM-FUNDED INVENTIONS OR CIRM-FUNDED
13 TECHNOLOGIES IS LESS THAN THE PRINCIPAL AND ANY
14 ACCRUED INTEREST, ANY PRINCIPAL AND ACCRUED INTEREST
15 IN EXCESS OF THE REVENUE RECEIVED FROM THE
16 CIRM-FUNDED INVENTION OR CIRM-FUNDED TECHNOLOGY
17 SHALL BE FORGIVEN. WHY IS THAT? I MEAN THEY GO
18 THROUGH TEN YEARS AND IN YEAR NINE IT JUST STARTED
19 PAYING. IT'S A REVENUE STREAM THAT MAY GO ON FOR
20 THE NEXT TEN YEARS. WHY IS IT THAT WE CUT OFF THE
21 REVENUE STREAM AFTER ONE YEAR?

22 MS. BAUM: THAT GETS TO THE POINT OF WHAT
23 THE REINSTATED TERM IS. I THINK THAT YOU AS THE
24 FINANCE SUBCOMMITTEE WOULD HAVE TO PROVIDE A TERM
25 THAT WOULD BE LONG ENOUGH SO THAT YOU COULD

BARRISTERS' REPORTING SERVICE

1 RECAPTURE A REPAYMENT, BUT AT SOME POINT, BY
2 DEFINITION, WE HAVE TO DEFINE WHAT A LACK OF SUCCESS
3 IS.

4 CHAIRMAN KLEIN: BUT LET'S SAY THAT IT'S
5 STARTING TO CREATE REVENUE. THEY DON'T HAVE TO PAY
6 US BACK OUT OF REVENUE. NORMALLY IF IT'S SUCCESSFUL
7 AND IT'S COMMERCIAL, THEY COULD GO BORROW THE MONEY
8 FROM SOMEWHERE ELSE IF IT'S NOW COMMERCIAL
9 SUCCESSFUL. WHY WOULD WE HAVE TO EXTEND THE TERM TO
10 BE SUFFICIENT FOR THEM TO PAY IT OFF OF CURRENT
11 REVENUE? I DON'T UNDERSTAND THAT.

12 MS. BAUM: I THINK THAT WE WERE TRYING TO
13 GET TO HOW TO DEFINE SUCCESS BECAUSE WHAT WE HAVE
14 HERE IS A PRODUCT-BACKED LOAN THAT DEPENDED ON
15 SUCCESS OF THE PRODUCT.

16 CHAIRMAN KLEIN: RIGHT. SO IF THE PRODUCT
17 IS SUCCESSFUL AND THERE IS REVENUE BEING GENERATED,
18 RIGHT, THEN THEY CAN EITHER COME TO US AND SAY
19 THERE'S NOT ENOUGH REVENUE TO PAY IT BACK. WE NEED
20 AN EXTENSION OF THE TERM TO WHERE WE CAN BUILD IT UP
21 ENOUGH SO WE CAN BORROW THE MONEY, OR THEY COULD PAY
22 IT OFF. AT THAT POINT THE CONCEPT SHOULD BE IS IT
23 SUCCESSFUL OR NOT SUCCESSFUL, NOT IF THE REVENUE
24 DURING THE TERM HAS BEEN SUFFICIENT TO REPAY IT.

25 MS. BAUM: IF THE ANTICIPATED REVENUE

BARRISTERS' REPORTING SERVICE

1 SCHEME IS SUCH THAT IT WOULD ENABLE DEBT TO BE
2 OBTAINED, THAT SHOULD BE -- THEN THEY SHOULD BE HELD
3 TO REPAYMENT. I UNDERSTAND THAT. I THINK THE TRICK
4 WAS TRYING TO DRAFT SOME LANGUAGE THAT PROVIDED
5 ENOUGH CERTAINTY AS TO WHEN THERE WOULD ULTIMATELY
6 BE SOME FORGIVENESS, AND THAT ENTAILED DEFINING WHAT
7 A SUCCESSFUL PRODUCT IS. WE COULD DRAFT SOME
8 LANGUAGE AROUND A REVENUE STREAM.

9 I THOUGHT THAT IMPLICIT IN THE SECOND OR
10 FIRST SENTENCE ABOVE THAT, ENABLING THE FINANCE
11 SUBCOMMITTEE TO DETERMINE THE TERMS, THAT THAT WOULD
12 SORT OF BE DONE IN SUCH A WAY AS TO ENSURE PAYMENT.
13 SO YOU WOULD -- ALL THOSE TERMS WOULD BE, SO TO
14 SPEAK, INCORPORATED INTO THE RESTATED TERMS.

15 CHAIRMAN KLEIN: SO THE OPERATIVE TERM
16 HERE IS REVENUE, AND IT'S NOT NECESSARILY REVENUE.

17 MR. TORRES: I'M SORRY. ANY COMPANY
18 LOOKING AT THIS WILL NOT KNOW WHAT TO EXPECT OR WHAT
19 THE GROUND RULES ARE. THIS NEEDS TO BE REDRAFTED
20 AGAIN.

21 MS. BAUM: YEAH. SO REVENUE IS MORE
22 NARROW THAN INCOME. IF YOU USE THE TERM "INCOME,"
23 IT COULD BE INCOME THROUGH DEBT. THEN IT'S EVEN
24 MORE UNCERTAIN. BUT I SEE YOUR POINT. YOU WANT TO
25 HAVE -- THAT'S -- AND, ART, I SEE YOUR POINT TOO IN

BARRISTERS' REPORTING SERVICE

1 THAT THERE'S UNCERTAINTY AS TO WHAT THE TERMS WOULD
2 BE. SO -- BUT WE HAD THOUGHT ABOUT, WELL, DO WE
3 WANT TO DECIDE NOW WHAT THE TERM OF REPAYMENT WOULD
4 BE, WHAT THE INTEREST RATE WOULD BE, WHETHER OR NOT
5 THERE WOULD BE ACCRUED INTEREST REPAYMENT, AND WHEN.

6 MR. TORRES: THE DETAILS ARE ALWAYS UP FOR
7 OBVIOUS NEGOTIATION. I'M JUST MORE CONCERNED ABOUT
8 THE FUNDAMENTALS, THAT ANYONE LOOKING AT THIS WOULD
9 HAVE TO SAY, OKAY, THOSE ARE THE RULES AND THIS IS
10 WHAT I HAVE TO COMPLY WITH. RIGHT NOW I DON'T THINK
11 IT'S CLEAR.

12 THE OTHER ISSUE IS ONE THAT DUANE
13 MENTIONED LAST TIME IS WHAT IS A PRODUCT. HE WAS
14 CONCERNED, AS WAS I, THAT PRODUCT DOES NOT SEEM TO
15 BE DEFINED YET. WE WERE GOING TO LOOK FOR A
16 DEFINITION OF PRODUCT. IS MY MEMORY CORRECT, DUANE?

17 MR. ROTH: I DON'T KNOW IF THAT'S -- IF
18 THAT WAS EXACTLY THE POINT. I THINK PRODUCT IS
19 DEFINED BECAUSE THESE ARE PRODUCT LOANS, AND THE
20 PRODUCT -- I THINK I REMEMBER. IT'S DERIVATIVES
21 THEREOF.

22 MR. TORRES: RIGHT. YOU WERE CONCERNED
23 THAT IF THERE'S ONE PRODUCT, THEN THEY SWITCH.

24 MR. ROTH: THEY CHANGE SOMETHING A LITTLE
25 BIT AND SAY THAT IT'S A DIFFERENT PRODUCT. I THINK

BARRISTERS' REPORTING SERVICE

1 I RECALL THAT THERE WAS IN THE TERMINOLOGY HERE, IT
2 SAYS "AND DERIVATIVES THEREOF."

3 MR. TORRES: WHERE IS THE DEFINITION OR
4 REFERENCE TO THAT?

5 MS. BAUM: WHAT WE DO IS WE DEFINE THE
6 PROJECT. SO I THINK THAT PRODUCT IS A MISNOMER.
7 WE'RE DEFINING THE PROJECT.

8 MR. TORRES: WELL, THEN WE SHOULD CALL IT
9 PROJECT-BACKED LOAN, NOT PRODUCT-BACKED LOAN.

10 MS. BAUM: I'M MAKING THAT NOTATION. IT
11 SEEMS LIKE WE'LL HAVE TO MAKE SOME MORE REVISIONS TO
12 THIS FOR THE NOVEMBER 11TH.

13 MS. KING: JAMES HARRISON, THIS IS
14 MELISSA. I JUST HAVE A QUESTION. EVERYTHING THAT
15 THE SUBCOMMITTEE DOES TODAY WILL BE REFERRED TO THE
16 BOARD ANYWAY, CORRECT?

17 MR. HARRISON: THAT'S CORRECT. ALTHOUGH
18 BECAUSE OF THE ADMINISTRATIVE PROCEDURE ACT,
19 ADDITIONAL CHANGES THAT WE MAKE WILL REQUIRE A
20 15-DAY NOTICE PERIOD.

21 MS. KING: THANK YOU FOR THAT. I'M JUST
22 GETTING CONCERNED BECAUSE I KNOW WE LOSE DR. PIZZO
23 IN APPROXIMATELY FIVE MINUTES, AND THIS DOESN'T
24 SOUND ANYWHERE CLOSE TO RESOLUTION.

25 MR. HARRISON: COULD I JUST MAKE ONE

BARRISTERS' REPORTING SERVICE

1 COMMENT ABOUT THE LAST QUESTION? WE DO DEFINE THE
2 TERM "CIRM-FUNDED PROJECT," AND THEN WE DEFINE THE
3 TERM "PRODUCT-BACKED LOAN," WHICH MAKES REFERENCE TO
4 A CIRM-FUNDED PROJECT.

5 MR. ROTH: IS THERE DERIVATIVES THEREOF?

6 MR. HARRISON: NO, WE DO NOT HAVE THAT
7 LANGUAGE.

8 MR. TORRES: THANK YOU.

9 CHAIRMAN KLEIN: JAMES, ISN'T IT ANY
10 PRODUCT DERIVED FROM THE PROJECT?

11 MS. BAUM: YES. IT'S ACTUALLY THE
12 INVENTION.

13 MR. ROTH: REALLY TECHNICALLY IT SHOULD BE
14 THESE ARE PRODUCT-BACKED LOANS, AND THAT'S WHAT THEY
15 SHOULD STAY. WE SHOULDN'T BE REALLY CALLING THEM
16 PROJECTS.

17 CHAIRMAN KLEIN: THE DEFINITION OF
18 PROJECT --

19 MR. ROTH: THEY'RE TIED TOGETHER.

20 CHAIRMAN KLEIN: SO, DUANE, THE DEFINITION
21 OF PRODUCT IS SET UP TO MEET YOUR NEEDS BY REFERRING
22 TO ANY PRODUCT, MEANING COULD BE MULTIPLE PRODUCTS,
23 THAT ARE DERIVATIVE OF A PROJECT THAT WE FUND.

24 MR. ROTH: YEAH. SO JUST ONE COMMENT ON
25 THE PREVIOUS DISCUSSION WE WERE HAVING. I THINK

BARRISTERS' REPORTING SERVICE

1 WHAT WAS INTENDED ON THAT LAST SENTENCE WAS TO --
2 THE CONCEPT HERE IS SOMEBODY ABANDONS THIS PRODUCT
3 OR PROJECT AND SOMEBODY ELSE IS LOOKING AT THIS AND
4 SAYING I WANT TO PICK IT UP, BUT I WANT TO KNOW WHAT
5 THE TERMS ARE. AND IF THE TERMS ARE ONEROUS,
6 THEY'RE NOT GOING TO DO IT. THAT'S WHEN WE WANTED
7 THEM TO KNOW THAT THERE WOULD BE SOME KIND OF
8 FORGIVENESS, BUT I THINK IT'S EASIER TO SAY THAT WE
9 LEAVE THAT OPEN TO BE NEGOTIATED WITH THE FINANCE
10 COMMITTEE AND APPROVED BY THE BOARD.

11 CHAIRMAN GOLDBERG: DUANE, I THINK THAT'S
12 RIGHT.

13 MR. ROTH: THAT'S WHAT WE'RE ATTEMPTING TO
14 DO, AND I DON'T THINK IT CAME ACROSS RIGHT. IF WE
15 LEAVE IT WITHOUT THAT SENTENCE, THEY HAVE THE
16 ABILITY -- SOMEBODY CAN READ THIS DOCUMENT WHO'S
17 THINKING ABOUT PICKING UP A PATENT, FOR EXAMPLE, AND
18 MOVING FORWARD, BUT IT'S GOING TO BE TIED TO THIS
19 LOAN, AND THEY CAN SEE THERE'S AN OPPORTUNITY TO
20 HAVE A DISCUSSION WITH CIRM ON THE TERMS OF THAT
21 LOAN. AND THAT'S PROBABLY WHAT WE WANT.

22 CHAIRMAN GOLDBERG: SO WITH RESPECT TO
23 THIS SECTION, STAFF WILL DO A REDRAFT. WHAT WOULD
24 BE THE PROCEDURE GOING FORWARD, JAMES?

25 MR. HARRISON: ONCE THE LANGUAGE IS

BARRISTERS' REPORTING SERVICE

1 REDRAFTED, MICHAEL, WE'D HAVE TO HAVE THE LANGUAGE
2 POSTED FOR A 15-DAY PUBLIC COMMENT PERIOD BEFORE
3 IT'S ULTIMATELY APPROVED BY THE BOARD.

4 MS. KING: WHICH MEANS IT CANNOT BE
5 APPROVED BY THE BOARD BEFORE -- AT THE NOVEMBER 11TH
6 MEETING.

7 MR. HARRISON: CORRECT. IT MEANS WE WOULD
8 HAVE TO PUT THIS ON THE AGENDA FOR THE DECEMBER
9 8TH-9TH MEETING.

10 CHAIRMAN GOLDBERG: THANK YOU. ELONA, CAN
11 YOU TAKE US THROUGH THE LAST POINT?

12 MS. BAUM: AND THEN THE LAST ONE IS NO
13 CHANGES WERE MADE SINCE THE LAST TIME WE DISCUSSED
14 THIS AT THE LAST FINANCE SUBCOMMITTEE MEETING. THE
15 CHANGE WAS PROVIDED TO PROVIDE MORE CERTAINTY,
16 AGAIN, WITH RESPECT TO THE LOAN REVIEW AND APPROVAL
17 PROCESS. AND WE HAVE TWO DECISION POINTS. STAFF IS
18 RECOMMENDING OPTION A, BUT I'LL GO THROUGH IT.

19 THE APPLICANT MUST INDICATE ITS PREFERENCE
20 FOR A PRODUCT-BACKED OR A COMPANY-BACKED LOAN. IT
21 SHOULD HAVE BEEN ALWAYS THERE. THE LOAN APPLICANT
22 WILL BE REQUIRED TO SUBMIT FINANCIAL INFORMATION
23 PURSUANT TO CIRM OR ITS AGENT'S REQUEST. DECISION
24 ONE IS THEN THE ICOC MAY DECLINE TO AWARD A LOAN ON
25 ONE OR MORE LEGAL OR FINANCIAL GROUNDS, INCLUDING,

BARRISTERS' REPORTING SERVICE

1 BUT NOT LIMITED TO, RISK OF ATTACHMENT, BANKRUPTCY,
2 OR INSOLVENCY OR FAILURE TO MEET INDUSTRY STANDARDS
3 FOR FINANCIAL PRACTICES OR ADHERE TO GENERALLY
4 ACCEPTED ACCOUNTING PRINCIPLES. THAT'S DECISION A.

5 OPTION B WOULD BE THAT, IN ADDITION TO
6 BEING ABLE TO REJECT THE LOAN ON SCIENTIFIC AND
7 PROGRAMMATIC GROUNDS, THE ICOC MAY REJECT THE LOAN
8 ON ANY OF THE FOLLOWING, AND THESE ARE MUCH MORE
9 LIMITED. ONE, FAILURE OF GOOD LEGAL STANDING,
10 HISTORY OF LEGAL NONCOMPLIANCE, EVIDENCE OF A
11 SIGNIFICANT RISK OF ATTACHMENT, BANKRUPTCY, OR
12 INSOLVENCY THAT THREATEN THE PERFORMANCE OF THE
13 PROJECT, OR FAILURE TO ADHERE TO GENERALLY ACCEPTED
14 ACCOUNTING PRINCIPLES.

15 OPTION B, AS YOU NOTE, IS MUCH MORE
16 LIMITED IN TERMS OF GROUNDS UNDER WHICH A LOAN CAN
17 ULTIMATELY BE DENIED, WHICH IS WHY STAFF IS
18 RECOMMENDING OPTION A.

19 CHAIRMAN GOLDBERG: JAMES, DO WE NEED TO A
20 VOTE ON THIS, OR IS DISCUSSION ADEQUATE?

21 MR. HARRISON: WELL, IT DEPENDS, MICHAEL,
22 WHETHER WE WANT TO GO FORWARD WITH THE OTHER
23 AMENDMENTS AND APPROVE THOSE NOW AND ASK THE BOARD
24 TO APPROVE THEM AT THE TELEPHONIC MEETING ON THE
25 11TH OR WHETHER WE WANT TO PRESENT ALL OF THESE

BARRISTERS' REPORTING SERVICE

1 CHANGES AGAIN AS A FULL PACKAGE ONCE THE AMENDMENTS
2 MEMBERS REQUESTED TODAY ARE COMPLETED.

3 CHAIRMAN GOLDBERG: IS THERE A MATERIAL
4 IMPACT ON ANY OF THE OPERATIONS OF THE INSTITUTE IF
5 WE DON'T APPROVE OR REJECT SOME OF THE AMENDMENTS
6 WHICH THERE'S NO --

7 MS. BAUM: NO. I DON'T BELIEVE THERE IS.

8 CHAIRMAN GOLDBERG: MY RECOMMENDATION,
9 UNLESS OTHER MEMBERS OF THE COMMITTEE OBJECT, WOULD
10 BE THAT WE BRING IT BACK AS A PACKAGE TO THE BOARD.

11 DR. PIZZO: I AGREE WITH THAT. I THINK
12 TRYING TO TAKE THINGS OUT OF CONTEXT WILL CONFUSE
13 PEOPLE.

14 CHAIRMAN GOLDBERG: OKAY. IS THERE ANY
15 FINAL COMMENTS BEFORE WE LOSE DR. PIZZO ON THIS
16 POINT?

17 MR. ROTH: WE HAVE TO MAKE A DECISION ON A
18 OR B?

19 MS. KING: I THINK ALL OF IT IS COMING
20 BACK.

21 MR. ROTH: LET'S GIVE THEM SOME GUIDANCE
22 HERE. SO WE'VE GOT SOME REWORDING TO DO ON THE
23 PREVIOUS ONE. AND THIS ONE, I CERTAINLY WOULD
24 SUPPORT OPTION A WITH ONE QUESTION. AND THAT IS
25 THIS TERM "GENERALLY ACCEPTED ACCOUNTING

BARRISTERS' REPORTING SERVICE

1 PRINCIPLES," GAP. THAT, I TAKE IT, IS NOT A DEFINED
2 TERM BECAUSE WE CAN'T HOLD PEOPLE TO CERTAIN
3 STANDARDS ON THEIR ACCOUNTING.

4 CHAIRMAN GOLDBERG: I THINK GAP IS A
5 DEFINED TERM.

6 MR. ROTH: THAT'S WHY I'M A LITTLE
7 CONCERNED ABOUT IT. I SUPPORT THE IDEA THAT WE CAN
8 REJECT SOMETHING ON THE BASIS OF THEIR FINANCIAL
9 ACCOUNTING, BUT WHETHER IT HAS TO BE GAP ACCOUNTING
10 IS WHAT I'M ASKING.

11 CHAIRMAN KLEIN: LET ME ASK THIS QUESTION
12 BECAUSE I AGREE WITH DUANE. WE DON'T WANT TO LIMIT
13 OURSELVES TO GAP BECAUSE THERE MAY BE EXCEPTIONS TO
14 THESE SMALL BIOTECH START-UPS AND THEIR ACCOUNTING.

15 MY UNDERSTANDING, ELONA, IS THAT THIS
16 IS -- YOU CAN USE GAP AS A BASIS OF DENIAL, BUT IT
17 IS NOT NECESSARY THAT YOU DO.

18 MS. BAUM: RIGHT. THIS IS INCLUDING BUT
19 NOT LIMITED TO, AND GAP WAS THE -- FAILURE TO MEET
20 GAP WAS JUST ONE OF MANY THAT COULD BE INCLUDED.

21 MR. ROTH: I SUPPORT A.

22 CHAIRMAN GOLDBERG: I SUPPORT A. DO WE
23 NEED TO TAKE A VOTE ON THIS, JAMES?

24 MR. HARRISON: NO, I DON'T THINK THAT'S
25 NECESSARY, MICHAEL. WE'LL BRING BACK THE REVISED

BARRISTERS' REPORTING SERVICE

1 LANGUAGE WITH OPTION A AS THE LANGUAGE.

2 CHAIRMAN GOLDBERG: EXACTLY. ANY COMMENTS
3 FROM MEMBERS OF THE PUBLIC?

4 MS. KING: WE DO HAVE THOSE HERE IN SAN
5 FRANCISCO. DR. PIZZO, DO YOU BY ANY CHANCE HAVE
6 ANOTHER FIVE MINUTES TO STAY WITH US?

7 DR. PIZZO: I HAVE ABOUT THREE OR UNTIL
8 MARY CALLS ME. I'M WAITING TO BE CALLED INTO A BIG
9 MEETING.

10 CHAIRMAN KLEIN: IS THERE AN ACTION ITEM?

11 MR. HARRISON: NO, I DON'T BELIEVE THERE
12 IS.

13 MS. KING: WHAT ABOUT THE PROPOSED
14 ADDITIONAL ITEMS?

15 MR. HARRISON: THE BOARD HAS ALREADY VOTED
16 TO TAKE -- SUBCOMMITTEE HAS ALREADY VOTED TO
17 ENTERTAIN THOSE, AND I BELIEVE THEY'RE JUST FOR
18 DISCUSSION PURPOSES TODAY.

19 MS. KING: SO THEY'RE JUST FOR DISCUSSION.
20 OKAY. GREAT.

21 CHAIRMAN GOLDBERG: DR. PIZZO, YOU'RE FREE
22 TO GO WHENEVER YOU'RE CALLED.

23 DR. PIZZO: OKAY. VERY GOOD. I'LL WAIT
24 UNTIL I AM.

25 CHAIRMAN GOLDBERG: LET'S PROCEED WITH --

BARRISTERS' REPORTING SERVICE

1 MS. KING: COMMENTS IN SAN FRANCISCO,
2 PUBLIC COMMENTS IN SAN FRANCISCO.

3 CHAIRMAN GOLDBERG: PLEASE GO AHEAD.

4 MR. PLUNKETT: MATTHEW PLUNKETT, CHIEF
5 FINANCIAL OFFICER AT IPERIAN. IPERIAN IS THE ONLY
6 COMPANY THAT WAS RECOMMENDED TO RECEIVE FUNDING ON
7 THE LATEST ROUND OF EARLY TRANSLATIONAL II AWARDS.

8 AS THIS LOAN PROGRAM HAS GOTTEN MORE REAL
9 AS WE RECEIVED A FAVORABLE REVIEW SCORE AND SO
10 FORTH, WE'VE HAD AN OPPORTUNITY TO REVIEW INTERNALLY
11 IN GREAT DETAIL ALL THESE PROPOSED REGULATIONS.
12 FROM A BUSINESS AND A LEGAL PERSPECTIVE, I'D SAY
13 THAT THEY'RE VERY TOUGH AND, IN SOME CASES,
14 BURDENSOME RESTRICTIONS. WE ARE PREPARED TO ACCEPT
15 ALL OF THESE TERMS, AND I DO COMMEND THE COMMITTEE
16 FOR DOING A GOOD JOB OF BALANCING THESE NEEDS OF THE
17 PUBLIC WITH CIRM'S MISSION IN THIS CASE.

18 THERE IS ONE ECONOMIC ISSUE IN THIS
19 PROPOSED LOAN POLICY WHICH I THINK WE FIND VERY
20 DIFFICULT TO STOMACH, AND THAT'S THE PROPOSED
21 WARRANT COVERAGE. IPERIAN TODAY WOULD QUALIFY FOR A
22 LOAN WITH 50-PERCENT WARRANT COVERAGE. AT THE
23 OPPORTUNITY WHEN I HAD TO FIRST GET INVOLVED IN THE
24 DISCUSSION A YEAR AGO, THE PROPOSED RANGE OF WARRANT
25 COVERAGE WAS 10 TO 20 PERCENT. THE 50-PERCENT

BARRISTERS' REPORTING SERVICE

1 WARRANT COVERAGE IS HIGHLY DILUTIVE. THIS IS
2 EXTREMELY EXPENSIVE CAPITAL FOR IPERIAN. AND THIS
3 IS NOT SOMETHING THAT WE ARE PREPARED TO ACCEPT
4 UNDER THOSE TERMS.

5 CHAIRMAN GOLDBERG: THANK YOU. I'M TRYING
6 TO DECIDE IF THAT WAS A COMMENT RELATED TO THE LAST
7 AGENDA ITEM. I WILL TABLE IT AND WE CAN RECONSIDER
8 IT IN LIGHT OF THE DISCUSSION OF WARRANTS.

9 MR. PLUNKETT: GREAT. THANK YOU, MICHAEL.

10 CHAIRMAN KLEIN: SPECIFICALLY MICHAEL IS
11 REFERRING TO THE FACT THAT ON THE SUPPLEMENTAL ITEMS
12 THAT ARE ADOPTED FOR DISCUSSION TODAY, ITEM 1
13 SPECIFICALLY LOOKS AT GIVING A LOAN APPLICANT AN
14 ALTERNATIVE TO WARRANTS IN SOME TYPE OF A MULTIPLE
15 LOAN PAYBACK, IF THERE IS A HIGHLY SUCCESSFUL
16 PRODUCT. SO WE'RE GOING TO -- IT'S IN THAT CONTEXT
17 I THINK MICHAEL MADE HIS POINT TO YOU.

18 MR. PLUNKETT: GOT YOU. THANK YOU.

19 CHAIRMAN GOLDBERG: LET ME ASK STAFF WITH
20 REGARD TO THE RECENTLY ADDED ITEMS 1 AND 2 ON THE
21 WARRANT COVERAGE AND ON THE PROPOSAL TO REQUIRE
22 FOR-PROFIT ENTITIES TO TAKE ALL OR A PORTION OF
23 THEIR AWARDS AS LOANS, ARE THERE TIMING OR
24 SEQUENCING CONSIDERATIONS THAT WE SHOULD ADOPT GIVEN
25 THE COMMITTEE'S ALLOCATED TIME FOR THIS CALL REMAINS

BARRISTERS' REPORTING SERVICE

1 ABOUT 20 TO 25 MINUTES?

2 MS. KING: I BELIEVE THESE ITEMS ARE
3 CURRENTLY FOR DISCUSSION PURPOSES ONLY ACCORDING TO
4 MR. HARRISON, SO I THINK YOU'RE FINE HOWEVER YOU
5 WOULD LIKE TO PROCEED, MICHAEL.

6 CHAIRMAN GOLDBERG: WHY DON'T WE
7 PROCEED -- MEMBERS OF THE COMMITTEE, DO YOU HAVE ANY
8 PREFERENCE?

9 DR. PIZZO: I'M BEING CALLED OUT. BYE-BYE
10 NOW.

11 MR. SHEEHY: I THINK I WOULD DO THE
12 WARRANT ISSUE FIRST. IT'S MORE WISE.

13 CHAIRMAN GOLDBERG: LET'S PROCEED TO THE
14 WARRANT ISSUE. I'M GOING TO TURN IT OVER TO
15 CHAIRMAN KLEIN, WHO PUT THIS ON THE AGENDA.

16 CHAIRMAN KLEIN: SO THE REASON THAT I
17 BROUGHT THIS UP FOR DISCUSSION IS THAT WHETHER IT'S
18 DILUTIVE OR NOT, THERE ARE ACCOUNTING ISSUES THAT
19 COULD ENCUMBER A COMPANY IN TERMS OF WANTING TO
20 ACCEPT A LOAN BURDENED BY WARRANTS. AND SO THE
21 QUESTION WAS IN MY MIND COULD WE CREATE KIND OF A
22 SYSTEM OF CLEAN ALTERNATIVES, SOME MULTIPLE PAYBACK
23 IN LIEU OF WARRANTS BASED UPON THE FINANCIAL SUCCESS
24 JUST LIKE WE HAVE TIERS IN THE IP POLICY FOR
25 DIFFERENT LEVELS OF SUCCESS OF A PRODUCT, WHERE AT

BARRISTERS' REPORTING SERVICE

1 DIFFERENT TIERS, YOU'D HAVE A DIFFERENT MULTIPLE
2 PAYBACK ON THE LOAN. THAT WOULD ELIMINATE THE
3 WARRANT.

4 AND, ELONA, COULD YOU DISCUSS WITH US THIS
5 ISSUE OF THE DILUTION EFFECT, AND I'D ALSO LIKE TO
6 HEAR FROM THE MEMBER OF THE PUBLIC ON THE DILUTION
7 EFFECT ISSUE.

8 MS. BAUM: BOB, I'LL BE FRANK WITH YOU.
9 I'M NOT AN ACCOUNTANT, SO I REALLY CAN'T COMMENT ON
10 THIS DILUTIVE EFFECT. I JUST UNDERSTAND FROM
11 HEARING FROM THE PUBLIC OCCASIONALLY THAT THERE'S
12 CERTAINLY, EVEN IF IT'S NOT DILUTIVE, THERE'S
13 PERCEIVED DIFFICULTIES IN OBTAINING VENTURE CAPITAL
14 IF AND WHEN THEY HAVE WARRANTS. SO I THINK IT'S
15 BEST TO HEAR FROM THE PUBLIC ON THAT.

16 CHAIRMAN KLEIN: RIGHT. JUST SO THAT
17 WE'RE ALL ON THE SAME FOUNDATION, IF THERE'S A \$10
18 MILLION LOAN AND IT'S 50 PERCENT WARRANTS, THAT'S 50
19 PERCENT OF THE AMOUNT OF THE LOAN. IT'S \$5 MILLION
20 OF WARRANTS. IS THAT WHAT WE'RE TALKING ABOUT?

21 MS. BAUM: IT'S OF THE LOAN. PEOPLE SEEM
22 TO SOMETIMES --

23 MR. ROTH: YES. IT'S 50 PERCENT OF THE
24 LOAN AMOUNT, YES.

25 CHAIRMAN KLEIN: AND SO IF THE INDIVIDUAL

BARRISTERS' REPORTING SERVICE

1 FROM IPERIAN COULD REPEAT HIS NAME, AND PLEASE
2 EDUCATE US IN TERMS OF THE DOLLAR AMOUNT OF THE LOAN
3 THEY'D BE LOOKING AT, WHAT THE DILUTIVE EFFECT WOULD
4 BE TO THEM THAT HE WAS EVALUATING TO BE BURDENSOME.

5 MR. PLUNKETT: THANK YOU, CHAIRMAN KLEIN.
6 MATTHEW PLUNKETT. I'M THE CHIEF FINANCIAL OFFICER
7 AT IPERIAN.

8 SO THE AWARD REQUEST FOR THE EARLY
9 TRANSLATIONAL II CYCLE IS EITHER 5.6 OR \$5.7
10 MILLION. I CAN'T REMEMBER WHERE THE ROUNDING ENDED
11 UP ON THAT ONE. SO THAT WOULD BE FOR IPERIAN
12 WARRANTS ON APPROXIMATELY \$2.8 MILLION WORTH OF OUR
13 COMMON OR PREFERRED STOCK ACCORDING TO THE PROPOSED
14 REGULATIONS.

15 WE HAVE NOT PUBLICLY DISCLOSED OUR LAST
16 ROUND VALUATION, BUT SUFFICE IT TO SAY THAT WE HAVE
17 RAISED ABOUT \$60 MILLION TO DATE, AND SO THAT DOES
18 REPRESENT A VERY SIGNIFICANT PORTION OF THE EQUITY
19 CAPITAL OF THE COMPANY.

20 CHAIRMAN KLEIN: SO LET ME ASK THIS
21 QUESTION. AND, DUANE, MAYBE YOU COULD COMMENT ON
22 THIS. THE WARRANTS ARE BASED UPON THE LAST ROUND AT
23 THE TIME OF THE COMMERCIAL SUCCESS; IS THAT CORRECT?

24 MR. ROTH: IT'S BASED AS THEY PULL DOWN
25 THE MONEY.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN KLEIN: AS THEY PULL DOWN THE
2 MONEY.

3 MR. ROTH: SO IF IT'S A LUMP SUM, THEN THE
4 WARRANTS WOULD BE -- 2.8 MILLION WORTH OF WARRANTS
5 AT THEIR LAST VALUATION. STRIKE PRICE WOULD BE
6 THEIR LAST FINANCING ROUND. IF THEY ONLY TAKE DOWN
7 A PORTION OF IT AND THEY HAVE ANOTHER ROUND IN
8 BETWEEN, THEN WE GET WARRANTS AT THAT ROUND WHEN
9 THEY GET THEIR MONEY PAID.

10 CHAIRMAN KLEIN: SO IT'S PROPORTIONATE.
11 SO IF THEY DRAW THE MONEY OVER FOUR YEARS, THEY'D
12 GET A FORTH OF THE WARRANTS BASED UPON WHATEVER THE
13 LAST VALUATION WAS RELATED TO EACH OF THOSE
14 DRAW-DOWNS?

15 MR. ROTH: CORRECT.

16 CHAIRMAN KLEIN: SO LET ME ASK THIS
17 QUESTION, THEN, OF IPERIAN. IF YOU HAD A CHOICE
18 WHERE YOU COULD CHOOSE TO DO A MULTIPLE PAYBACK OF
19 THE LOAN BASED UPON SOME RATABLE FORMULA RELATED TO
20 THE LEVEL OF COMMERCIAL SUCCESS, WOULD THAT BE LESS
21 BURDENSOME FOR YOU?

22 MR. PLUNKETT: CHAIRMAN KLEIN, CAN YOU
23 GIVE ME A BOOKEND RANGE? IS IT 50 TO 100 X OR IS IT
24 3 TO 5 X OR 1 TO 2 X?

25 MR. SHEEHY: I THINK IT'S 3 X, ISN'T IT,

BARRISTERS' REPORTING SERVICE

1 BOB?

2 MR. ROTH: IP POLICY IS THREE, SIX, NINE
3 DEPENDING ON SALES.

4 MR. PLUNKETT: WITH A LITTLE KICKER OF AN
5 EXTRA 1 PERCENT OVER \$500 MILLION.

6 MR. ROTH: IF THERE IS A VALID PATENT, A
7 PRIMARY PATENT COVERING THE PRODUCT.

8 CHAIRMAN KLEIN: SO, ELONA -- I GUESS
9 SCOTT TOCHER IS THERE. SCOTT, YOU COULD GIVE US THE
10 TIERING LEVELS OF SUCCESS?

11 MR. TOCHER: YES. IT'S JUST ZERO TO 250
12 MILLION WOULD BE THREE X, 250 TO 500 WOULD BE 6 X,
13 AND ABOVE 500 WILL BE 9 TIMES.

14 MS. BAUM: WITH THE 1 PERCENT.

15 MR. ROTH: WITH THE 1 PERCENT IF THERE IS
16 A MATERIAL WHATEVER WE USED AS THE TERM.

17 BUT BEFORE WE GO THERE, CAN I JUST ASK A
18 QUESTION OF MATT? MATT, CAN YOU TELL ME WHETHER
19 YOU'RE SELECTING A PRODUCT LOAN OR A COMPANY LOAN
20 HERE?

21 MR. PLUNKETT: PRODUCT.

22 MR. ROTH: SO YOU WANT A PRODUCT LOAN WITH
23 10-PERCENT COVERAGE? IS THAT WHAT YOU'RE ASKING?

24 MR. PLUNKETT: THE RANGE THAT WAS IN THE
25 DOCUMENTS FROM JULY '09 I THINK WAS TENABLE, WHICH

BARRISTERS' REPORTING SERVICE

1 WAS 10 TO 20 PERCENT.

2 MR. ROTH: SO WHY DON'T YOU JUST TAKE A
3 COMPANY LOAN THEN? WE'LL GIVE YOU 10 TO 20 ON A
4 COMPANY LOAN OF YOU AGREE TO PAY THE MONEY BACK.
5 YOU DON'T WANT IT TO BE DILUTED, THAT'S THE WAY YOU
6 WOULD HANDLE IT.

7 MR. PLUNKETT: THIS IS FOR A PROFITABLE
8 COMPANY, THE 10 PERCENT FOR A COMPANY-BACKED LOAN.
9 IT'S 25 PERCENT IF THE COMPANY HAS BOTH RAISED, I
10 BELIEVE, IT'S RAISED A CERTAIN AMOUNT OF MONEY AND
11 HAS A PHARMACEUTICAL DEVELOPMENT PARTNERSHIP. SO
12 FOR THE COMPANY-BACKED LOAN FOR US IT'S ALSO 50
13 PERCENT.

14 MR. ROTH: IS THAT CORRECT? I WANT TO
15 MAKE SURE WE'RE RIGHT ON THAT. THE COMPANY-BACKED
16 LOAN, IF THEY QUALIFY FOR IT, IS HOW MUCH?

17 MR. HARRISON: IT'S 10 PERCENT OF THE LOAN
18 IF THE LOAN RECIPIENT HAS SHOWN A PROFIT FOR THE
19 PREVIOUS TWO YEARS, AND 25 PERCENT OF THE LOAN
20 AMOUNT IF THE LOAN RECIPIENT HAS BOTH RAISED THREE
21 TIMES THE TOTAL AMOUNT OF THE LOAN IN PRIOR
22 FINANCINGS AND HAS ENTERED INTO A CONTRACTUAL
23 AGREEMENT WITH A BIOTECH OR PHARMA COMPANY.

24 MR. ROTH: SO YOU WOULDN'T QUALIFY FOR
25 THAT, MATT?

BARRISTERS' REPORTING SERVICE

1 MR. PLUNKETT: WE DO NOT QUALIFY FOR THAT;
2 THAT'S CORRECT.

3 MR. ROTH: BECAUSE OF THEY'D NOT ENTERED
4 INTO A PARTNERSHIP?

5 MR. PLUNKETT: CORRECT.

6 MR. ROTH: WHAT IF THE PARTNERSHIP OR
7 ADDITIONAL FUNDING WAS TIED TO YOU GET A REDUCTION
8 IN YOUR WARRANTS IF YOU ENTER INTO THAT?

9 MR. PLUNKETT: IT'S STILL TOO EXPENSIVE.

10 MR. ROTH: NO. I'M SAYING IF YOU QUALIFY
11 OVER THE COURSE OF THIS LOAN FOR ADDITIONAL -- YOU
12 MEET THAT 25 PERCENT, IT WOULD BE REDUCED TO 25.

13 MR. PLUNKETT: I THINK THAT THAT'S STILL
14 TOO EXPENSIVE.

15 CHAIRMAN GOLDBERG: ELONA --

16 MS. BAUM: YES.

17 CHAIRMAN GOLDBERG: -- COULD YOU CLARIFY
18 FOR ME WHAT WAS IN THE RFP TO WHICH IPERIAN
19 RESPONDED WITH RESPECT TO THE WARRANT COVERAGE
20 LEVELS?

21 MS. BAUM: THE RFA STATED THAT WE ARE IN
22 THE MIDST OF CHANGING OUR LOAN ADMINISTRATION
23 POLICY, AND WE PROVIDED A GENERAL REFERENCE TO THE
24 FACT THAT THERE WOULD BE SOME WARRANTS REQUIRED. WE
25 DID ACTUALLY, I CHECKED, WE DID NOT ACTUALLY HAVE

BARRISTERS' REPORTING SERVICE

1 THE SCHEDULE THERE, BUT IT WAS CERTAINLY PUBLISHED
2 IN FEBRUARY AND AT OTHER TIMES AS WELL.

3 CHAIRMAN KLEIN: SO, MATT, LET ME ASK THIS
4 QUESTION. I THINK YOU HEARD SCOTT'S REVENUE LEVELS.

5 MR. PLUNKETT: YEAH.

6 CHAIRMAN KLEIN: AND, SCOTT, THE FIRST
7 REVENUE LEVEL, AGAIN, WAS WHAT?

8 MR. TOCHER: UP TO THE \$500,000 THRESHOLD,
9 250 MILLION.

10 CHAIRMAN KLEIN: 250 MILLION AND THAT WAS
11 AT THREE TIMES PAYBACK?

12 MR. ROTH: IT'S THREE TIMES UP TO 250.

13 CHAIRMAN KLEIN: UP TO 250.

14 MR. ROTH: SO IT'S AUTOMATIC THREE TIMES.

15 CHAIRMAN KLEIN: AND THE NEXT REVENUE
16 LEVEL IS WHAT?

17 MR. TOCHER: ABOVE 250 UP TO 500 MILLION
18 WOULD BE 6 X.

19 CHAIRMAN KLEIN: OKAY.

20 MR. TOCHER: AND THEN ANYTHING BEYOND 500
21 WOULD BE 9 X.

22 CHAIRMAN KLEIN: AND SO, MATT, WHAT IS --
23 WHAT'S YOUR TEMPERATURE RELATED TO THOSE REVENUE
24 LEVELS AND THOSE PAYBACK RATIOS?

25 MR. PLUNKETT: CHAIRMAN KLEIN, AT THE RISK

BARRISTERS' REPORTING SERVICE

1 OF NEGOTIATING YES MYSELF, I THINK THAT THAT IS A
2 VERY REASONABLE AND BALANCED POSITION, AND I DO LIKE
3 HOW IT IS SYMMETRICAL WITH THE GRANT APPLICATION AS
4 WELL.

5 MR. ROTH: GRANT APPLICATIONS ALSO CARRY
6 SOME OTHER REQUIREMENTS.

7 CHAIRMAN KLEIN: SO LET'S TALK ABOUT
8 THOSE. IN TERMS OF THE LOAN POLICY, THESE ARE --
9 JUST TO MAKE SURE, MATT, YOU UNDERSTAND, THESE ARE
10 RISK ADJUSTED -- THESE ARE RISK ADJUSTED ADDITIONAL
11 PAYMENTS ABOVE JUST INTEREST ON THE LOAN. SO IT'S
12 THE INTEREST ON THE LOAN PLUS, IF YOU'RE UP TO 250
13 MILLION, A 3 X PAYBACK. IT'S INTEREST ON THE LOAN
14 IF YOU'RE UP TO \$500 MILLION AND 6 X PAYBACK.

15 MR. PLUNKETT: THE PRINCIPAL COUNTS IN
16 THAT 3 X THOUGH, CHAIRMAN KLEIN?

17 MR. ROTH: WELL, THE WAY THE IP POLICY IS,
18 IT'S 3 X OF THE PRINCIPAL BECAUSE THERE IS NO
19 INTEREST ACCRUING.

20 CHAIRMAN KLEIN: SO IT WOULD BE -- I THINK
21 THE ANSWER WOULD BE YES.

22 MR. PLUNKETT: I THINK YOU WOULDN'T WANT
23 TO DOUBLE COUNT THAT. I SEE WHERE YOU'RE GOING.

24 CHAIRMAN KLEIN: BUT YOU WOULD GET THE
25 INTEREST PLUS 3 X. YES, THE PAYBACK OF PRINCIPAL

BARRISTERS' REPORTING SERVICE

1 WOULD SEEM TO COUNT. WE NEED TO CLARIFY THAT
2 OBVIOUSLY IF YOU'RE ASKING THE QUESTION.

3 SO I'M JUST TRYING TO GET SOME REAL-TIME
4 INFORMATION HERE BECAUSE WE'LL NEED TO THINK ABOUT
5 THIS AND CONSIDER IT.

6 MR. PLUNKETT: CHAIRMAN KLEIN, THAT'S THE
7 WAY I WAS THINKING OF IT AS WELL. YOU DON'T GET OFF
8 THE HOOK.

9 MR. ROTH: IF I COULD JUMP IN HERE, MATT,
10 I HAVE ONE MORE QUESTION. DO YOU HAVE EXISTING
11 WARRANTS AND STOCK OPTIONS OUT?

12 MR. PLUNKETT: DUANE, WE DO HAVE EMPLOYEE
13 STOCK OPTIONS. ALL EMPLOYEES OF THE COMPANY DO HAVE
14 STOCK OPTIONS. AND THE TOTAL OPTIONS AND PERCENTAGE
15 OF OUR SHARES OUTSTANDING IS APPROXIMATELY 18
16 PERCENT TODAY. AND WE DO HAVE ONE SMALL WARRANT
17 THAT WAS ISSUED IN ACCORDANCE WITH A FINANCING,
18 EQUIPMENT FINANCING, LAST YEAR THAT IS FOR WELL
19 UNDER 1 PERCENT OF THE SHARES OUTSTANDING.

20 MR. ROTH: WHAT IS THE CALCULATION IF WE
21 DID THIS LOAN AT 50 PERCENT?

22 MR. PLUNKETT: IT WOULD BE MID-SINGLE
23 DIGITS PERCENT.

24 MR. ROTH: SO WE'D BE IN MID-SINGLE DIGITS
25 ON THIS. ALL RIGHT. BOB, I DON'T HAVE ANY OTHER,

BARRISTERS' REPORTING SERVICE

1 AND MICHAEL, I DON'T HAVE ANY OTHER QUESTIONS ON
2 THAT.

3 MS. BAUM: I THINK WE HAVE ANOTHER PUBLIC
4 COMMENT IN SAN FRANCISCO.

5 MR. STRATTON: THANK YOU, CHAIRMAN KLEIN.
6 SO THIS KEN STRATTON. I'M GENERAL COUNSEL OF STEM
7 CELLS, INC. LIKE ELONA, I'M NOT AN ACCOUNTANT, BUT
8 I'M GOING TO GO OUT ON THE LIMB TO SUGGEST THAT HAD
9 I BEEN ABLE TO GET MY CFO INTO THE ROOM, THAT HE
10 WOULD SUPPORT THE PROPOSAL THAT'S ON THE TABLE. AS
11 I UNDERSTAND IT, IT'S A PROPOSAL TO ALLOW LOAN
12 RECIPIENTS TO CHOOSE EITHER WARRANT COVERAGE OR A
13 MULTIPLE SUCCESS PAYMENT IN THE EVENT OF
14 COMMERCIALIZATION.

15 CHAIRMAN GOLDBERG: THIS IS MICHAEL
16 GOLDBERG. I'M GOING TO INTERRUPT. I DON'T THINK
17 IT'S A PROPOSAL. I THINK IT WAS A CONCEPTUAL
18 DISCUSSION.

19 MR. STRATTON: SURE. OKAY. FAIR ENOUGH.
20 AND CONCEPTUALLY AND IT TIES INTO SOME COMMENTS
21 WE'VE MADE ON THE LOAN PROPOSAL, LOAN ADMINISTRATION
22 PLAN FOR SOME TIME. BUT CONCEPTUALLY WHAT WE ARE
23 LOOKING FOR MORE THAN ANYTHING ELSE IS
24 PREDICTABILITY AND A WAY TO MEASURE WHAT OUR
25 ULTIMATE OBLIGATIONS ARE GOING TO BE. AND FRANKLY,

BARRISTERS' REPORTING SERVICE

1 IT TIES INTO OUR EARLIER DISCUSSION ON SOME OF THE
2 PROPOSALS FOR THE PLAN.

3 ONE THING THAT I NOTED IN IT WAS THE
4 CONCEPT OF THIS BRINGING OBLIGATION TO ENTER INTO
5 NEW LOAN OBLIGATIONS IF WE RESURRECT A PRODUCT OR A
6 PROGRAM THAT HAS BEEN SHELVED OR ABANDONED. AND I
7 WOULD JUST ASK YOU TO CAREFULLY CONSIDER HOW
8 DIFFICULT IT WOULD BE FOR YOU TO ENTER INTO YOUR OWN
9 HOME MORTGAGE IF THE LENDER TOLD YOU THAT IN TEN
10 YEARS TIME THERE WOULD BE AN OPPORTUNITY TO CHANGE
11 THE TERMS ON YOUR MORTGAGE, AND THE BANK WILL DECIDE
12 WHAT THAT MORTGAGE TERM WILL BE.

13 SO TO THE EXTENT THAT WE NEED TO COME UP
14 WITH PREDICTABILITY AND CONSISTENCY, I WOULD
15 STRONGLY FAVOR AN OPPORTUNITY TO TAKE A SUCCESS
16 PAYMENT BECAUSE A SUCCESS PAYMENT COMES INTO PLAY
17 WHEN YOU ACTUALLY HAVE REVENUES. ONE OF THE
18 GREATEST CHALLENGES THAT WE HAVE HERE THAT YOU'RE
19 ASKING FOR-PROFITS TO TAKE ON IS A CONTRACTUAL
20 OBLIGATION TO MAKE PAYMENTS BACK TO THE STATE WHEN
21 THERE'S ABSOLUTELY NO ASSURANCE THAT WE WILL HAVE
22 REVENUES TO COVER THAT. ONE OF OUR CONCERNS ABOUT
23 SOME OF THE ACCELERATION FEATURES IN THE LOAN AS
24 WELL.

25 I MIGHT AS WELL MENTION JUST IN PASSING

BARRISTERS' REPORTING SERVICE

1 BECAUSE THERE WAS THE EARLIER QUESTION. WHILE I'M
2 NOT AN ACCOUNTANT, I UNDERSTAND THAT SOME OF THE
3 CONCERNS THAT HAVE BEEN RAISED IN THE PAST ABOUT
4 TAKING ON WARRANTS INCLUDE THE FOLLOWING. ONE, IT
5 WASN'T CLEAR TO US WHERE THE WARRANTS WOULD
6 ULTIMATELY COME TO REST. AND AS A PRIVATE COMPANY,
7 A COMPANY THAT IS INTERESTED IN MAINTAINING
8 STOCKHOLDER RELATIONS AND ALSO HAVE TO COMPETE IN
9 THE INDUSTRY, WE WOULD BE RELUCTANT TO LET OUT
10 WARRANTS THAT ULTIMATELY COME TO REST WITH OUR
11 COMPETITORS, FOR EXAMPLE.

12 PRIVATE COMPANIES WOULD WORRY ABOUT THE
13 WARRANTS COMING TO REST WITH MORE THAN 500 HOLDERS
14 IF THE CIRM WERE TO RESELL THEM INTO THE MARKET
15 BECAUSE THAT WOULD TRIGGER SEC REPORTING
16 OBLIGATIONS. SO SUDDENLY THE PRIVATE COMPANY WOULD
17 BECOME A PUBLIC REPORTING COMPANY.

18 MOREOVER, IF THERE ARE CERTAIN TERMS IN
19 THE WARRANT, YOU WOULD HAVE TO WORRY ABOUT VARIABLE
20 LIABILITY ACCOUNTING BECAUSE YOU COULDN'T ACCOUNT
21 FOR IT AS EQUITY. YOU'D HAVE TO ACCOUNT FOR IT AS A
22 LIABILITY. SO, FOR EXAMPLE, WHILE WE DO NOT HAVE
23 MANY WARRANTS OUTSTANDING, THE WARRANTS THAT WE DO
24 HAVE OUTSTANDING HAVE FEATURES IN THEM THAT REQUIRE
25 US TO ACCOUNT VARIATIONS IN OUR OVERALL REVENUES AND

BARRISTERS' REPORTING SERVICE

1 LIABILITIES. AND IF YOU LOOK AT THE LAST FEW 10K'S
2 AND 10Q'S THAT WE FILED, OUR REVENUE, OUR BOTTOM
3 LINE, GOES UP AND DOWN FROM ONE MILLION IN
4 LIABILITIES TO 500,000 IN LIABILITIES, FROM \$3
5 MILLION TO 50,000 IN LIABILITIES, AND IT ALL HAPPENS
6 BECAUSE OF THE WARRANTS. SO THAT CREATES A LOT OF
7 UNCERTAINTY.

8 IT'S DIFFICULT TO MANAGE THAT, BUT
9 ULTIMATELY IT COMES DOWN TO, AGAIN, THE SAME BASIC
10 THEME, WHICH IS WE ARE LOOKING FOR CONSISTENCY,
11 WE'RE LOOKING FOR PREDICTABILITY. UNTIL WE KNOW
12 WHAT THE TERMS OF THE WARRANTS ACTUALLY ARE, UNTIL
13 WE KNOW WHAT THE CIRM IS GOING TO DO WITH THE
14 WARRANTS, IT'S VERY DIFFICULT FOR US TO TAKE ANY
15 OBLIGATION TO ISSUE WARRANTS, AND IT'S VERY
16 DIFFICULT FOR US TO TAKE ON A NUMBER OF THE LOAN
17 PROVISIONS.

18 FRANKLY, THAT'S WHY WE DECIDED NOT TO
19 APPLY FOR A DISEASE TEAM LOAN THIS LAST GO-AROUND.
20 AND HOPEFULLY WITH SOME OF THE EFFORTS UNDER WAY,
21 AND WE REALLY APPRECIATE THE EFFORTS THAT THE CIRM
22 IS GOING THROUGH HERE AND THE ICOC TO TRY TO COME UP
23 WITH SOME PREDICTABILITY, HOPEFULLY WE'LL BE IN A
24 BETTER POSITION TO REEVALUATE WHERE WE ARE THE NEXT
25 TIME AROUND WE HAVE TO DEAL WITH THE GRANT

BARRISTERS' REPORTING SERVICE

1 APPLICATION.

2 THAT'S ALL I HAVE TO SAY UNLESS YOU HAVE
3 ANY QUESTIONS. THANK YOU VERY MUCH.

4 MR. ROTH: MICHAEL, IT'S DUANE. I
5 CERTAINLY HEAR THE CONCERNS THAT ARE BEING RAISED,
6 BUT I THINK FOR US AS A COMMITTEE, WE HAVE TO
7 REMEMBER A COUPLE THINGS. THIS ENTIRE PROGRAM WAS
8 PREDICATED ON THE WARRANTS WHICH WOULD, IN FACT,
9 COVER FOR THE HIGH DEGREE OF LOSSES PARTICULARLY ON
10 PRODUCT LOANS. THERE'S BASICALLY YOU HAVE NO
11 OBLIGATION IF YOUR PRODUCT FAILS. THOSE ARE HARD
12 TERMS TO GET. THE WAY WE MADE UP FOR THAT IN THE
13 MODELING THAT WE HAD PRICE WATERHOUSE DO WAS THE
14 WARRANT COVERAGE.

15 SO IF WE GO TO A NEW WAY TO PAY FOR THAT,
16 WE'LL HAVE TO RECALCULATE WHAT KIND OF RETURN IS
17 ACTUALLY THERE, ESPECIALLY IF THE APPLICANTS ARE
18 ASKING FOR PRODUCT LOANS. SO IF THE PRODUCT FAILS,
19 WE DON'T GET THERE. THEN THE PAYBACK, IN ADDITION
20 TO THE ORIGINAL LOAN WHICH HAS A TERM AND AN
21 INTEREST RATE, THAT THE RATE OF THE PAYBACK WOULD
22 HAVE TO BE CALCULATED IN THERE TOO BECAUSE IN THE IP
23 POLICY, IT'S 3 PERCENT OF SALES IS THE RATE THEY
24 WOULD PAY BACK THESE ADDITIONAL MULTIPLES.

25 SO JUST SO EVERYBODY RECOGNIZES THAT WHEN

BARRISTERS' REPORTING SERVICE

1 WE GO TO MAKE CHANGES LIKE THIS, THERE'S GOING TO BE
2 SOME CONSEQUENCES TO WHETHER THIS PROGRAM ACTUALLY
3 WORKS.

4 ONE THING, JUST TO FINALIZE, I PROBABLY
5 COULD SUPPORT THIS IF IT WERE A COMPANY LOAN AND NOT
6 A PRODUCT LOAN. IF THEY WANT TO TAKE THE OBLIGATION
7 ON THE LOAN TO PAY IT BACK AND THEN MULTIPLES OF
8 THAT, THEN I THINK WE COULD PROBABLY DO IT. BUT IF
9 WE TAKE ALL THE RISK HERE, THEN WE SHOULDN'T EXPECT
10 THERE'S GOING TO BE MUCH RETURN TO GIVE FUTURE LOANS
11 OR GRANTS.

12 CHAIRMAN GOLDBERG: DUANE, IT WOULD SEEM
13 TO ME IF WE ARE GOING TO REVISIT THIS, THIS OUGHT TO
14 BE DELEGATED TO THE LOAN TASK FORCE BECAUSE IT'S
15 GOING TO REQUIRE SOME ANALYSIS CONTRASTING SOME OF
16 THESE CONCEPTS AGAINST THE WORK THAT THEY HAD
17 PREVIOUSLY DONE WHICH BENCHMARKS OUR CURRENT POLICY.
18 ARE YOU IN AGREEMENT WITH THAT APPROACH?

19 MR. ROTH: YEAH. I THINK THIS IS TYPICAL
20 TO OUR PREVIOUS EXPERIENCE WITH OTHER POLICIES, THAT
21 AS THESE PEOPLE GET INTO THE FACT WHERE THEY'RE
22 ACTUALLY GOING TO GET A LOAN, THEN SUDDENLY THERE'S
23 SOME ISSUES THAT COME UP THAT THEY WANT US TO
24 RELOOK. I THINK WE CAN RELOOK.

25 THE POINT I WAS MAKING, WHICH IS A LARGER

BARRISTERS' REPORTING SERVICE

1 POINT, IS WE HAVE SOME FINANCIAL ANALYSIS TO DO TOO
2 BECAUSE WE REALLY REPRESENTED THAT THIS LOAN
3 PROGRAM, IF INITIATED THE WAY WE BELIEVED, ACCORDING
4 TO THE PRICE WATERHOUSE ANALYSIS, WOULD RETURN MORE
5 THAN THE ORIGINAL AMOUNT WE PUT OUT THERE BECAUSE OF
6 THE WARRANT COVERAGE THAT WE ANTICIPATED.

7 CHAIRMAN KLEIN: DUANE, THIS IS BOB. THE
8 ORIGINAL PRICE WATERHOUSE SUGGESTED THAT IT WOULD
9 RETURN THE FULL ORIGINAL PORTFOLIO PLUS A GROWTH
10 FACTOR.

11 MR. ROTH: RIGHT.

12 CHAIRMAN KLEIN: BUT OUR FUNDAMENTAL
13 MISSION HERE WILL ABSOLUTELY NEED TO HAVE COMPANY
14 PARTICIPATION.

15 MR. ROTH: I UNDERSTAND.

16 CHAIRMAN KLEIN: AND SO THE ISSUE HERE, AT
17 LEAST IN THE INITIAL PERIOD AS WE TRY AND BUILD THE
18 PORTFOLIOS WITH QUALITY WITH THE BEST COMPANIES,
19 WE'RE GOING TO NEED A PROGRAM THAT BUYS CONSENSUS
20 UPON A BROAD NUMBER OF COMPANIES THAT PARTICIPATE.
21 AND IF THAT MEANS WE GET BACK HALF THE MONEY IN THE
22 LOANS BECAUSE OF A HIGH LOSS RATE, OUR FUNDAMENTAL
23 MISSION WILL HAVE ADVANCED AND WE'LL BE 50 PERCENT
24 BETTER OFF THAN WE WERE WITH GRANTS.

25 MR. ROTH: BOB, WE CAN MAKE HAIRCUTS ALL

BARRISTERS' REPORTING SERVICE

1 DAY LONG. I'M NOT OPPOSED TO THAT IF THAT'S WHAT WE
2 DECIDED TO DO, BUT LET'S DO IT WITH THE ANALYSIS IN
3 FRONT OF US. I'M NOT OPPOSED TO CHANGING THINGS;
4 BUT IF YOU SET THE STANDARD HERE, THEN IT WILL NOT
5 GO UP FROM HERE.

6 CHAIRMAN KLEIN: WELL, YOU KNOW, AS DEMAND
7 BECOMES HIGHER, IN MOST INDUSTRIES PRICING
8 INCREASES. SO I'VE NEVER BEEN IN A SITUATION WHERE
9 AS THINGS BECOME MORE POPULAR, THE PRICE DOESN'T
10 INCREASE.

11 MR. ROTH: SO WE WOULD CHANGE THE POLICY
12 THEN TO MAKE THE TERMS MORE ONEROUS IN THE FUTURE.

13 CHAIRMAN KLEIN: WELL, IF THE TERMS BECOME
14 MORE ACCEPTED AND THIS INDUSTRY MORE VIBRANT, IT'S
15 POSSIBLE THAT A HIGHER PRICING COULD BE SUPPORTED.
16 BUT IN ANY CASE, I THINK LET'S LOOK AT THE ANALYSIS
17 THAT YOU AND MICHAEL ARE TALKING ABOUT, AND LET'S
18 JUST TRY AND TURN IT AROUND QUICKLY BECAUSE WE WANT
19 TO GET COMPANIES ON A BROADER SCALE APPLYING. AND
20 SOME COMPANIES MAY, IN FACT, CHOOSE WARRANTS BECAUSE
21 THEY JUST HAVE A DIFFERENT ANALYSIS OF OUTCOMES.
22 BUT WE CERTAINLY HAVE A GROUP THAT DOES REFLECT THE
23 STATEMENTS BEING MADE IN THE ROOM TODAY.

24 CHAIRMAN GOLDBERG: WHAT IS TIME FRAME IN
25 TERMS OF BEING ABLE TO PROVIDE CLARITY TO APPLICANTS

BARRISTERS' REPORTING SERVICE

1 WITH RESPECT TO THE NEXT ROUND OF RFA SUBMISSIONS?

2 MR. SHEEHY: I THINK THE NEXT RFA THAT'S
3 COMING UP WHERE THERE WOULD BE THE OPPORTUNITY FOR A
4 LOAN WOULD BE EITHER THE CLINICAL TRIAL ONE, WHICH I
5 THINK IS THE NEXT ONE COMING UP, AND THEN DISEASE
6 TEAM II OR BOTH, AND THERE IS A LITTLE BIT OF TIME
7 FOR THAT. I DON'T THINK -- I THINK WE HAVE THE
8 IMMEDIATE ISSUE IN THAT WE DO HAVE AN APPROVED GRANT
9 WITH THE IDEA OF A LOAN THERE.

10 UNIDENTIFIED SPEAKER: (INAUDIBLE.)

11 MR. SHEEHY: MATT SUGGESTS WE DO IT RIGHT.

12 MS. BAUM: LET'S GET IT RIGHT.

13 MR. SHEEHY: OUTSIDE OF THIS ONE, I DON'T
14 THINK THE CLINICAL TRIAL ROUND IS GOING TO TAKE
15 PLACE UNTIL -- I'M NOT EVEN SURE THAT THEY'RE
16 ACCEPTING APPLICATIONS YET.

17 CHAIRMAN KLEIN: THEY'VE ACCEPTED
18 APPLICATIONS.

19 MR. SHEEHY: THEY ACCEPTED APPLICATIONS SO
20 THAT GIVES YOU WHERE THE STATUS IS.

21 CHAIRMAN GOLDBERG: THANK YOU.

22 CHAIRMAN KLEIN: I THINK, JEFF, IT'S LIKE
23 A FEBRUARY PEER REVIEW.

24 MR. SHEEHY: MARCH PEER REVIEW.

25 MS. KING: THE RFA WILL BE POSTED WHEN?

BARRISTERS' REPORTING SERVICE

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(INAUDIBLE DISCUSSION.)

CHAIRMAN GOLDBERG: DUANE, CAN YOU WORK WITH STAFF ON THAT, AND I'M GOING TO HAVE TO PARTICIPATE IN MODELING SOME OF THESE ALTERNATIVES THAT WE'VE DISCUSSED, BOTH THE COMPANY-BACKED AND PRODUCT LOANS WITH AND WITHOUT WARRANTS VERSUS MIRRORING RETURNS BASED ON THE -- THAT MIRROR THAT IP POLICY. THAT SEEM LIKE THE APPROPRIATE NEXT STEP.

MR. ROTH: I'D BE HAPPY TO, AND WE'LL TRY TO GET SOME MORE INPUT FROM OTHER COMPANIES. THE PROBLEM, I THINK, WE HAVE IS THAT NO ONE TAKES THIS SERIOUS UNTIL THEY ACTUALLY HAVE ONE SITTING IN FRONT OF THEM, AND THEN SUDDENLY THESE THINGS POP UP. AND IT'S HARD FOR US TO REACT TO THEM EVERY SINGLE TIME, BUT LET'S GO FOR ANOTHER ROUND OF IT AND SEE.

CHAIRMAN GOLDBERG: OKAY.

CHAIRMAN KLEIN: JUST AS AN ADVISORY POLICY FOR FAIRNESS FOR THE EXISTING PARTICIPANTS, IF WE CHANGE OUR POLICY, WILL WE MAKE THAT AVAILABLE AS A CHOICE TO THE PEOPLE WHO ARE IN THE CURRENT ROUND? SO THAT -- IT WOULD SEEM THAT THAT WOULD PROVIDE A FAIR OPPORTUNITY FOR THEM, RATHER THAN THEY SIGN SOMETHING TODAY AND 45 DAYS FROM NOW WE

BARRISTERS' REPORTING SERVICE

1 HAVE A DIFFERENT POLICY, AND THEY --

2 MR. ROTH: WE'VE ALREADY MADE ONE LOAN,
3 RIGHT?

4 CHAIRMAN KLEIN: NO. I'M TALKING ABOUT
5 LOANS THAT ARE NOT YET EXECUTED.

6 MS. BAUM: I THINK WE CAN WRITE THAT INTO
7 THE STATUTE AND ANY LOAN AGREEMENT.

8 CHAIRMAN KLEIN: I THINK THAT WOULD BE THE
9 FAIR THING TO DO.

10 CHAIRMAN GOLDBERG: SO WE CAN, IN ESSENCE,
11 GRANDFATHER ANY REVISION IN TERMS.

12 CHAIRMAN KLEIN: FOR PEOPLE WHO HAVE NOT
13 YET SIGNED THE LOAN DOCUMENTS.

14 MR. ROTH: BUT NOT FOR ONES THAT ALREADY
15 DID.

16 CHAIRMAN KLEIN: NOT FOR ONES THAT ARE
17 ALREADY SIGNED, BUT ONES THAT HAVE NOT YET BEEN
18 SIGNED. SO WE DON'T WANT THEM WAITING AND HOLDING
19 UP THEIR PROGRAM TO SEE IF THERE'S A REVISION. WE
20 DON'T WANT THEM HOLDING UP RESEARCH TO SEE IF
21 THERE'S A REVISION. WE WANT PEOPLE TO BE ABLE TO GO
22 AHEAD AND KNOW THAT WE HAVE A FORMAL POSITION,
23 SUBJECT TO BOARD APPROVAL, THAT THEY COULD -- THEY
24 WOULD BE GIVEN THE ELECTION THAT THEIR DOCUMENTS
25 WOULD BE MODIFIED TO REFLECT THE OPTION IF IT'S

BARRISTERS' REPORTING SERVICE

1 APPROVED BY THE BOARD.

2 MR. HARRISON: JUST TO BE CLEAR, THE
3 PROCESS THAT THE BOARD APPROVED IN APPROVING THE
4 CONCEPTUAL MODIFICATIONS TO THE LOAN PROGRAM WAS
5 THAT AMENDMENTS TO THE LAP WOULD APPLY PROSPECTIVELY
6 EXCEPT WHERE BOTH CIRM AND THE LOAN RECIPIENT AGREED
7 TO ADOPT A CHANGE.

8 CHAIRMAN KLEIN: SO THAT'S CONSISTENT WITH
9 WHAT I AM PROPOSING.

10 MR. HARRISON: YES.

11 CHAIRMAN GOLDBERG: OKAY. I THINK WE'RE
12 GOING -- WE'VE RUN OUT OF TIME FOR THIS MEETING.
13 WE'VE BEEN ABLE TO COVER THE ORIGINAL AGENDA AND A
14 PORTION OF THE PROPOSED ADDITIONAL AGENDA. WHAT
15 WOULD BE THE PROPOSAL ON HOW TO DEAL WITH THE SECOND
16 AGENDA ITEM THAT WAS ADDED THAT WE WEREN'T ABLE TO
17 GET TO TODAY? DO WE HAVE ANY PACING THAT THE
18 COMMITTEE NEEDS TO BE AWARE OF IN THAT REGARD?

19 MS. KING: MY REQUEST WOULD BE JUST TO
20 KNOW WHETHER OR NOT THIS SUBCOMMITTEE WOULD LIKE TO
21 HAVE ANOTHER MEETING PRIOR TO THE DECEMBER 8TH AND
22 9TH ICOC MEETING. IT SEEMS TO ME LIKE THAT MIGHT BE
23 APPROPRIATE IN ORDER TO DISCUSS THESE TWO ITEMS
24 AGAIN BEFORE COMING UP WITH YOUR RECOMMENDATION TO
25 THE BOARD. I DON'T KNOW TIMELINE-WISE, I'D LIKE TO

BARRISTERS' REPORTING SERVICE

1 DEFER TO SCOTT TOCHER ON THAT, WITH REGARD TO THE
2 ORIGINAL AGENDA ITEMS, IF IT WOULD MAKE SENSE TO
3 HAVE ANOTHER MEETING OF THE FINANCE SUBCOMMITTEE TO
4 DISCUSS THOSE PARTS OF THE LAP PRIOR TO THE DECEMBER
5 8TH AND 9TH MEETING. WE COULD SCHEDULE A MEETING
6 FOR SOMETIME IN MID TO LATE NOVEMBER OR VERY EARLY
7 DECEMBER TO DISCUSS ALL OF THESE AGAIN AND BRING
8 THEM TO THE BOARD. BUT TIMELINE-WISE, I DON'T KNOW
9 HOW THAT AFFECTS THE LAP PROVISIONS.

10 MR. TOCHER: THE EXISTING LAP
11 PROVISIONS -- THE EXISTING LOAN POLICY AMENDMENTS
12 THAT WE DISCUSSED TODAY NEED TO BE FINALIZED AND
13 SENT TO THE OFFICE OF ADMINISTRATIVE LAW BEFORE
14 NOVEMBER 17TH. AND THAT'S WHY WE HAVE THE ICOC
15 SLATED TO CONSIDER THESE AMENDMENTS BY NOVEMBER
16 11TH. OUR ONE-YEAR NOTICE EXPIRES ON NOVEMBER 17TH.

17 SO MY UNDERSTANDING, THOUGH, IS THAT THE
18 AMENDMENT THAT WOULD BE OR THESE POLICY ISSUES IN
19 THE SECOND AGENDA, ITEMS 2 AND 3, COULD BE THE
20 SUBJECT OF SEPARATE REGULATORY PROCESSES THAT COULD
21 BE TRACKED OUTSIDE OF THIS ONE.

22 MS. KING: SO, MICHAEL, JAMES, BOB, IF WE
23 DO ANOTHER MEETING OF THE SUBCOMMITTEE PRIOR TO THE
24 DECEMBER 8TH AND 9TH BOARD MEETING, AT THAT MEETING
25 WE COULD TAKE UP ITEMS 1 AND 2 THAT ARE ON THE

BARRISTERS' REPORTING SERVICE

1 PROPOSED ADDITIONAL AGENDA ITEMS, ONE OF WHICH YOU
2 WERE JUST DISCUSSING, AND THE OTHER WHICH WE HAVEN'T
3 GOTTEN TO YET.

4 CHAIRMAN KLEIN: THAT'S TRUE. BUT I'M
5 TRYING TO UNDERSTAND. JAMES, IF OUR ONE-YEAR
6 EXPIRES ON NOVEMBER 17TH, HOW ARE WE DEALING WITH
7 TIME FRAMES AND THE PUBLISHING TIMES FOR THE LAP?

8 MR. HARRISON: WE WILL HAVE TO TRY TO SORT
9 THAT OUT, BOB, AFTER THIS CALL. AS SCOTT SAID, THE
10 TIMING HAD BEEN ARRANGED SO THAT WE WOULD TRY TO GET
11 FINAL BOARD APPROVAL ON THE 11TH, AND THAT REQUIRES
12 THAT ALL OF THE LANGUAGE THAT THE BOARD WOULD HAVE
13 CONSIDERED WOULD BE POSTED AND AVAILABLE TO THE
14 PUBLIC 15 DAYS BEFORE THAT MEETING. BECAUSE OF THE
15 CHANGES THAT HAVE BEEN REQUESTED TODAY, OBVIOUSLY
16 WE'RE NOT GOING TO BE ABLE TO MEET THAT TIMELINE, SO
17 WE'LL HAVE TO FIGURE OUT WHAT MEASURES WE CAN TAKE
18 TO ENSURE CONTINUITY.

19 CHAIRMAN KLEIN: SO WHAT HAPPENS IF WE
20 COME TO ONE YEAR AND WE HAVEN'T ADOPTED THE FINAL?

21 MR. TOCHER: WE HAVE TO RENOTICE IT, OPEN
22 IT UP FOR ANOTHER 45-DAY PERIOD WITH THE OFFICE OF
23 ADMINISTRATIVE LAW.

24 CHAIRMAN GOLDBERG: WOULD ANOTHER
25 ALTERNATIVE BE TO TAKE THE REDRAFT COMING OUT OF

BARRISTERS' REPORTING SERVICE

1 THIS DISCUSSION TODAY ON THE LAP AND TAKE THAT
2 DIRECTLY TO THE BOARD FOR CONSIDERATION WITHOUT
3 TAKING IT THROUGH THIS COMMITTEE GIVEN THE EXTENSIVE
4 DELIBERATIONS WE'VE ALREADY HAD?

5 CHAIRMAN KLEIN: WE'D HAVE TO MOVE A
6 COMMITTEE -- THE 11TH MEETING BACK TO LIKE THE 16TH
7 TO GET THAT ACCOMPLISHED TO BE ABLE TO HAVE,
8 MICHAEL, YOU OR DUANE WORK WITH THE STAFF AND TRY
9 AND GET THE REFINED LANGUAGE AND THEN HOPE THAT WE
10 BRING IT TO THE BOARD AND IT'S ACCEPTABLE. IF IT'S
11 NOT, THEN WE'VE GOT TO GO THROUGH THE 45-DAY PERIOD,
12 WHICH WE JUST HAVE TO ACCEPT IF THAT'S THE CASE.
13 BUT I THINK ON AN INDIVIDUAL BASIS, JEFF AND OTHER
14 PEOPLE ON THE BOARD THE STAFF COULD CONTACT FOR
15 COMMENTS AND INPUT.

16 WE HAVE TO MAKE IT VERY CLEAR THAT WE'RE
17 NOT HAVING A DISCUSSION BETWEEN MEMBERS OF THE BOARD
18 HERE. WE NEED TO BE CAREFUL TO KEEP IT TO LESS THAN
19 A MAJORITY OF A QUORUM AND SUBSTANTIALLY LESS IN
20 TRYING TO REFINE THIS LANGUAGE AND DEALING WITH THE
21 DEADLINES.

22 MR. TOCHER: BOB, LET ME JUST CLARIFY.
23 WHEN YOU TALK ABOUT REFINING THE LANGUAGE, ARE YOU
24 TALKING ABOUT REFINING THE LANGUAGE ON THE ORIGINAL
25 NOTICED AGENDA LAP AMENDMENTS THAT WE TALKED ABOUT

BARRISTERS' REPORTING SERVICE

1 TODAY?

2 CHAIRMAN KLEIN: THAT'S WHAT I'M TALKING
3 ABOUT.

4 MR. TOCHER: I THINK THAT WE'RE NOT THAT
5 FAR APART. I THINK THAT THAT CAN BE DONE RELATIVELY
6 QUICKLY, AND THAT WOULD PRESERVE THE ABILITY OF THE
7 ICOC TO CONSIDER THEM ON NOVEMBER 11TH.

8 CHAIRMAN KLEIN: BUT YOU DON'T HAVE A
9 15-DAY NOTICE PERIOD.

10 MR. TOCHER: YES, WE DO.

11 MS. KING: IF WE DO IT TODAY.

12 MS. BAUM: AFTER WHAT WE'VE JUST GONE
13 THROUGH IN TWO ROUNDS, I THINK THAT HAVING A LITTLE
14 ADDITIONAL TIME WOULD BE WORTHWHILE, TO TELL YOU THE
15 TRUTH.

16 CHAIRMAN KLEIN: BECAUSE THEY'RE NOT GOING
17 TO BE ABLE TO PRODUCE THEM TODAY AND TALK TO MICHAEL
18 AND TALK TO DUANE AND TALK TO JEFF AND A COUPLE OF
19 OTHER PEOPLE JUST TO GET THEIR INPUT AS TO WHETHER
20 THIS ACHIEVES THE GOAL.

21 MS. BAUM: YES, I AGREE.

22 CHAIRMAN KLEIN: SO I'M TRYING TO SAY,
23 MELISSA, THIS MEETING ON THE 11TH MIGHT HAVE TO MOVE
24 BACK A WEEK OR LESS THAN A WEEK, BUT IT CAN'T MOVE
25 BEYOND THE 17TH. IF IT'S APPROVED ON THE 17TH, IS

BARRISTERS' REPORTING SERVICE

1 IT VALID?

2 MR. TOCHER: IT WOULD BE VIRTUALLY
3 IMPOSSIBLE FOR US TO FILE IT ON THE SAME DAY.

4 CHAIRMAN KLEIN: HOW LONG -- THAT'S
5 ANOTHER GOOD QUESTION. HOW LONG DO YOU NEED TO FILE
6 IT AFTER IT'S APPROVED?

7 MR. TOCHER: IF WE FINISHED UP AND ADOPTED
8 ON THE 16TH, I COULD SUBMIT IT ON THE 17TH.

9 CHAIRMAN KLEIN: OKAY. SO I THINK WE HAVE
10 OUR OUTSIDE DATE, AND THE QUESTION IS, THOUGH, CAN
11 WE GET A QUORUM ON THE 16TH?

12 MS. KING: CHAIRMAN KLEIN, I'D LIKE TO
13 TALK TO YOU ABOUT THIS OFF LINE BECAUSE THE PURPOSE
14 OF THE NOVEMBER 11TH MEETING HAS BOTH CHANGED AND
15 EXPANDED SINCE WE ORIGINALLY STARTED DISCUSSING IT.
16 SO I THINK THIS IS NOT A PROBLEM AS LONG AS WE CAN
17 GET A QUORUM. THERE ARE SPECIFIC MEMBERS WHO I KNOW
18 WON'T BE ABLE TO ATTEND THIS MEETING, BUT I DON'T
19 BELIEVE THAT THAT WILL BE A PROBLEM GIVEN THE CHANGE
20 AND EXPANSION OF THE SCOPE OF THIS MEETING, BUT I'D
21 LIKE TO DISCUSS THAT WITH YOU OFF LINE.

22 CHAIRMAN KLEIN: THANK YOU. I THINK THE
23 LOGISTICS HAVE BEEN AIRED. WE KNOW THE LEAD-TIME
24 ISSUES, AND WE'RE INFORMED. AND SO I WILL TRY AND
25 COMMUNICATE WITH MICHAEL AND DUANE AND OTHERS WHO

BARRISTERS' REPORTING SERVICE

1 WANT TO EXPRESS AN ISSUE ABOUT TIMING SO THAT WE CAN
2 FOLLOW MICHAEL'S SUGGESTION.

3 CHAIRMAN GOLDBERG: I MOVE ADJOURNMENT.

4 MR. SHEEHY: CAN I MAKE ONE COMMENT?

5 CHAIRMAN GOLDBERG: ABSOLUTELY, JEFF.

6 MR. SHEEHY: JUST A QUICK ONE. THIS IS
7 NO. 2 ON THE ADDED AGENDA. WHY DON'T WE HOLD OFF ON
8 THAT BECAUSE WE HAVEN'T GOTTEN ALL THE BUGS OUT OF
9 THE LOAN PROGRAM. AND RIGHT NOW WE DO HAVE
10 COMPANIES WHO ARE ACCESSING OUR FUNDS THROUGH THE
11 GRANT PROGRAM. SO IF WE START DOWN THE ROAD TO
12 REQUIRING THEM TO TAKE A LOAN AND WE STILL HAVEN'T
13 FIGURED OUT HOW TO GET LOANS OUT THE DOOR, I'M
14 WORRIED WE'LL SCARE OFF THE FEW PEOPLE WE HAVE WHO
15 ARE GETTING MONEY FROM US THROUGH THE GRANT PROGRAM.

16 CHAIRMAN KLEIN: WHAT YOU ARE TALKING
17 ABOUT, JEFF, IS THAT IF SOMEONE GOT 25 OR 30 PERCENT
18 THROUGH A GRANT PROGRAM, NOT REACHING THOSE PEOPLE
19 AT THIS POINT. LET'S FIND OUT HOW WE CAN GET A
20 SMOOTH PROGRAM BEFORE WE ADDRESS THIS ISSUE.

21 MR. SHEEHY: YEAH. I THINK IT'S PERFECTLY
22 REASONABLE ONCE WE HAVE A CLEAR AND ADAPTABLE -- A
23 FLEXIBLE LOAN PROGRAM, BUT AT THIS POINT I JUST
24 WOULD WORRY FOR PEOPLE WHO MIGHT BE THINKING ABOUT
25 COMING INTO DISEASE TEAMS WHERE WE ANTICIPATE

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1 COMPANY PARTICIPATION AND THEY DON'T UNDERSTAND THE
2 LOAN PROGRAM, THEY MIGHT NOT BE WILLING TO DO IT IF
3 THEY THOUGHT IT MIGHT APPLY TO THEM.

4 MS. KING: SO IF I UNDERSTAND CORRECTLY,
5 WE WILL NOT PUT THAT ITEM ON THE AGENDA FOR THE
6 FINANCE SUBCOMMITTEE MEETING THAT WE HOPE TO
7 SCHEDULE TO TAKE PLACE PRIOR TO THE DECEMBER 8TH AND
8 9TH MEETING; IS THAT CORRECT?

9 CHAIRMAN KLEIN: JEFF, I THINK WE COULD
10 DISCUSS IT, BUT I THINK -- WE COULD HAVE A
11 DISCUSSION, BUT YOUR POINT IS A WELL-TAKEN ONE. WE
12 HAVE TO MAKE SURE. BUT WE MIGHT -- ON THE OTHER
13 HAND, JEFF, WE MIGHT DISCUSS AN UPPER LIMIT THAT'S
14 NOT INTENDED TO AFFECT THE MAJORITY OF THEM. WHY
15 DON'T WE JUST HAVE A DISCUSSION, BUT YOU HAVE AN
16 EXTREMELY GOOD POINT.

17 CHAIRMAN GOLDBERG: MELISSA, FROM MY
18 STANDPOINT, LET'S AGENDA THAT ITEM LAST.

19 MS. KING: LAST. IT MAY BE -- I'LL
20 DISCUSS THIS WITH YOU OFF LINE IN THE INTERIM TIME
21 PERIOD BETWEEN NOW AND WHEN WE HAVE TO NOTICE THE
22 MEETING, CHAIR GOLDBERG, BUT IT MAY JUST BE A
23 TWO-ITEM AGENDA UNLESS SOMETHING ELSE COMES UP.

24 CHAIRMAN GOLDBERG: THAT'S FINE. I THINK
25 WE'RE ALL STRETCHED ON TIME, AND I APOLOGIZE THAT

BARRISTERS' REPORTING SERVICE

1 THE AGENDA TODAY EXPANDED TO THE POINT WHERE IT'S
2 ENCROACHED ON PEOPLE'S ALLOCATED AND BUDGETED TIME
3 FOR THIS MEETING. MOVE ADJOURNMENT.

4 MR. SHEEHY: SECOND.

5 MS. KING: THANKS, EVERYBODY.

6 (THE MEETING WAS THEN ADJOURNED AT
7 03:15 P.M.)

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BARRISTERS' REPORTING SERVICE

REPORTER'S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE TELEPHONIC PROCEEDINGS BEFORE THE FINANCE SUBCOMMITTEE OF THE INDEPENDENT CITIZEN'S OVERSIGHT COMMITTEE OF THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE IN THE MATTER OF ITS REGULAR MEETING HELD ON TUESDAY, OCTOBER 26, 2010, 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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