

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

LOCATION: AS INDICATED ON THE AGENDA

DATE: JANUARY 21, 2010  
7:30 A.M.

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

BRS FILE NO.: 86460

**BARRISTERS' REPORTING SERVICE**

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**BARRISTERS' REPORTING SERVICE**

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THURSDAY, JANUARY 21, 2010

7: 30 A. M.

CHAIRMAN GOLDBERG: WHY DON' T WE GO AHEAD WITH A ROLL CALL, MELISSA, JUST TO BE SURE.

MS. KING: TED RINGING IN MAY HAVE MADE OUR SITUATION MORE FAVORABLE.

RICARDO AZZIZ. ROBERT BIRGENEAU.

DR. BIRGENEAU: HERE.

MS. KING: FLOYD BLOOM.

DR. BLOOM: HERE.

MS. KING: MARCY FEIT.

MS. FEIT: HERE.

MS. KING: MICHAEL GOLDBERG.

CHAIRMAN GOLDBERG: HERE.

MS. KING: BOB KLEIN.

MR. KLEIN: HERE.

MS. KING: TED LOVE.

DR. LOVE: HERE.

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

MR. ROTH: HERE.

MS. KING: JEFF SHEEHY.

MR. SHEEHY: HERE.

MS. KING: OSWALD STEWARD. ART TORRES.

## BARRISTERS' REPORTING SERVICE

1 MR. TORRES: HERE.

2 MS. KING: SO WE ACTUALLY HAVE NINE PEOPLE  
3 ON THE PHONE RIGHT NOW, SO WE HAVE A QUORUM AT THIS  
4 MOMENT, CHAIR GOLDBERG.

5 CHAIRMAN GOLDBERG: GREAT. I'D LIKE TO OPEN  
6 THE MEETING, THANK EVERYONE FOR ATTENDING. THE  
7 PURPOSE OF THIS MEETING IS PRINCIPALLY TO REPORT ON  
8 THE LOAN TASK FORCE MEETING WHICH WAS HELD WEDNESDAY,  
9 DECEMBER 9 AT STANFORD AND INVOLVED A SERIES OF  
10 SPEAKERS REPRESENTING A DIVERSE RANGE OF INDUSTRY  
11 INTERESTS TO COMMENT ABOUT THE PROPOSED LOAN AGREEMENT  
12 AND ITS PROCESS.

13 SO WHAT I'M GOING TO DO IS TURN THE MEETING  
14 OVER TO DUANE, WHO CHAIRS THE LOAN TASK FORCE, AND  
15 HAVE HIM LEAD US THROUGH THE PROPOSED GUIDELINES FOR  
16 LOAN TERMS AS AMENDMENTS TO WHAT WE HAVE PUT OUT  
17 PREVIOUSLY.

18 MR. ROTH: THANKS, MICHAEL. I'M GOING TO  
19 PASS THIS, IF I CAN, TO ELONA. IS ELONA THERE?

20 MS. BAUM: YES, I'M HERE.

21 MR. ROTH: SINCE I'M IN AN AIRPORT AND DON'T  
22 HAVE THE LATEST VERSION EXCEPT ON MY BLACKBERRY, I'M  
23 GOING TO ASK ELONA TO WALK THROUGH WHAT WE'RE  
24 PROPOSING. BEFORE WE DO THAT, JUST TO ADD ON TO WHAT  
25 MICHAEL SAID. WE DID RECEIVE CONSIDERABLE INPUT AT

## BARRISTERS' REPORTING SERVICE

1 THAT MEETING AND SUBSEQUENT TO THAT MEETING THROUGH A  
2 NUMBER OF CONFERENCE CALLS WITH POTENTIAL LOAN  
3 RECIPIENTS AS WELL AS INTERESTED PARTIES, VENTURE  
4 CAPITAL, VENTURE DEBT BANKS, AND SO ON. SO WE DID  
5 RECEIVE A VERY WIDE RANGE OF INPUT, THOUGHTS,  
6 ASPIRATIONS ABOUT WHAT THE LOAN PROGRAM SHOULD DO.

7 SO WE TRIED TO AS MUCH AS POSSIBLE MEET WHAT  
8 THEIR CONCERNS WERE AND YET KEEP A PROGRAM THAT WE  
9 THINK HAS INTEGRITY. SO IT'S FLEXIBLE BUT ALSO HAS  
10 INTEGRITY.

11 WITH THAT, I THINK THE BEST THING TO DO IS  
12 TO HAVE ELONA GO THROUGH HOW WE PROPOSE TO MODIFY THE  
13 LAST SET OF TERMS THAT WE PROPOSED.

14 MS. KING: BEFORE ELONA DOES THAT, THIS IS  
15 MELISSA IN SAN FRANCISCO, I'D JUST LIKE TO ASK WHO HAS  
16 JOINED THE CALL IN THE LAST COUPLE OF MINUTES?

17 DR. TROUNSON: ALAN TROUNSON.

18 DR. STEWARD: AND THIS IS OS STEWARD.

19 MS. KING: THANK YOU, DR. STEWARD. WE NOW  
20 ACTUALLY HAVE MORE THAN A QUORUM ON THE LINE.

21 MS. BAUM: LET ME START OFF BY JUST SETTING  
22 THE STAGE AND STATING THAT WHAT I'M ABOUT TO DISCUSS,  
23 THE TERMS AND CONDITIONS, ARE GUIDANCE, AND THEY ARE  
24 NOT TO BE DEEMED AS THE ACTUAL AMENDMENT. SO THE  
25 AMENDMENT WOULD BE IN THE FORM OF REMOVING FROM THE

## BARRISTERS' REPORTING SERVICE

1 CURRENT LAP THE ITEMS THAT ARE ADDRESSED HERE TODAY  
2 AND REPLACING THEM WITH A PROVISION THAT SAYS THAT THE  
3 TERMS I'M ABOUT TO GO OVER SHALL SERVE AS GUIDANCE  
4 WITH THE SPECIFIC TERMS TO BE IDENTIFIED ON AN  
5 RFA-BY-RFA BASIS.

6 SO LET ME START WITH THE FIRST PROVISION.  
7 THE EFFECT OF THESE PROPOSED GUIDELINES IS TO SORT OF  
8 CHANGE THE CONCEPT OF RECOURSE/NONRECOURSE LOANS AND  
9 REPLACE IT THROUGH GUIDANCE WITH TWO TYPES OF LOANS,  
10 EITHER A PRODUCT-BACKED LOAN, WHICH WOULD ENTAIL THE  
11 REPAYMENT OF A LOAN PREDICATED ON THE SUCCESS OF THE  
12 PRODUCT BEING DEVELOPED, OR A COMPANY-BACKED LOAN IN  
13 WHICH THE LOAN RECIPIENT IS OBLIGATED TO PAY THE LOAN  
14 REGARDLESS OF WHETHER THE CIRM-FUNDED PRODUCT OR  
15 PROJECT RESULTS IN ANY REVENUE. SO THAT'S THE INITIAL  
16 CONCEPT, THAT THESE ARE A PRODUCT-BACKED LOAN OR A  
17 COMPANY-BACKED LOAN AND THE LOAN RECIPIENT CHOOSES IN  
18 ITS SOLE DISCRETION.

19 THE TERM OF THE LOAN WOULD BE, UNDER THIS  
20 GUIDANCE, EITHER FIVE OR SEVEN YEARS, WHICH THE LOAN  
21 RECIPIENT IN ITS SOLE DISCRETION CAN EXTEND UP TO TEN  
22 YEARS PROVIDED THAT THE CONDITIONS FOR INTEREST AND  
23 PAYMENT OF INTEREST AND THE INTEREST RATES ARE ADHERED  
24 TO IN THE FOLLOWING SECTIONS OF THAT LINE ON YOUR LOAN  
25 TERMS IN SECTION 3 AND 4. AND I CAN GO THROUGH THEM.

## BARRISTERS' REPORTING SERVICE

1 SO FOR A FIVE-YEAR LOAN, THE PAYMENT FOR THE  
2 FIRST FIVE YEARS, THE INTEREST PAYMENT WOULD ACCRUE.  
3 THERE WOULD BE NO PAYMENT DUE. STARTING IN YEAR SIX,  
4 YOU' D HAVE 25 PERCENT OF THE UNPAID INTEREST BE  
5 ACCRUED AND HAVE TO BE PAID OUT IN FOUR EQUAL PAYMENTS  
6 OVER THE FOURTH YEAR, AND THEN THE REMAINING INTEREST  
7 WOULD BE ACCRUED. IF YOU EXTEND A FOLLOWING YEAR,  
8 THERE' S A PARALLEL PROVISION THAT SAYS THAT THE  
9 ACCRUED AND UNPAID INTEREST WOULD BE PAID OUT OVER  
10 THAT YEAR IN FOUR QUARTERLY PAYMENTS ALL THE WAY  
11 THROUGH TEN YEARS, IN WHICH CASE YOU PAY OUT THE  
12 ACCRUED AND UNPAID INTEREST OVER THREE QUARTERS, AND  
13 THEN ON THE FINAL QUARTER ALL PRINCIPAL AND INTEREST  
14 IS DUE. THAT' S THE FIVE-YEAR TERM.

15 AND THEN THE SEVEN-YEAR TERM IS SIMILAR IN  
16 THAT DURING THE FIRST SEVEN YEARS, ACCRUED AND UNPAID  
17 INTEREST IS NOT PAID. BUT STARTING AT EIGHT YEARS, IF  
18 THERE' S A DESIRE TO EXTEND, THEN YOU HAVE TO PAY 25  
19 PERCENT OF ALL OF THE UNPAID AND ACCRUED INTEREST OVER  
20 FOUR PERIODS. AND THEN, AGAIN, THE INTEREST STARTS TO  
21 BE ACCRUED UP TO THEIR QUARTERLY UP AND THROUGH TEN  
22 YEARS IF THAT' S WHAT YOU EXTEND TO.

23 INTEREST PAYMENTS WOULD BE UNDER A FIVE-YEAR  
24 LOAN TERM, AS GUIDANCE, EITHER PRIME PLUS ONE OR LIBOR  
25 PLUS TWO. AGAIN, THAT WOULD BE DETERMINED ON AN

## BARRISTERS' REPORTING SERVICE

1 RFA-BY-RFA BASIS. THE INTEREST RATE FOR A SEVEN-YEAR  
2 LOAN WOULD BE PRIME PLUS 2 PERCENT OR LIBOR PLUS 3  
3 PERCENT. THEN IF YOU EXTEND THE FIVE- OR THE  
4 SEVEN-YEAR LOAN TERMS, INTEREST RATES WOULD INCREASE  
5 AS FOLLOWS.

6 DR. LOVE: ELONA, YOU SAID 3 PERCENT. THE  
7 DOCUMENT SAYS 3.5 PERCENT LIBOR PLUS.

8 MS. BAUM: DID I MISS THAT? I'M SORRY. I  
9 MISSPOKE. IT IS 3.5 PERCENT. SORRY ABOUT THAT.

10 DR. LOVE: I JUST WANTED TO MAKE SURE.

11 MS. BAUM: I'M READING FROM THE SAME  
12 DOCUMENT. FOR A FIVE-YEAR LOAN TERM, THEN, AS I SAID,  
13 IF YOU EXTEND, THE INTEREST RATE WOULD INCREASE BY 1  
14 PERCENT EACH YEAR THEREAFTER.

15 MR. KLEIN: ELONA, I THINK IN THE FIVE-YEAR  
16 LOAN, IN THE SIXTH YEAR THE RATE INCREASES BY 1  
17 PERCENT AND EACH YEAR THEREAFTER BY A HALF PERCENT.

18 MS. BAUM: OKAY. I DIDN'T SEE THAT.

19 MR. KLEIN: AND THEN ON THE SEVEN-YEAR, THE  
20 INTEREST RATE INCREASES BY 2 PERCENT.

21 MS. BAUM: IN THE EIGHTH YEAR.

22 MR. KLEIN: IN THE EIGHTH YEAR AND 1 PERCENT  
23 FOR EACH YEAR THEREAFTER. THESE ARE CUMULATIVELY  
24 INCREASES.

25 JUST TO EMPHASIZE THE POINT YOU MADE

## BARRISTERS' REPORTING SERVICE

1 EARLIER, THESE ARE ALL GUIDELINES. SO THE FINANCE  
2 COMMITTEE FOR AN RFA COULD DECIDE TO HAVE GREATER  
3 INCREASES OR LESSER DEPENDING ON ECONOMIC CONDITIONS,  
4 THE VENTURE CAPITAL MARKET, MATCHING FUNDS, AND OTHER  
5 CONSIDERATIONS.

6 MS. BAUM: RIGHT. OKAY. AND THEN ALL OF  
7 THIS WOULD BE SUBJECT TO THE MAXIMUM ALLOWED RATE  
8 UNDER THE LAW.

9 NOW, IN TERMS OF LOGISTICS, SINCE THIS IS  
10 THE FULL DISCRETION OF THE LOAN RECIPIENT TO EXTEND,  
11 WE WILL REQUIRE THAT THERE BE 90 DAYS PRIOR NOTICE TO  
12 CIRM OF SUCH INTENT TO EXERCISE THAT RIGHT TO EXTEND.

13 IN TERMS OF LOAN DISBURSEMENT, FUNDING WILL  
14 OCCUR AT INTERVALS THAT ARE SET FORTH IN THE NOTICE OF  
15 LOAN AWARD AND ONLY UPON SATISFACTION OF CONDITIONS,  
16 WHICH COULD INCLUDE ACHIEVEMENT OF MILESTONES WHICH  
17 ARE SET FORTH IN THE NOTICE OF LOAN AWARD. IT'S  
18 IMPORTANT TO NOTE THAT A DELAY IN MEETING TIMELINES  
19 WILL NOT AUTOMATICALLY RESULT IN ACCELERATION OR  
20 TERMINATION OF THE LOAN, BUT IT COULD RESULT IN A  
21 DELAY OR A SUSPENSION IN DISBURSEMENT OF ADDITIONAL  
22 FUNDS.

23 NO. 5 --

24 DR. LOVE: ONE QUICK QUESTION. THE DOCUMENT  
25 DOESN'T REALLY SAY, BUT I'M ASSUMING THAT WE WOULD

## BARRISTERS' REPORTING SERVICE

1 ONLY ACCUMULATE INTEREST ON MONEY DISBURSED?

2 MS. BAUM: YES.

3 DR. LOVE: OKAY. THAT SHOULD BE EXPLICIT  
4 BECAUSE IT'S NOT.

5 MS. BAUM: THAT'S A GOOD POINT. JUST TO  
6 KEEP IN MIND, THOUGH, THAT'S PROBABLY WITHIN THE BODY  
7 OF THE LAP. AND WE'RE NOT ADDRESSING EVERYTHING IN  
8 THE LAP. SO ANYTHING THAT WE DON'T ADDRESS HERE, IT  
9 REMAINS IN THE LAP.

10 MR. ROTH: SO, ELONA, I'M GOING TO PICK UP  
11 HERE. TED, THAT'S A GREAT POINT, AND WE SHOULD BE THE  
12 SAME WITH THE WARRANTS. THE WARRANTS ARE ISSUED ON  
13 THE AMOUNT OF THE LOAN AS THE LOANS ARE DISBURSED.

14 MS. BAUM: RIGHT. THAT'S ALL IN THE LAP.  
15 IT'S JUST WE WOULD HAVE TO REWRITE THE LAP IF WE  
16 INCLUDED EVERY PROVISION. SO THESE ARE THE ONES THAT  
17 ARE DIFFERENT FROM WHAT'S IN THE LAP.

18 OKAY. SO THE WARRANTS, SO, AGAIN, WE BREAK  
19 UP THE WARRANT OBLIGATION BY COMPANY-BACKED LOAN  
20 VERSUS PRODUCT LOANS. THERE'S A DIFFERENT SCENARIO  
21 FOR BOTH. STARTING WITH THE COMPANY-BACKED LOANS,  
22 KEEPING IN MIND THAT IN NO EVENT WILL THE WARRANT  
23 REQUIREMENT BE GREATER THAN 20 PERCENT OF A LOAN  
24 RECIPIENT'S SHARES ON A FULLY DILUTED BASIS. SO  
25 THAT'S ALWAYS THE CAP. BUT ASSUMING THAT'S NOT MET,

## BARRISTERS' REPORTING SERVICE

1 THAT THE WARRANT REQUIREMENTS WILL BE AS FOLLOWS: A  
2 10-PERCENT WARRANT REQUIRED ON THE AMOUNT OF THE LOAN  
3 DISBURSED. IF THE LOAN RECIPIENT SHOWS A PROFIT FOR  
4 THE PREVIOUS TWO YEARS, THAT AMOUNT INCREASES TO 25  
5 PERCENT IF BOTH OF THE FOLLOWING CONDITIONS ARE MET  
6 AND, OF COURSE, IF THE 10 PERCENT -- THEY'RE NOT  
7 PROFITABLE FOR THE PRIOR TWO. SO IN ORDER TO QUALIFY  
8 FOR 25-PERCENT WARRANT COVERAGE, YOU MUST BOTH HAVE  
9 RAISED IN PRIOR FINANCE AND FINANCINGS SINCE THE LOAN  
10 RECIPIENT'S INCEPTION THREE TIMES THE AMOUNT OF THE  
11 TOTAL LOAN AMOUNT FOR THE PROJECT AND HAVE ENTERED  
12 INTO A CONTRACTUAL ARRANGEMENT WHICH IS STILL IN  
13 EFFECT WITH A BIOTECH OR A PHARMACEUTICAL COMPANY  
14 WHICH REQUIRES A REPAYMENT OR PAYMENT OF LICENSE AND  
15 REVENUES OR MILESTONE PAYMENTS PREDICATED ON THE  
16 SUCCESS OF THE FUNDED PROJECT. AND THIS IS REGARDLESS  
17 OF WHETHER IT'S A CIRM-FUNDED PROJECT.

18 NOW, IF YOU DON'T SATISFY ROMANETTE I OR II,  
19 THEN YOU'RE ENTITLED TO 50-PERCENT WARRANT COVERAGE IF  
20 THE LOAN RECIPIENT HAS MET ONE OF THOSE TWO CONDITIONS  
21 I JUST RAISED IN ROMANETTE II, WHICH IS EITHER RAISING  
22 THREE TIMES THE AMOUNT OF THE LOAN IN PRIOR FINANCINGS  
23 AND/OR HAVE ENTERED INTO A CONTRACTUAL ARRANGEMENT  
24 WITH A BIOTECH OR PHARMA. AND FINALLY, IF YOU DON'T  
25 MEET ANY OF THE ABOVE, BUT YOU AS A LOAN RECIPIENT

## BARRISTERS' REPORTING SERVICE

1 STILL ELECT TO PROCEED WITH THE COMPANY-BACKED LOAN,  
2 THEN THE WARRANT COVERAGE WOULD BE 75 PERCENT.

3 DR. LOVE: ELONA, SHOULD WE HAVE QUESTIONS  
4 AS WE GO ALONG?

5 MS. BAUM: I'LL LEAVE THAT TO THE CHAIR.

6 CHAIRMAN GOLDBERG: PLEASE GO AHEAD.

7 MS. BAUM: OKAY. PRODUCT-BACKED LOANS, THE  
8 SAME CONCEPT APPEARS OF THERE'S A CAP OF 20 PERCENT OF  
9 THE LOAN RECIPIENT'S SHARES ON A FULLY DILUTED BASIS.

10 DR. LOVE: ACTUALLY, ELONA, I THINK MICHAEL  
11 WAS SAYING GO AHEAD AND ASK THE QUESTION.

12 CHAIRMAN GOLDBERG: THAT'S CORRECT. IT'S  
13 INTERESTING. THAT ANSWER WAS AMBIGUOUS AND ANSWERABLE  
14 IN THE EYES OF THE BEHOLDER, BUT YOU'RE CORRECT, TED.

15 DR. LOVE: SO THE QUESTION IS MAYBE RELEVANT  
16 BECAUSE THE CONDITION A IS SPECIFIED THREE TIMES THE  
17 AMOUNT FOR THE PROJECT. AND OUR CHAIRMAN CAN SPEAK TO  
18 THIS MORE EXPERTLY THAN ANYONE, BUT I'VE NEVER RAISED  
19 MONEY BY PROJECT. SO HOW ARE WE GOING TO REALLY  
20 UNDERSTAND THAT IF A COMPANY HAS RAISED X AMOUNT OF  
21 MONEY AND THEY DO HAVE MORE THAN ONE PROJECT. I'M  
22 SURE WE THOUGHT ABOUT THIS.

23 MR. ROTH: TED, IT DOESN'T MATTER. IT'S THE  
24 TOTAL AMOUNT THE COMPANY HAS RAISED. SO IF THEY HAVE  
25 FIVE MILLION OR REQUESTING \$5 MILLION LOAN, THEY WOULD

## BARRISTERS' REPORTING SERVICE

1 HAVE HAD TO RAISE 15 MILLION SINCE INCEPTION FOR THE  
2 ENTIRE COMPANY.

3 DR. LOVE: OKAY. SO THIS FOR THE PROJECT IS  
4 A LITTLE BIT --

5 MS. BAUM: WE CAN CHANGE THAT TO LOAN  
6 AMOUNT.

7 MR. ROTH: IT'S LOAN AMOUNT.

8 MS. BAUM: IT'S A PROJECT LOAN AMOUNT.

9 MR. ROTH: SO IF THEY REQUEST A \$20 MILLION  
10 LOAN, IT'S 60 MILLION TO MEET THAT.

11 DR. LOVE: PERFECT.

12 MS. BAUM: ANY MORE QUESTIONS?

13 DR. LOVE: YEAH. NOT A QUESTION. I GUESS  
14 WE'RE JUST MISSING A -- HERE'S A QUESTION. SO AT THE  
15 END OF THAT SECTION, IT SAYS REGARDLESS OF WHETHER IT  
16 IS A CIRM-FUNDED PROJECT. I GUESS WE'RE MISSING A  
17 QUICK CLOSE OF PARENTHESES THERE. BUT I STILL WASN'T  
18 SURE HOW WE'RE GOING TO SAY, LET'S SEE HERE,  
19 REGARDLESS OF WHETHER IT'S A CIRM-FUNDED PROJECT. SO  
20 WHAT WE'RE SAYING HERE IS THEY CAN HAVE A CONTRACTUAL  
21 ARRANGEMENT ON ANOTHER PROJECT, BUT IT DOESN'T HAVE TO  
22 BE THE CIRM-FUNDED PROJECT. AND THE REASON WHY IS  
23 THAT THIS IS A COMPANY-BACKED LOAN.

24 MS. BAUM: RIGHT.

25 MR. ROTH: THAT'S CORRECT, TED. WHAT WE'RE

## BARRISTERS' REPORTING SERVICE

1 GETTING AT, THAT'S KIND OF DUE DILIGENCE. THEY HAVE  
2 CONVINCED ANOTHER PARTY TO MAKE A FINANCIAL  
3 CONTRIBUTION THAT ADDS TO THE CREDIBILITY OF THE  
4 COMPANY'S MANAGEMENT AND TECHNOLOGY.

5 DR. LOVE: MAKES PERFECT SENSE. I GOT IT.

6 MS. BAUM: OKAY. SO THE WARRANT COVERAGE  
7 FOR PRODUCT-BACKED LOANS IS AS FOLLOWS: THE LESSER OF  
8 20 PERCENT OF LOAN RECIPIENT'S SHARES ON A FULLY  
9 DILUTED BASIS AND ROMANETTE I, 50 PERCENT OF THE LOAN  
10 AMOUNT IF THE LOAN IS LESS THAN 50 PERCENT OF THE  
11 TOTAL FUNDS REQUIRED TO COMPLETE THE CIRM-FUNDED  
12 PROJECT AS DEFINED IN THE RFA, WHICH COULD BE GOALS  
13 SUCH AS FDA APPROVAL, IDENTIFICATION OF A DEVELOPMENT  
14 CANDIDATE, ETC. IT INCREASES TO 60 PERCENT IF THE  
15 LOAN AMOUNT IS LESS THAN 75 PERCENT OF THE TOTAL FUNDS  
16 REQUIRED TO COMPLETE THE CIRM-FUNDED PROJECT, AND THEN  
17 A HUNDRED PERCENT IF THE LOAN AMOUNT REPRESENTS MORE  
18 THAN 75 PERCENT OF THE TOTAL FUNDS REQUIRED TO  
19 COMPLETE THE CIRM-FUNDED PROJECT.

20 DR. TROUNSON: WHO WORKS OUT THE TOTAL COST?  
21 IS THAT A GUESSTIMATE AT THE BEGINNING OR IS IT JUST  
22 SORT OF AN ACCOUNTED --

23 MS. BAUM: WELL, THE WAY WE'VE BEEN DOING IT  
24 THUS FAR IS WE HAVE ACTIVITY-BASED BUDGETS IN WHICH  
25 ALL OF THE ACTIVITIES ARE SET FORTH WITH THE SOURCE OF

## BARRISTERS' REPORTING SERVICE

1 FUNDING IDENTIFIED.

2 DR. TROUNSON: SO THAT'S PREDICTED BY THE  
3 APPLICATION.

4 MS. BAUM: WE ARE IN THE PROCESS OF DOING  
5 THAT.

6 MR. KLEIN: ALAN, THIS IS BOB KLEIN. THE  
7 KEY CONCEPT HERE IS IN YOUR NORMAL ADMINISTRATIVE  
8 PROCESS, YOU'RE REVIEWING THE BUDGETS. AND IF THE  
9 BUDGETS ARE UNREALISTICALLY LOW OR HAVEN'T COVERED  
10 SOME CRITICAL ITEM, IN YOUR NORMAL PROCESS YOU WOULD  
11 ARRIVE AT A CONSENSUS BUDGET. SO THE INTENT IS NOT TO  
12 RELY SOLELY ON REPRESENTATIONS OF THE APPLICANT, BUT  
13 RATHER TO HAVE THOSE BUDGETS ADJUSTED TO A REALISTIC  
14 POSITION THROUGH YOUR NORMAL STAFF PROCESS.

15 DR. TROUNSON: THEY DON'T NORMALLY PROVIDE  
16 ALL THE INFORMATION ON THE ADDITIONAL ACTIVITIES THAT  
17 ARE REQUIRED THAT ARE NOT WITHIN THE BUDGET REQUESTED  
18 FROM CIRM. SO YOU'RE GOING TO ASK THEM FOR AN  
19 ADDITIONAL BUDGET WHICH COVERS ACTIVITIES WHICH ARE  
20 NOT COVERED BY THE CIRM LOAN.

21 MR. KLEIN: THE KEY HERE IS THAT EVEN FOR  
22 THE GRANT PROGRAM, IT WOULD SEEM TO BE HIGHLY  
23 ADVISABLE TO GET A TOTALLY EXCLUSIVE BUDGET. HAVING  
24 THE APPLICANT GIVE ONLY A PARTIAL BUDGET WHEN WE'RE  
25 GIVING A LARGE GRANT FOR 20 MILLION, IF THE REAL COST

## BARRISTERS' REPORTING SERVICE

1 IS 40 MILLION, IT'S IMPORTANT THAT WE KNOW THAT UP  
2 FRONT AND KNOW WHERE THE OTHER MONEY IS COMING FROM ON  
3 A TIMELINE WHEN IT'S COMING IN TO MAKE CERTAIN THAT  
4 THE PROJECTED GOALS CAN REALLY REASONABLY BE ACHIEVED.  
5 CERTAINLY THEY WON'T HAVE ALL THE MONEY UP FRONT.  
6 THEY MAY GET TO MILESTONE THREE BEFORE THEY NEED SOME  
7 SUPPLEMENTAL FUNDS, BUT IT WOULD BE IMPORTANT TO HAVE  
8 THE WHOLE PICTURE WHEN WE ARE MAKING THESE LARGE  
9 GRANTS OR LOANS. AND SO I WOULD HOPE THAT GETS  
10 INCORPORATED INTO THE ADMINISTRATIVE PROCESS.

11 DR. TROUNSON: IT'S A VERY BIG SIGNIFICANT  
12 STEP, BUT I UNDERSTAND WHAT YOU'RE SAYING. IT'S A  
13 PRETTY BIG STEP, ADDITIONAL STEP TO INCLUDE THAT.  
14 BASICALLY THEY'VE IN THE PAST OR UP UNTIL NOW  
15 INDICATED THAT IT WAS 50 PERCENT OF THE GRANT. SO IF  
16 YOU'VE GOT A LOAN, LET'S SAY YOU GOT A LOAN FOR \$50  
17 MILLION AND THAT'S 50 PERCENT OF THE ACTIVITY TO GET  
18 TO A CERTAIN PLACE, SAY IN A CLINICAL PROJECT, YOU ARE  
19 GOING TO ASK THEM TO PUT ALL THE INFORMATION DOWN FOR  
20 THE OTHER 50 PERCENT. IT'S A PRETTY BIG ASK, BUT I  
21 UNDERSTAND WHAT YOU ARE SAYING, BUT IT'S A BIG ASK.

22 MR. ROTH: ALAN, WOULDN'T THEY KNOW THAT IT  
23 IS 50 PERCENT? HOW'D THEY PULL THAT NUMBER?

24 DR. TROUNSON: THAT'S WHAT I'M  
25 UNDERSTANDING, THAT SOME OF THESE COMPANIES WILL ASK

## BARRISTERS' REPORTING SERVICE

1 FOR A LOAN FROM US AT 50 PERCENT OF THE TOTAL COST OF  
2 GETTING TO PHASE II A. SO YOU THEN REQUIRE WHATEVER,  
3 THE UNDERPINNING OF THE BUDGET FOR WHAT YOU'RE  
4 PROVIDING FOR A LOAN, BUT YOU'RE ALSO REQUIRING THE  
5 OTHER 50 PERCENT TO BE DETAILED.

6 MR. ROTH: I WOULD ASSUME IF THEY TELL YOU  
7 IT'S 50 PERCENT, THEY'VE DONE THE MATH AND THE  
8 CALCULATION TO TELL YOU IT'S 50 PERCENT. SO JUST TELL  
9 THEM TO PROVIDE IT.

10 DR. TROUNSON: YEAH. HAVING SAID THAT,  
11 THAT'S STILL A LOT OF WORK. I'M IDENTIFYING THAT THIS  
12 IS A LOT OF WORK THAT'S REQUIRED BY THEM TO DO THAT.  
13 IT MAY BE IMPORTANT. I'M NOT SUGGESTING IT'S NOT  
14 IMPORTANT, BUT IT'S CONSIDERABLE MORE WORK THAT'S  
15 REQUIRED IN THE FINANCIAL SECTION OF THE LOAN  
16 APPLICATION.

17 MR. KLEIN: WHAT I'M SUGGESTING, ALAN, IS  
18 THAT FOR A GRANT, WE REALLY NEED THE SAME ECONOMIC  
19 DISCIPLINE BECAUSE WE NEED TO KNOW THEY CAN COMPLETE.  
20 AGAIN, WHETHER IT'S A LOAN OR A GRANT, I DON'T EXPECT  
21 NECESSARILY THAT THEY'RE GOING TO HAVE IDENTIFIED ALL  
22 OF THE FUNDS IN A CONCRETE WAY, BUT RATHER HAVE  
23 OPTIONS FOR SOME OF THE FUNDS THEY'LL NEED DOWNSTREAM.  
24 SO IF IT'S A THREE- OR FOUR-YEAR PROCESS, THEY MAY NOT  
25 EFFECTIVELY BE ABLE TO RAISE THE FINAL FUNDS THEY NEED

## BARRISTERS' REPORTING SERVICE

1 FOR THE PROCESS UNTIL THEY HIT MILESTONE THREE AND  
2 THEN A PART ON MILESTONE FOUR BECAUSE AS THEY PROGRESS  
3 DOWN THAT PIPELINE, THE CREDIBILITY BECOMES MORE  
4 CONCRETE. BUT CERTAINLY THEY NEED A BUSINESS PLAN  
5 THAT IDENTIFIES HOW THEY'RE GOING TO GET THROUGH THE  
6 WHOLE PROCESS TO PROVIDE SOME REAL SUBSTANCE AND  
7 INTEGRITY TO THE COMMITMENT WE'RE MAKING, THAT WE KNOW  
8 THAT WE'RE NOT GOING TO GET DOWNSTREAM AND NOT HAVE AN  
9 EFFECTIVE BUSINESS PLAN TO GET TO THE FINAL RESULT.

10 DR. TROUNSON: WHAT I'M IDENTIFYING IS THAT  
11 WE'RE GOING TO HAVE TO SPEND A LOT MORE TIME IN EITHER  
12 THE -- I DON'T THINK IT WOULD BE APPROPRIATE IN THE  
13 GRANTS WORKING GROUP, BUT IN ASSESSMENT OF THE  
14 FINANCIAL INFORMATION THAT'S PROVIDED, SAY, YOU REALLY  
15 GOT TO SPEND A LOT MORE RESOURCE AND EFFORT TO ENSURE  
16 WHAT IS PROVIDED FOR THERE IS REALISTIC AND  
17 APPROPRIATE. SO WE WILL NEED TO CREATE MORE TO DO  
18 THAT.

19 DR. LOVE: I THINK THAT WOULD BE IMPORTANT.  
20 I WOULD THINK ON THE COMPANY END, THE BOARD WOULD HAVE  
21 REQUIRED THAT THEY ARE LOOKING AT THE TOTAL COST OF  
22 THE PROJECT.

23 MY BIGGER WORRY IS A SLIGHTLY PRACTICAL ONE,  
24 AND THAT IS THAT, IN GENERAL, IN DEVELOPMENT PROGRAMS,  
25 AND I HATE TO SAY THIS, BUT IT'S BEEN CONSISTENTLY

## BARRISTERS' REPORTING SERVICE

1 TRUE FOR ME, PROGRAMS COST MORE THAN EVERYBODY PLANS  
2 FOR AND TAKES LONGER.

3 MS. KING: THAT'S NOT LIMITED TO BIOTECH.

4 DR. LOVE: THAT'S NOT LIMITED TO BIOTECH.

5 SO WHEN WE DISBURSE FUNDS INITIALLY, AND THE PLAN IS  
6 THAT IT'S GOING TO COST 50 PERCENT OF WHAT WE ARE  
7 GIVING AND THEY'RE KIND OF IN THIS CATEGORY FOR  
8 CALCULATION OF WARRANTS, AND THEN WE NEED TO DO A  
9 TRANCHE OR TWO ADDITION WITH MORE WARRANTS, AND NOW  
10 WE'VE REALIZED THAT THE PROGRAM IS MORE EXPENSIVE AND  
11 IT'S NOW GOING TO BE A MORE EXPENSIVE PROGRAM, ARE WE  
12 GOING TO MOVE AROUND THE WARRANT COVERAGE?

13 MS. BAUM: ARE YOU SAYING ABOVE AND BEYOND  
14 WHAT THE AMOUNT THAT WAS APPROVED BY THE ICOC WHEN YOU  
15 SAY ADDITIONAL TRANCHES? IS THAT WHAT YOU'RE  
16 CONSIDERING?

17 MS. KING: I THINK WHAT TED IS TRYING TO SAY  
18 IS THAT IF AT ONE POINT YOU SAY THIS IS WHAT OUR  
19 PROJECT COSTS, AND SO THE LOAN AMOUNT IS LESS THAN 50  
20 PERCENT OF THAT, BUT NOW OUR PROJECT COST HAS GONE WAY  
21 UP, SO OUR LOAN AMOUNT HAS CHANGED AS A PERCENTAGE.

22 DR. LOVE: THAT'S WHAT I'M GETTING AT.

23 MR. KLEIN: TED, YOU KNOW, THE WAY THIS  
24 WOULD WORK AS AN INTERNAL DISCIPLINE IS THEY HAVE AN  
25 INCENTIVE TO PUT THE TOTAL COST ON THE TABLE UP FRONT

## BARRISTERS' REPORTING SERVICE

1 BECAUSE IF THERE'S ADDITIONAL COST IDENTIFIED  
2 DOWNSTREAM, THAT MEANS THAT IF WE SET THE WARRANTS  
3 BASED UPON THEIR INITIAL REPRESENTATION THAT'S  
4 CONFIRMED BY THE SCIENTIFIC AND FINANCIAL STAFF, AND  
5 THEY LATER HAVE TO RAISE A HIGHER PERCENTAGE OF THE  
6 FUNDS, THEY COULD HAVE QUALIFIED FOR A LOWER WARRANT  
7 COVERAGE IF, IN FACT, THEY HAD CAPTURED THOSE COSTS IN  
8 THEIR ORIGINAL ESTIMATE BECAUSE A HIGHER TOTAL BUDGET  
9 MEANS THEY WOULD HAVE BEEN RAISING A HIGHER  
10 PERCENTAGE, AND WE WOULD BE SHARING A LOWER PERCENTAGE  
11 OF THE TOTAL BURDEN.

12 SO I WOULD THINK WE WOULD SET THE WARRANT  
13 COVERAGE UP FRONT. AND IF THERE'S MORE COST AS THIS  
14 DEVELOPS, THEN THEY ESSENTIALLY ARE PAYING WARRANTS  
15 BASED ON THE PERCENTAGE OF THEIR ORIGINAL COST, AND  
16 THEY'VE JUST GOT A GREATER BURDEN TO PUT UP MORE COST  
17 BECAUSE WE'RE NOT INCREASING THE AMOUNT THAT WE ARE  
18 FUNDING. HOWEVER, THE FINANCE COMMITTEE ON EACH RFA  
19 CAN DECIDE, SINCE THESE ARE GUIDELINES AS PROPOSED, TO  
20 MODIFY THAT IF WE GET INTO SITUATIONS WHERE WE'RE ON  
21 AN RFA WHERE IT'S VERY DIFFICULT TO ESTIMATE TOTAL  
22 COST AND WE WANT TO MAKE SOME KIND OF A CONCESSION.  
23 BUT THE WAY IT'S PROPOSED RIGHT NOW, IT WOULD BE SET,  
24 AS I UNDERSTAND IT, UP FRONT. AND IF THERE'S MORE  
25 COST, THEY'VE JUST GOT A GREATER BURDEN AND DIDN'T GET

## BARRISTERS' REPORTING SERVICE

1 CREDIT FOR IT UP FRONT.

2 DR. LOVE: OKAY. I WOULD PREDICT, BOB, THAT  
3 DESPITE EVERYBODY'S BEST EFFORT INSIDE THE COMPANY,  
4 THAT WHAT WE WILL SEE IN THE PORTFOLIO IS THAT BETWEEN  
5 YEAR ONE AND YEAR FIVE PROGRAMS THAT WERE ANTICIPATED  
6 WILL COST MORE WHEN WE'RE ACTUALLY IN YEAR FIVE THAN  
7 WAS BUDGETED FOR IN YEAR ONE. I'VE SEEN THAT 90  
8 PERCENT OF THE TIME.

9 MS. BAUM: AS YOU SAID, TED, THE WARRANTS  
10 ARE BEING PROVIDED ON A DISBURSEMENT-BY-DISBURSEMENT  
11 BASIS, SO ACTUALLY THERE WILL BE THIS REACCOUNTING, IN  
12 ESSENCE.

13 DR. LOVE: THAT'S WHAT I WAS ASKING IS WOULD  
14 YOU REACCOUNT.

15 DR. TROUNSON: YOU'RE RIGHT, OF COURSE. AND  
16 THAT'S GOING TO HAPPEN NEARLY A HUNDRED PERCENT OF THE  
17 TIME. SO WHAT YOU HAVE TO DO WITH CHECKING THIS  
18 DIRECTION IS THAT YOU HAVE TO HAVE FINANCIAL  
19 MILESTONES THAT YOU INTERROGATE ALL THE TIME TO FIGURE  
20 OUT WHETHER THE COST IS REALLY INCREASING DRAMATICALLY  
21 OR WHETHER, IN FACT, THERE IS AN UNDERTAKING OR TERM  
22 SHEET OR AGREEMENT TO HAVE THOSE ADDITIONAL FUNDS  
23 RAISED. OTHERWISE THE PROJECT CAN GO AGROUND IF  
24 YOU'RE ONLY PAYING FOR 50 PERCENT OR 25 PERCENT OF IT  
25 IF THEY CAN'T RAISE THAT MONEY. SO WE HAVE TO BUILD

## BARRISTERS' REPORTING SERVICE

1 IN FINANCIAL MILESTONES INTO ALL OF THAT, I WOULD  
2 IMAGINE, OTHERWISE WE WON'T MAKE SENSE OF IT AT ALL.

3 MR. KLEIN: THE OTHER POINT I'D LIKE TO  
4 EMPHASIZE, AND, DUANE, PLEASE COMMENT OR EVERYONE  
5 COMMENT. AGAIN, IMPLICIT IN THIS PROCESS IS THE  
6 UNDERSTANDING THAT WE DO HAVE THE RISK THAT EVEN WHEN  
7 THE COMPANIES ARE MEETING 50 PERCENT, THEY WILL NOT  
8 NECESSARILY BE MEETING 50 PERCENT IN THE FIRST OR  
9 SECOND OR EARLY MILESTONES, THAT THE ADDITIONAL WORK  
10 THAT WE'RE NOT FUNDING MAY WELL ARISE PREDOMINANTLY IN  
11 MILESTONE 3, 4, 5 OR FURTHER DOWNSTREAM. AND THEIR  
12 ABILITY TO RAISE FUNDS INCREASES AS THEY GET MILESTONE  
13 SUCCESSES.

14 I THINK THE SCIENTIFIC STAFF AND THE  
15 FINANCIAL STAFF HAVE TO BE ABLE TO SET MILESTONES WITH  
16 DIFFERENT PERCENTAGES OF COST SHARING SO THERE MAY NOT  
17 BE ANY COST SHARING IN THE VERY FIRST MILESTONE, FOR  
18 EXAMPLE, IN THIS PROCESS. IS THAT A CORRECT  
19 UNDERSTANDING, ELONA?

20 MS. BAUM: I THINK THAT'S WHERE WE WERE  
21 HEADED, YES.

22 MR. ROTH: TED, I AGREE WITH YOU AND ALAN  
23 AND OTHERS. COSTS DO TEND TO GO HIGHER OVER TIME.  
24 BUT IF YOU TAKE THE DISEASE TEAMS OUT, WHICH IS KIND  
25 OF AN EXCEPTION, MANY OF THE THINGS WE'RE GOING TO BE

## BARRISTERS' REPORTING SERVICE

1 MAKING LOANS ON ARE SHORTER TERM. THEY' RE A PHASE I  
2 TRIAL OR THEY' RE TOOLS AND TECHNOLOGIES OR THINGS LIKE  
3 THAT WHERE IT' S A LITTLE MORE -- IT' S, I THINK, A  
4 LITTLE MORE MITIGATED THAN THE OPEN-ENDED TO GET TO AN  
5 FDA APPROVAL OR FDA, IN THIS CASE, AN IND APPROVAL.

6 SO I THINK IT' S FAIR TO SET IT WITH THIS  
7 STRATEGY UP FRONT, AND THEN LET' S DEAL WITH THE  
8 EXCEPTIONS IF SOMEBODY COMES TO US AND MAKES THE CASE  
9 THAT THAT' S ONEROUS, THAT THE TOTAL COST WE CAN AGREE  
10 TO RECALCULATE THE WARRANTS. BUT THIS IS A FAIR WAY  
11 TO DO IT UP FRONT. IT SAYS HERE' S YOUR WARRANT  
12 COVERAGE IN TERMS OF WHAT YOU KNOW YOU' RE SIGNING  
13 ONTO. THE PRICE OF THOSE WARRANTS WILL BE WITH EACH  
14 TRANCHE OF THE LOAN. THE TOTAL NUMBER OF WARRANTS  
15 WILL BE SET UP FRONT.

16 DR. LOVE: THAT WAS A GOOD DISCUSSION FOR ME  
17 TO HEAR.

18 MR. TORRES: MR. CHAIR, I JUST WANTED TO ASK  
19 WHO' S GOING TO BE, IN REFERENCE TO DUANE' S POINT,  
20 WHO' S GOING TO PROVIDE THE OVERSIGHT ON THESE  
21 MILESTONES? IS IT THE FINANCE SUBCOMMITTEE? IS IT  
22 THE SCIENCE TEAM? WHO' S GOING TO BE OVERSIGHTING TO  
23 MAKE SURE THAT OR TO DETERMINE WHEN WE HAVE TO  
24 EXERCISE THE FLEXIBILITY THAT DUANE WAS TALKING ABOUT?

25 DR. TROUNSON: I THINK YOU HAVE TO COMBINE

## BARRISTERS' REPORTING SERVICE

1 IT WITH WHAT'S HAPPENING WITH THE SCIENCE SIDE BECAUSE  
2 THAT WILL RELATE EXTREMELY CLOSELY TO WHAT'S REQUIRED  
3 FOR THE FINANCING PART.

4 MR. TORRES: IS THAT GOING TO BE YOUR  
5 RESPONSIBILITY, ALAN, OR IS IT A JOINT RESPONSIBILITY  
6 WITH THE FINANCE SUBCOMMITTEE AND THE SCIENCE TEAM?

7 CHAIRMAN GOLDBERG: MY RECOMMENDATION WOULD  
8 BE THAT IT'S ALAN'S PRINCIPAL RESPONSIBILITY AND HE  
9 BRINGS IT FORWARD IF THERE ARE ISSUES THAT NEED TO BE  
10 ADJUDICATED BY THE COMMITTEE.

11 MR. TORRES: OKAY. I THINK WE SHOULD PUT  
12 THAT IN WRITING SOMEWHERE.

13 MS. BAUM: I'LL BE POINTING TO THIS.

14 MR. TORRES: I REALLY DO SO THAT PEOPLE KNOW  
15 THAT WE ARE ACCOUNTABLE IN TERMS OF THE OVERSIGHT AND  
16 THESE PERIODIC MILESTONES AND WHERE WE CAN EXERCISE  
17 THE FLEXIBILITY TO MAKE SURE THESE THINGS HAPPEN  
18 APPROPRIATELY.

19 MS. BAUM: AND THEY WILL BE GOING INTO THE  
20 LOAN AGREEMENT.

21 MS. KING: JUST SO EVERYBODY ON THE PHONE IS  
22 AWARE, IN ADDITION TO ELONA BEING HERE, DR. OLSON AND  
23 DR. ROBSON ARE ALSO PRESENT HERE IN SAN FRANCISCO.

24 MS. BAUM: I JUST NEEDED TO FINISH UP THE  
25 ROMANETTE IV UNDER PRODUCT-BACKED LOANS. AND THIS IS

## BARRISTERS' REPORTING SERVICE

1 CLARIFIED THAT WHEN WE'RE DETERMINING THE TOTAL  
2 PROJECT COSTS, THEY WILL BE CALCULATING THE INDIRECT  
3 COST REIMBURSEMENT THAT IS SET FORTH IN THE GRANTS  
4 ADMINISTRATION POLICY.

5 MOVING ON TO SUBORDINATION, WITH RESPECT TO  
6 COMPANY-BACKED LOANS, THE LOAN ADMINISTRATION POLICY  
7 WILL BE SILENT ON THE ISSUE OF SUBORDINATION.

8 WITH RESPECT TO PRODUCT-BACKED LOANS, CIRM  
9 WILL NOT SUBORDINATE TO COMPANYWIDE DEBT WITHOUT THE  
10 CONSENT OF THE FINANCE COMMITTEE EXCEPT IN INSTANCES  
11 WHERE DEBT IS USED TO SUPPORT THE CIRM-FUNDED PROJECT.  
12 AND, OF COURSE, THE CONSENT MAY NOT BE UNREASONABLY  
13 WITHHELD.

14 I'M GOING TO GOING KEEP PROCEEDING UNLESS  
15 SOMEBODY HAS A QUESTION.

16 ACCELERATION, WE WILL BE REMOVING THE  
17 ACCELERATION PROVISIONS THAT ARE EXISTING TODAY IN THE  
18 INTERIM LOAN ADMINISTRATION POLICY AND REPLACING THEM  
19 WITH THE FOLLOWING AS A GUIDANCE: IN THE EVENT OF ANY  
20 CHANGE OF CONTROL, CIRM HAS THE RIGHT, BUT NOT THE  
21 OBLIGATION, TO ACCELERATE REPAYMENT OF THE LOAN.

22 WITH RESPECT TO FORGIVENESS, IN THE EVENT  
23 THAT CIRM UNILATERALLY TERMINATES A LOAN AS A RESULT  
24 OF A FAILURE TO ACHIEVE A MILESTONE, THE LOAN  
25 RECIPIENT'S OBLIGATION TO REPAY A PRODUCT-BACKED OR A

## BARRISTERS' REPORTING SERVICE

1 COMPANY-BACKED LOAN WILL BE FORGIVEN EXCEPT IN  
2 CIRCUMSTANCES WHERE THE LOAN RECIPIENT HAS ACTED IN  
3 BAD FAITH OR FAILED TO EXERCISE ALL DUE CARE AND  
4 DILIGENCE IN PERFORMING THE CIRM-FUNDED PROJECT WITHIN  
5 THE DESIGNATED TIMELINE.

6 THOSE ARE WHAT I WOULD CALL SORT OF THE  
7 PRIMARY AMENDMENTS. THEN THERE ARE SOME OTHER  
8 PROVISIONS THAT WE ARE SUGGESTING FOR AMENDMENT. I'LL  
9 JUST RUN THROUGH THOSE AS WELL.

10 MR. KLEIN: ELONA, WHEN YOU'RE REFERRING TO  
11 THESE AS AMENDMENTS, MY UNDERSTANDING HERE IS THAT THE  
12 AMENDMENT IS TO, IN FACT, TAKE ALL OF THE DETAILED  
13 PROVISIONS THAT RELATE TO THESE PARTICULAR POINTS OUT  
14 OF THE GAP, PUT IN THESE AS GUIDELINES, AND A  
15 PROVISION THAT SAYS THE FINANCE COMMITTEE ON EACH RFA  
16 CAN, IN FACT, RECALIBRATE AND RESET THESE PROVISIONS.  
17 BUT THESE ARE GUIDELINES TO GIVE NOTICE TO THE PUBLIC  
18 AND THE APPLICANTS.

19 MS. BAUM: RIGHT. THANKS FOR THAT  
20 CLARIFICATION. AND THE RECALIBRATION IS ON AN  
21 RFA-BY-RFA BASIS.

22 AND THEN WE SHOULD TALK ABOUT WHETHER THE  
23 FOLLOWING. I THINK MANY OF THESE SIX ADDITIONAL  
24 CHANGES THAT I'M SUGGESTING, I THINK, WOULD BE DONE --  
25 WE SHOULD TALK ON AN ITEM-BY-ITEM BASIS WHETHER

## BARRISTERS' REPORTING SERVICE

1 THEY' RE GUIDELINES OR ACTUAL AMENDMENTS. I WOULD  
2 RECOMMEND THAT THE FIRST ONE BE AN AMENDMENT, THAT  
3 AMENDMENT BEING THAT AMENDMENTS TO THE LAP IN ANY  
4 FUTURE PERIOD WILL ONLY APPLY PROSPECTIVELY TO LOANS  
5 UNLESS CIRM AND THE LOAN RECIPIENT AGREE OTHERWISE.  
6 THIS WAY THE LOAN RECIPIENTS KNOW WHAT TERMS THEY' RE  
7 SUBJECT TO WHEN THEY AGREE TO TAKE THE LOAN. THAT, I  
8 THINK, SHOULD BE AN AMENDMENT, NOT A GUIDELINE.

9 DR. TROUNSON: I THINK THAT HAS TO BE  
10 ESSENTIAL, ELONA. I DON' T THINK YOU CAN EXPECT  
11 ANYTHING ELSE BUT THAT.

12 MS. BAUM: THE SECOND ITEM IS WARRANTS, THE  
13 WARRANT SECTION IN THE EXISTING SECTION 7 C IS AMENDED  
14 TO PERMIT WARRANTS OF EITHER COMMON OR PREFERRED STOCK  
15 AS DETERMINED BY CIRM IN ITS SOLE DISCRETION. I THINK  
16 WE WANT THAT AS AN AMENDMENT, NOT A GUIDELINE.

17 WE WILL ENDEAVOR TO ELIMINATE PROVISIONS  
18 THAT ARE CURRENTLY EXISTING IN THE INTERIM LAP THAT  
19 ARE DUPLICATIVE OF WHAT EXISTS IN THE GRANTS  
20 ADMINISTRATION POLICY OR THE IP REGULATIONS. WE WILL  
21 ENDEAVOR TO MAKE CLARIFICATION TO THE LAP WITH RESPECT  
22 TO THE FORGIVENESS AND SUSPENSION PROVISIONS THAT ARE  
23 CURRENTLY EXISTING. WITH RESPECT TO INTEREST, I  
24 BELIEVE MAYBE THIS IS A GUIDELINE, INTEREST WILL BE  
25 COMPOUNDED RATHER THAN SIMPLE INTEREST.

## BARRISTERS' REPORTING SERVICE

1 CHAIRMAN GOLDBERG: I THINK WE ACTUALLY MAKE  
2 THAT AN AMENDMENT BECAUSE THERE'S NO REASON THAT WOULD  
3 CHANGE.

4 MS. BAUM: OKAY. AND LAST, BUT NOT LEAST,  
5 WILL BE A PROVISION THAT THERE CAN BE AMENDMENTS TO  
6 THE LAP TO SPECIFY THAT THE FINANCE COMMITTEE MAY  
7 MODIFY LOAN TERMS AS APPROPRIATE FOR EACH REQUEST FOR  
8 APPLICATION. THAT'S THE CAVEAT THAT WE'VE BEEN  
9 TALKING ABOUT ALL ALONG. NOW WE MADE IT EXPLICIT UP  
10 AT THE TOP.

11 ALSO, MAYBE THIS IS SOME FOOD FOR THOUGHT.  
12 I JUST WANTED TO ADD A NO. 7. AT SOME POINT IN TIME,  
13 WE TALKED ABOUT LOWERING THE LIMIT ON WHICH LOANS  
14 COULD BE PROVIDED. CURRENTLY IT'S ONLY IF IT'S A \$3  
15 MILLION AWARD, BUT I DIDN'T KNOW IF THERE WAS INTEREST  
16 IN LOWERING THAT.

17 MR. KLEIN: I THINK WE SHOULD HAVE A  
18 SPECIFIC PROVISION THAT SAYS THAT WHEN THE RFA IS  
19 ESTABLISHED, THE LIMIT AT WHICH LOANS CAN BE  
20 INSTITUTED AS AN OPTION CAN BE SPECIFIED IN THE RFA.

21 MS. BAUM: OKAY. AND THAT CONCLUDES THE  
22 TERMS AND CONDITIONS THAT HAVE BEEN SUGGESTED AS  
23 GUIDELINES.

24 CHAIRMAN GOLDBERG: I'D LIKE TO POLL THE  
25 SITES AND SEE IF THERE ARE ANY FURTHER QUESTIONS FOR

## BARRISTERS' REPORTING SERVICE

1 THE MEMBERS OF THE COMMITTEE.

2 MS. KING: MICHAEL, WOULD YOU LIKE ME TO  
3 CALL THE SITES OFF?

4 CHAIRMAN GOLDBERG: WHY DON'T YOU CALL THE  
5 SITES, AND FIRST WE'LL GO THROUGH AND ASK FOR COMMENTS  
6 FROM THE COMMITTEE AND THEN WE'LL REPOLL THE SITES FOR  
7 COMMENTS FROM THE PUBLIC.

8 MS. KING: SENATOR TORRES IN SAN FRANCISCO.

9 MR. TORRES: I JUST WANT TO MAKE SURE, AND  
10 WE TALKED AT LENGTH, BUT OBVIOUSLY WE'RE GOING TO HAVE  
11 SOME AMENDMENTS TO THIS, JUST TO MAKE SURE THE  
12 DELINEATION OF DECISION-MAKING IS CLEAR SO THAT PEOPLE  
13 UNDERSTAND WHO MAKES THE DECISION AND THE PARAMETERS  
14 OF THAT DECISION-MAKING, THE FLEXIBILITY THAT WILL  
15 IMPLY SO PEOPLE KNOW WHERE DECISIONS ARE BEING MADE.  
16 THAT'S ALL.

17 MS. KING: DR. STEWARD IN IRVINE?

18 DR. STEWARD: NO QUESTIONS.

19 MS. KING: DUANE ROTH IN MASSACHUSETTS?

20 MR. ROTH: SO I HAVE A COUPLE OF SUGGESTIONS  
21 THAT I THINK WE SHOULD CONSIDER, AND IT DEALS WITH THE  
22 TERM OF THE LOAN. AGAIN, WE DO HAVE NOW THE  
23 FLEXIBILITY TO SET THOSE TERMS. SO WE MAY, FOR  
24 EXAMPLE, DECIDE IF WE DO A TOOLS AND TECHNOLOGY RFA ON  
25 THE LOAN PROGRAM, THAT MAY BE A THREE-YEAR TERM. AND

## BARRISTERS' REPORTING SERVICE

1 IF WE SET ONE ON PHASE I, PHASE II-TYPE THINGS, COULD  
2 BE A SEVEN-YEAR TERM. BUT WE SHOULD HAVE THAT  
3 FLEXIBILITY, I THINK, TO SET THE LOAN TERMS. AND THEN  
4 THESE EXTENDERS WOULD KICK IN AFTER THAT TO A MAXIMUM  
5 OF.

6 SO I WANT TO BE SURE WE HAVE THAT  
7 FLEXIBILITY WITHIN THE PROGRAM. AND I APOLOGIZE FOR  
8 THIS BACKGROUND NOISE.

9 BUT THE SECOND THING I WANT TO TRY TO THINK  
10 ABOUT IS THAT IN OUR GUIDANCE THAT WE NOT HAVE A FIVE-  
11 AND SEVEN-YEAR, BUT THAT WE SAY FIVE YEARS EXTENDABLE  
12 UP TO A MAXIMUM OF TEN. AND, AGAIN, THIS IS  
13 RFA-BY-RFA SPECIFIC. AND THEN THE INCENTIVE FOR THEM  
14 TO REPAY THAT SHOULD INCREASINGLY BECOME MORE  
15 EXPENSIVE AS THE LOAN TERM GETS LONGER. SO IF WE  
16 START WITH PRIME PLUS TWO AT A FIVE-YEAR TERM, THEN  
17 YEAR SIX IS PRIME PLUS THREE, PRIME PLUS FOUR, ETC.,  
18 AND ALLOW THAT TO BE THE GUIDANCE.

19 BUT I'M CONCERNED ABOUT A FIVE- OR  
20 SEVEN-YEAR. I THINK WE SHOULD, WITH THIS NEW WAY  
21 WE'RE GOING AT IT, SAY, AS AN EXAMPLE ALMOST, A  
22 FIVE-YEAR TERM COULD BE EXTENDED TO TEN UNDER THE  
23 FOLLOWING CONDITIONS. SO THAT WOULD BE MY INPUT.

24 MR. KLEIN: DUANE, THIS IS BOB KLEIN. SO  
25 YOU'D REALLY LIKE US TO MAKE IT EXPLICIT THAT THE LOAN

## BARRISTERS' REPORTING SERVICE

1 TERM CAN BE SET BY RFA, BUT, FOR EXAMPLE, WE'RE USING  
2 A FIVE-YEAR TERM IN THE GUIDELINES.

3 MR. ROTH: EXACTLY, BECAUSE I THINK WE'RE  
4 GOING TO NEED THIS FLEXIBILITY TO MAKE ADJUSTMENTS  
5 WITHOUT HAVING TO GO THROUGH NEW RULEMAKING.

6 MR. HARRISON: CAN I MAKE JUST ONE BRIEF  
7 POINT IN RESPONSE TO DUANE'S COMMENT? IN THE EVENT  
8 THAT THE FINANCE SUBCOMMITTEE DID NOT MODIFY THESE  
9 GUIDELINES, THAT PRESUMABLY THE PRESUMPTION IS OR THE  
10 DEFAULT WOULD BE THAT THESE GUIDELINES WOULD APPLY TO  
11 THE RFA. I JUST WANTED TO MAKE THAT CLEAR.

12 MR. ROTH: THAT WOULD BE FINE. I THINK IN  
13 OUR EXAMPLE, LET'S PICK A MIDDLE-OF-THE-ROAD ONE,  
14 FIVE, AND HAVE THAT EXTENDED UP TO SIX, BUT HAVE  
15 ALWAYS THE FLEXIBILITY TO DO A THREE OR A SEVEN OR  
16 WHATEVER WE DETERMINE IS APPROPRIATE FOR THAT  
17 PARTICULAR RFA.

18 MS. BAUM: YOU MEAN EXTEND UP TO TEN?

19 MR. ROTH: YES. FIVE COULD BE EXTENDED TO  
20 TEN, INCREASINGLY MORE EXPENSIVE FOR THE RECIPIENT.

21 DR. TROUNSON: I UNDERSTOOD YOU TO SAY THAT,  
22 FOR EXAMPLE, IN TOOLS AND TECHNOLOGIES, YOU'D HAVE A  
23 THREE-YEAR LOAN. DID YOU SAY THAT?

24 MR. ROTH: YOU MIGHT, ALAN. I DON'T KNOW.  
25 BUT BECAUSE THAT'S A SHORTER TIMEFRAME, YOU MIGHT, IN

## BARRISTERS' REPORTING SERVICE

1 FACT, HAVE A THREE-YEAR EXTENDED TO SEVEN OR THREE  
2 EXTENDED TO SIX.

3 DR. TROUNSON: THEN YOU NEED A FAIR BIT OF  
4 FLEXIBILITY TO DO THAT BY RFA.

5 MR. ROTH: THAT'S CORRECT. THAT'S WHY I'M  
6 SUGGESTING IN THIS WE KEEP THAT FLEXIBILITY BECAUSE  
7 THINGS WILL CHANGE OVER TIME IN TERMS OF WHAT WE PUT  
8 RFA'S OUT ON.

9 MS. KING: MR. ROTH, DID YOU HAVE ANY  
10 FURTHER COMMENT?

11 MR. ROTH: NO.

12 MS. KING: JEFF SHEEHY IN SAN FRANCISCO?

13 MR. SHEEHY: NO COMMENT AND, IN ADDITION,  
14 THERE'S NO PUBLIC HERE, SO YOU DON'T HAVE TO CIRCLE  
15 BACK.

16 MS. KING: THANK YOU. DR. BIRGENEAU?

17 DR. BIRGENEAU: I HAVE A GENERAL QUESTION  
18 WHICH IS HOW MUCH MONEY OVERALL ARE WE TALKING ABOUT,  
19 AND WHAT HAPPENS IF WE MAX OUT?

20 CHAIRMAN GOLDBERG: I THINK WE'VE TALKED  
21 ABOUT A MAXIMUM OF \$500 MILLION, AND WE'LL BUDGET IN  
22 SUCH A WAY TO MAKE SURE THAT WE HAVE ADEQUATE RESERVES  
23 TO SUPPORT THE BACK END OF ANY COMMITMENTS WE MIGHT  
24 MAKE ON THE FRONT END.

25 DR. BIRGENEAU: AND OVER WHAT TIME PERIOD

## BARRISTERS' REPORTING SERVICE

1 ARE WE EXPECTING TO GIVE OUT LOANS? I MEAN IS THIS A  
2 ONE-YEAR PROGRAM, A FIVE-YEAR PROGRAM?

3 CHAIRMAN GOLDBERG: RIGHT NOW I'M SAYING  
4 IT'S GOING TO BE DEPENDENT ON THE DEMAND FOR THE  
5 LOANS. THERE'S NO SPECIFIC LIMIT IN TERMS OF TIME  
6 DURATION.

7 DR. BIRGENEAU: OKAY.

8 MR. KLEIN: IN TERMS OF DOWNSTREAM ISSUES,  
9 DR. BIRGENEAU, WHILE THE CONGRESS HAS BEEN CONSUMED BY  
10 THE HEALTHCARE BILL AND THE ENVIRONMENTAL BILLS THIS  
11 LAST SESSION, THERE APPEARS TO BE RECEPTIVITY TO DOING  
12 SOME COMPATIBLE OR COMPLEMENTARY PROGRAM WITH THE  
13 STATES. AND TO THE EXTENT THAT THE FEDERAL GOVERNMENT  
14 CAN PROVIDE SOME LOAN GUARANTEES TO EXTEND OUR  
15 AUTHORITY, IF THE DEMAND IS THERE, WOULD GIVE US THE  
16 ABILITY TO EXPAND FURTHER DOWNSTREAM.

17 DR. BIRGENEAU: GOOD.

18 DR. TROUNSON: I THINK RECOGNIZING THE STATE  
19 WE'RE CURRENTLY IN, THERE WOULD PROBABLY HAVE TO BE A  
20 LIMIT TO THAT BECAUSE THERE WILL BE A LIMIT TO THE  
21 EXPENDITURES OF THE \$3 BILLION, BOB. SO BUT THAT  
22 AGAIN CAN BE DETERMINED RFA BY RFA. IF YOU'RE  
23 PAYING -- WE'RE COVERING YOUR LOAN OVER TEN YEARS AND  
24 WE'RE NOT IN EXISTENCE AFTER ANOTHER FOUR YEARS, YOU'D  
25 WANT TO CONTEMPLATE WHETHER THAT WAS THE RIGHT THING

## BARRISTERS' REPORTING SERVICE

1 TO DO.

2 MR. KLEIN: I THINK, ALAN, YOUR COMMENT IS  
3 IN THE CONTEXT OF WHETHER WE'VE EXHAUSTED ALL OF OUR  
4 FUNDS AVAILABLE TO COMMIT. AND RIGHT NOW IT APPEARS  
5 THAT WE HAVE ABOUT EIGHT YEARS OF -- SEVEN OR EIGHT  
6 YEARS OF ADDITIONAL TIME IN THE HORIZON FOR COMMITTING  
7 FUNDS.

8 AS WE KNOW, SINCE THERE'S A CONSTITUTIONAL  
9 AMENDMENT THAT CREATED THIS AGENCY, THERE IS NO REAL  
10 TIMEFRAME ON THE EXISTENCE OF THE AGENCY. BUT IF FIVE  
11 OR SIX YEARS FROM NOW, BASED ON THE PERFORMANCE OF THE  
12 AGENCY, THERE IS A SUPPLEMENTAL VOTER INITIATIVE THAT  
13 PROVIDES US ADDITIONAL CAPACITY, FIVE OR SIX YEARS  
14 FROM NOW, THERE WOULD HAVE TO BE KIND OF A PHASE-DOWN  
15 PLAN FOR THE REMAINING FUNDS. HOWEVER, THE PROGRAM,  
16 TO THE EXTENT THERE IS LOANS OUT THERE, WOULD CONTINUE  
17 AT A LOW SCALE TO BE IN EXISTENCE BASED UPON LOAN  
18 RECOVERIES OVER TIME.

19 DR. TROUNSON: WE'D HAVE TO MAKE DECISIONS  
20 THAT WERE COMPATIBLE WITH THAT AS WE START TO APPROACH  
21 THOSE TIMES.

22 MS. KING: DR. BIRGENEAU, ANY OTHER  
23 QUESTIONS?

24 DR. BIRGENEAU: NO.

25 MS. KING: TED LOVE?

## BARRISTERS' REPORTING SERVICE

1 DR. LOVE: JUST A QUICK COMMENT AND A  
2 QUESTION. THE COMMENT IS I WANTED TO THANK ELONA FOR  
3 DOING A VERY NICE JOB OF KIND OF LEADING US THROUGH A  
4 LOT OF INPUT. AND I THINK WE'VE COME UP WITH A  
5 DOCUMENT THAT'S MUCH SIMPLER AND MUCH CLEANER THAN A  
6 LOT OF THE OTHER VERSIONS, SO THANKS, ELONA.

7 THE QUESTION RELATES TO ACCELERATION  
8 PROVISION. I THINK I KNOW THE ANSWER. BUT I GOT A  
9 LOT OF INPUT THAT PEOPLE WERE VERY CONCERNED ABOUT OUR  
10 ACCELERATION PROVISIONS. AND WHAT WE'VE COME TO IS  
11 SOMETHING THAT'S VERY CLEAN AND VERY SIMPLE. AND WHAT  
12 I THINK IT REALLY SAYS IS "TRUST US. WE'RE GOING TO  
13 DO THE RIGHT THING," WHICH I THINK IS FINE.

14 BUT I JUST WANTED TO ADD THE COMMENT ABOUT  
15 WE THINK THIS IS GOING TO SATISFY ALL THE COMMENT THAT  
16 PEOPLE HAD ABOUT WANTING TO MAKE SURE THAT, FOR  
17 EXAMPLE, SMALL MERGERS BETWEEN TWO SMALL COMPANIES  
18 WHERE THERE WASN'T A LOT OF THE CASH GENERATED  
19 WOULDN'T TRIGGER ACCELERATION PROVISIONS.

20 DR. TROUNSON: I THINK THERE IS A CONCERN  
21 HERE THAT IS RESIDUAL AND NOT EXACTLY KNOWING. AND IT  
22 IS ALWAYS A BIT OF A PROBLEM FOR SOME FINANCE OFFICES.  
23 SO IT ISN'T EXACTLY OPTIMUM, BUT I THINK IT'S BEEN  
24 DRAFTED IN A WAY WHICH SAYS THAT WE SHOULD PLAY FAIRLY  
25 ON BOTH SIDES. I'M NOT SURE HOW MUCH BETTER YOU CAN

## BARRISTERS' REPORTING SERVICE

1 GET THAT.

2 MS. BAUM: RIGHT. THE DRAFTING BEING THAT  
3 CIRM HAS THE RIGHT, NOT THE OBLIGATION. THE  
4 IMPLICATION BEING THAT IT WOULD GO BEFORE PERHAPS THE  
5 FINANCE COMMITTEE OR THE PRESIDENT ON A CASE-BY-CASE  
6 BASIS.

7 MR. ROTH: TED, I KNOW THIS WILL STILL CAUSE  
8 PEOPLE TO TRY TO UNDERSTAND WHAT WE MEAN BY THAT. BUT  
9 I DON'T KNOW ANY OTHER WAY THAT WE WOULD GET A SEAT AT  
10 THE TABLE IF WE DON'T HAVE A CHANGE OF CONTROL IN  
11 THERE. SO I THINK, AS BEST WE CAN, WE'VE GOT TO GIVE,  
12 YOU KNOW, ON-THE-RECORD TESTIMONY THAT WE ARE LOOKING  
13 FOR THOSE CASH TRANSACTIONS OR STOCK TRANSACTIONS  
14 WHERE THERE IS TRUE LIQUIDITY.

15 DR. LOVE: I'M ACTUALLY OKAY WITH THIS. I  
16 THINK IF I WERE COMING AS A COMPANY, I COULD GET  
17 COMFORTABLE WITH THIS. AND I THINK THE ROAD THAT WE  
18 HAVE GONE DOWN BEFORE, WHICH I HAD ACTUALLY LED SOME  
19 INPUT INTO, I THINK PERHAPS WAS TOO COMPLICATED. AND  
20 AT THE END OF THE DAY, I THINK THAT THIS, DUANE, MAY,  
21 IN FACT, BE THE VERY BEST APPROACH. BUT I DO THINK  
22 THAT IT DOESN'T REALLY QUITE ADDRESS AT LEAST SOME OF  
23 THE COMMENTS THAT I HAD HEARD ABOUT PEOPLE WANTING TO  
24 GET COMFORT IN THE FUTURE ABOUT BEHAVIOR, BUT I JUST  
25 THINK HAVING A SEAT AT THE TABLE IS REALLY THE RIGHT

## BARRISTERS' REPORTING SERVICE

1     THING FOR US TO DO AND TO BEHAVE REASONABLY WHEN WE  
2     HAVE THAT SEAT.

3             MR. KLEIN:   TED, I THINK ELONA REFERENCED  
4     SOMETHING HERE THAT I CERTAINLY DISCUSSED WITH DUANE,  
5     WHICH IS THAT IF THERE'S A COMPLICATED FACT PATTERN,  
6     THAT THERE WOULD BE -- THAT THERE'S CONTEMPLATED WITH  
7     FINANCE COMMITTEE REVIEW OF ANY ACCELERATION AND  
8     THAT'S NOT ACTUALLY CAPTURED IN THE LANGUAGE.   DUANE,  
9     ISN'T, IN FACT, THAT YOUR INTENT?

10            MR. ROTH:   YEAH. I THINK WHAT ELONA JUST  
11     READ WAS, MAYBE IT NEEDS TO BE EXPANDED, BUT THAT WAS,  
12     I THINK, WHICH -- ELONA, READ THAT AGAIN FOR THE  
13     GROUP.

14            MS. BAUM:   IN THE EVENT OF A CHANGE OF  
15     CONTROL, CIRM HAS THE RIGHT, BUT NOT THE OBLIGATION,  
16     TO ACCELERATE REPAYMENT OF A LOAN.

17            MR. KLEIN:   I JUST THOUGHT THAT WE HAD  
18     PREVIOUSLY DISCUSSED WITH FINANCE COMMITTEE REVIEW OF  
19     ANY ACCELERATION.   THAT PROVIDES, IF THERE'S A  
20     COMPLICATED FACT PATTERN AND THERE NEEDS TO BE SOME  
21     REALLY SERIOUS REVIEW OF DETAILED FINANCIAL  
22     CONSIDERATIONS, IT COULD COME BACK TO THE FINANCE  
23     COMMITTEE.   IF THERE'S NO ACCELERATION, THEN IT'S NOT  
24     AN ISSUE.   BUT IF THERE IS AN ACCELERATION, IT GIVES  
25     THE COMPANIES THE COMFORT THAT THE FINANCE COMMITTEE

## BARRISTERS' REPORTING SERVICE

1 WILL, IN FACT, LOOK AT THE FACTS.

2 DR. LOVE: BOB, I HAVE ONE THING THAT I  
3 WOULD JUST THROW OUT, AND THIS MAY BE TOO COMPLICATED.  
4 AND, CHAIRMAN, FEEL FREE TO SHUT ME DOWN. I THINK IF  
5 I HAD TAKEN ONE OF THESE LOANS AND I WERE  
6 CONTEMPLATING A MERGER WITH A COMPANY THAT I THOUGHT  
7 WAS IMPORTANT FOR OUR SURVIVAL, IMPORTANT FOR THE  
8 PROGRAM, BUT AT THE END OF THE DAY, INVESTORS WERE  
9 PUTTING IN MONEY, ETC., ETC., I THINK A LOT OF PEOPLE  
10 WOULD WANT TO KNOW UP FRONT IF THIS TRANSACTION GETS  
11 APPROVED, THAT THE ACCELERATION WILL NOT BE PULLED BY  
12 CIRM. I GUESS THAT IS A QUESTION.

13 DO WE CONTEMPLATE THAT WE WOULD BE ABLE TO  
14 DEAL WITH THAT KIND OF SITUATION WHERE SOMEBODY HAS A  
15 DEAL THAT THEY WANT TO DO, AND THERE ARE PEOPLE THAT,  
16 BEFORE THE DEAL IS APPROVED, WANT TO KNOW UP FRONT IS  
17 CIRM GOING TO PULL THE TRIGGER ON ACCELERATION OR NOT.

18 MR. KLEIN: WELL, TED, WITH THIS PROVISION,  
19 CERTAINLY THEY COULD COME TO THE PRESIDENT AND SAY,  
20 "WE DON'T SEE ANY REASON FOR ANY ACCELERATION. WHAT  
21 IS YOUR VIEW?" AND THEN THE PRESIDENT CAN PASS IT ON  
22 TO THE FINANCE COMMITTEE IN EXECUTIVE SESSION BECAUSE  
23 IT'S A PROPRIETARY MATTER, AND IN EXECUTIVE SESSION  
24 THE FINANCE COMMITTEE CAN TELL THE PRESIDENT THEY  
25 CONCUR, AND THEY CAN GIVE THEM A FIRM ANSWER.

## BARRISTERS' REPORTING SERVICE

1 DR. LOVE: THAT WOULD BE USEFUL. I THINK  
2 ONE WOULD POTENTIALLY NEED THAT IN WRITING. AND THE  
3 ONLY OTHER THING THAT I'M THINKING ABOUT OUT LOUD IS  
4 MANY OF THESE WILL BE GOING ON IN CONFIDENCE AND WILL  
5 NOT BE PUBLIC. SO I'M WONDERING ABOUT OUR PROCESS TO  
6 GIVE THEM THAT ASSURANCE WITHOUT REVEALING ANY  
7 CONFIDENTIAL INFORMATION THAT THE COMPANY IS  
8 DISCUSSING WITH US.

9 MR. TORRES: I JUST WANT TO GO BACK AND  
10 EMPHASIZE ONCE AGAIN THAT UNLESS YOU PUT EXPLICITLY AS  
11 BEST YOU CAN THE RULES OF ENGAGEMENT HERE, YOU'RE  
12 GOING TO HAVE CONFUSION. AND SO PEOPLE CAN GO BACK  
13 AND REREAD THE MINUTES OF THIS MEETING, BUT AT THE END  
14 OF THE DAY, YOU BETTER MAKE SURE YOU KNOW WHAT THE  
15 PARAMETERS ARE OF YOUR DECISION-MAKING PROCESS TO MAKE  
16 SURE WE COVER EVERY, NOT EVERY EVENTUALITY, BUT AT  
17 LEAST HAVE THE FLEXIBILITY TO DO SO.

18 MR. ROTH: I AGREE WITH WHAT ART JUST SAID.  
19 I DO THINK, ART, WE HAVE THAT FLEXIBILITY. BUT IN THE  
20 CONDITION THAT TED JUST OUTLINED, THE FIRST CALL I  
21 WOULD MAKE, IF I WERE CONTEMPLATING SUCH A MERGER AND  
22 THAT LOAN WERE AN ISSUE, WOULD BE TO CIRM AND START  
23 THAT DIALOGUE JUST LIKE I WOULD A BANK IF I HAD A BANK  
24 LOAN AND THAT LOAN WERE TRIGGERED BY A MERGER. SO I  
25 THINK WE HAVE TO JUST ANTICIPATE. WE CAN'T WRITE

## BARRISTERS' REPORTING SERVICE

1 THAT. WE HAVE TO BE ABLE TO REACT TO IT AND HAVE THE  
2 FLEXIBILITY IN CONFIDENCE, IN PRIVACY TO BE ABLE TO  
3 GET THE INFORMATION TO THE RECIPIENT ABOUT OUR WRITTEN  
4 COMMITMENT TO DO SOMETHING ON AN EXTENSION OF A LOAN  
5 IN A CHANGE OF CONTROL.

6 MR. KLEIN: IS JAMES HARRISON ON?

7 MR. HARRISON: YES.

8 MR. KLEIN: JAMES, COULD YOU RESPOND TO THE  
9 POINT ABOUT IF THERE'S A DISCUSSION OF A MERGER OR  
10 ACQUISITION AND IT GOES TO THE FINANCE SUBCOMMITTEE?  
11 COULD YOU COMMENT ON THEIR ABILITY TO TREAT THIS AS A  
12 PROPRIETARY, CONFIDENTIAL DISCUSSION IN EXECUTIVE  
13 SESSION?

14 MR. HARRISON: YES. I THINK IT'S CLEAR THAT  
15 IF THESE MERGERS ARE CONFIDENTIAL PREPUBLIC, THAT THE  
16 MATTER COULD BE DISCUSSED IN CLOSED SESSION AND THAT  
17 THE CONFIDENTIALITY COULD BE MAINTAINED.

18 CHAIRMAN GOLDBERG: THANKS, JAMES.

19 DR. TROUNSON: I'M NOT SURE THAT THAT WILL  
20 SUFFICE FOR THE COMPANIES. I THINK THAT THE WAY IT  
21 WOULD WORK WOULD BE AS BOB SAID. WHAT I WOULDN'T DO  
22 IS SAY THAT THERE HAS TO BE DISCUSSION BY A PUBLIC  
23 BODY. I THINK THAT WILL SCARE THE HELL OUT OF THE  
24 COMPANY. SO I'D BE VERY, VERY CAREFUL ABOUT THE  
25 WORDING.

## BARRISTERS' REPORTING SERVICE

1 MR. KLEIN: THERE IS NO PUBLIC DISCUSSION OF  
2 A MATTER OF THAT KIND CONTEMPLATED.

3 DR. TROUNSON: EXPLAINING THAT TO THEM AND  
4 HAVING THAT AS A REASSURANCE FOR THE COMPANIES, I'M  
5 NOT SURE THAT THAT'S THE EASIEST THING TO DO, BOB.

6 MR. KLEIN: SO WHAT YOU ARE SAYING IS THAT  
7 THE PROCESS THAT I SUGGESTED CAN BE FOLLOWED. YOU'RE  
8 SUGGESTING WE DON'T NEED TO EXPLAIN THAT WHOLE PROCESS  
9 BECAUSE IF IT ALREADY SAYS THAT CIRM HAS THE RIGHT,  
10 BUT NOT THE OBLIGATION, TO ACCELERATE WITH FINANCE  
11 COMMITTEE REVIEW OF ANY ACCELERATION, IF THEY JUST GO  
12 THROUGH AND CALL YOU AND YOU REFER IT TO THE FINANCE  
13 COMMITTEE, YOU CAN THEN HAVE THE CONCURRENCE YOU NEED  
14 TO WRITE A LETTER TO THEM GIVING THEM THE ASSURANCE.

15 DR. TROUNSON: THAT'S RIGHT. KEEP IT AWAY  
16 FROM INTERPRETATION THAT'S UNNECESSARY.

17 MS. KING: THAT RESULTED FROM A QUESTION  
18 SLASH COMMENT FROM TED LOVE. TED, DO YOU HAVE ANY  
19 OTHER QUESTIONS OR COMMENTS?

20 DR. LOVE: THANK YOU, MELISSA. AND THERE'S  
21 NO PUBLIC HERE.

22 MS. KING: THANK YOU. MARCY FEIT.

23 MS. FEIT: NO QUESTIONS AND NO PUBLIC HERE.

24 MS. KING: THANK YOU. FLOYD BLOOM?

25 DR. BLOOM: I THOUGHT IT WAS A GREAT

## BARRISTERS' REPORTING SERVICE

1 DISCUSSION. I LEARNED A LOT FROM IT. I HAVE NO  
2 FURTHER QUESTIONS AND I HAVE NO PUBLIC.

3 MS. KING: VERY GOOD. THANK YOU. AND THAT  
4 BRINGS US TO YOUR SITE, MICHAEL AND BOB.

5 CHAIRMAN GOLDBERG: WE ARE ALONE, NO PUBLIC.  
6 AND MOST APPRECIATIVE OF EVERYONE'S EARLY  
7 PARTICIPATION AND ENGAGEMENT THIS MORNING. I WANT TO  
8 THANK THE STAFF FOR THEIR EXCELLENT PREPARATION. I  
9 WANT TO PARTICULARLY THANK DUANE FOR HIS STEWARDSHIP  
10 OF THIS PROCESS, WHICH HAS BEEN, I THINK, EXEMPLARY,  
11 AND LOOK FORWARD TO BRINGING A REPORT OF THE COMMITTEE  
12 FORWARD AT THE UPCOMING ICOC MEETING.

13 IF THERE'S NO FURTHER COMMENT, I'LL TURN IT  
14 OVER TO CHAIRMAN KLEIN.

15 MR. KLEIN: I WOULD JUST LIKE TO CONCUR WITH  
16 DUANE'S COMMENT, THAT WE CAN USE THE FIVE-YEAR LOAN AS  
17 AN EXAMPLE, BUT MAKING IT JUST CLEAR THAT WE CAN SET  
18 THE LOAN TERM BASED UPON THE RFA. AND THIS IS MERELY  
19 A GUIDANCE EXAMPLE. AND THAT IT IS THE FUNDAMENTAL  
20 CONCEPT HERE THAT I APPRECIATE DISCUSSIONS WITH DUANE  
21 AND ELONA, ALAN, AND MICHAEL ON PREVIOUSLY WAS THAT  
22 WE'RE GOING TO LEARN AS WE GO ALONG HERE. AND WE'RE  
23 GOING TO NEED TO ORGANICALLY RESPOND TO CYCLICAL  
24 FINANCIAL CONDITIONS AND OPPORTUNITIES IN THE RFA'S.

25 SO I THINK THIS APPROACH OF USING THIS

## BARRISTERS' REPORTING SERVICE

1 AMENDMENT TO TAKE ALL OF THE DETAIL OUT OF THE PRIOR  
2 REGS, PUT IN GUIDELINES AND A SPECIFIC OPPORTUNITY IN  
3 PUBLIC HEARINGS IN PUBLIC SESSIONS FOR THE FINANCE  
4 COMMITTEE TO SET THESE TERMS IS A VERY GOOD APPROACH  
5 AND ALLOWS US TO MEET OUR OBLIGATION TO CONSTANTLY  
6 LEARN AND ADAPT AS WE GO FORWARD HERE.

7 SO I THINK THIS IS A SUBSTANTIALLY BETTER  
8 APPROACH THAN TRYING TO ANTICIPATE ALL THE DIFFERENT  
9 RFA'S AND ALL THE DIFFERENT LOAN TERMS THAT WOULD BE  
10 APPROPRIATE OVER THE NEXT FIVE YEARS.

11 MR. TORRES: I WOULD JUST LIKE TO ADD.  
12 DUANE, ARE YOU STILL ON? DUANE?

13 MR. ROTH: I'M HERE.

14 MR. TORRES: I JUST WANT TO CONGRATULATE YOU  
15 AND YOUR PARTY FOR MASSACHUSETTS, ALTHOUGH  
16 RELUCTANTLY, BUT I ALSO UNDERSTAND THAT SENATOR BROWN  
17 WAS A MEMBER OF THE BIOTECH CAUCUS IN THE  
18 MASSACHUSETTS STATE SENATE; IS THAT CORRECT?

19 MR. ROTH: YEAH. THAT'S EXACTLY WHY I'M  
20 HERE IN MASSACHUSETTS. I CAME TO HELP ON THE LAST  
21 MINUTE. BUT I WILL TELL YOU THAT I TALKED -- GAVE A  
22 TALK LAST NIGHT, AND I TRIED TO MAKE A COMMENT ABOUT  
23 IT. IT DIDN'T GO OVER VERY WELL. I'LL HAVE TO GO TO  
24 THE SUBURBS NEXT TIME.

25 MR. TORRES: CONGRATS ANYWAY.

**BARRISTERS' REPORTING SERVICE**

1 MR. ROTH: THANK YOU.

2 CHAIRMAN GOLDBERG: MOTION TO ADJOURN THE  
3 MEETING.

4 MS. KING: BEFORE WE DO THAT, IT SOUNDED  
5 LIKE THERE WERE NO MEMBERS OF THE PUBLIC AT ANY OF THE  
6 OTHER SITES, BUT WE DO HAVE SOME HERE IN SAN  
7 FRANCISCO, AND I WANTED TO OPEN THE FLOOR UP TO THEM  
8 IF I COULD.

9 CHAIRMAN GOLDBERG: PLEASE.

10 MS. KING: LOOKS LIKE WE HAVE DON REED HERE,  
11 AND HE WOULD LIKE TO MAKE A COMMENT. AND WE HAVE ONE  
12 OTHER MEMBER, TWO OTHER MEMBERS OF THE PUBLIC THAT MAY  
13 WANT TO MAKE A COMMENT AS WELL.

14 MR. REED: THESE ARE OUT OF STATE, BUT CIRM  
15 RELATED. SATURDAY I WAS SPEAKING AT THE MISSOURI HOPE  
16 CONVENTION. THESE ARE THE PEOPLE THAT PASSED  
17 AMENDMENT 2 WHICH LEGALIZES THE RESEARCH WE ALL  
18 SUPPORT. I WONDERED IF THERE WAS AN INFORMAL GREETING  
19 THAT THE CIRM MIGHT WANT TO SEND. I THINK THEY WOULD  
20 BE REAL INTERESTED. CHEERFULNESS, THEY'RE WORKING  
21 HARD.

22 MS. KING: ABOUT, MR. REED, IF WE CAN CIRCLE  
23 BACK WITH YOU AFTER THE MEETING.

24 MR. REED: THAT WOULD BE WONDERFUL.

25 SECONDLY, I KNOW SOME OF YOU ARE FOLLOWING

## BARRISTERS' REPORTING SERVICE

1 THE MICHIGAN SITUATION. HEALTH COMMITTEE PASSED IN  
2 MICHIGAN SIX VERY NEGATIVE BILLS, ATTEMPTING TO  
3 COMPLICATE AND MAKE DIFFICULT EMBRYONIC STEM CELL  
4 RESEARCH IN THAT STATE. ONE, FOR INSTANCE, STATE SAID  
5 NO STEM CELL LINES COULD BE MADE UNLESS A PHYSICIAN  
6 STATED THAT THE BLASTOCYSTS INVOLVED HAD LESS THAN A  
7 50-PERCENT CHANCE OF SURVIVAL, WHICH I'M TOLD WOULD BE  
8 EXTREMELY DIFFICULT AND PRESSURIZING FOR ANY DOCTOR TO  
9 STAY. IT'S HARD TO BELIEVE WHAT HAPPENED, BUT THAT'S  
10 WHAT THEY'RE FACING.

11 ALSO THERE'S MULTIPLE COMPLICATED REPORTING  
12 AND NOTIFICATION PROCESSES. BASICALLY IT'S THE DEATH  
13 OF A THOUSAND CUTS, AND IT MIGHT BE USED AS A THREAT  
14 TO US DOWN THE ROAD FOR FUTURE LEGISLATION WE MIGHT  
15 FACE. JUST SOMETHING EVERYBODY MIGHT WANT TO KEEP  
16 TRACK OF. THANK YOU.

17 MR. TORRES: ON THAT POINT, I PERSONALLY  
18 SENT A LETTER TO THE GOVERNOR OF MICHIGAN AS WELL AS  
19 TO MEMBERS OF THE LEGISLATURE PRIOR TO THIS  
20 COMMITTEE'S ACTION. AND WE'RE GOING TO HAVE TO COME  
21 BACK AGAIN TO MAKE SURE GOVERNOR GRANHOLM IS AWARE OF  
22 WHERE WE STAND AGAIN. BUT I WANT TO MAKE SURE THAT  
23 DON KNOWS. I'LL GIVE HIM COPIES OF THOSE LETTERS  
24 BEFORE HE LEAVES.

25 MS. KING: WE HAVE ANOTHER MEMBER OF THE

## BARRISTERS' REPORTING SERVICE

1 PUBLIC THAT WOULD LIKE TO MAKE A COMMENT.

2 MR. PLUNKETT: HI. I'M MATT PLUNKETT. I'M  
3 CFO AT IPERIAN. FIRST OFF, ELONA, ALAN, DUANE, AND  
4 MICHAEL, REALLY FANTASTIC JOB AND TAKING A LOT OF  
5 CREATIVE IDEAS, PUTTING THEM TOGETHER. I THINK  
6 THERE'S AN INCREDIBLE AMOUNT OF HARD WORK THAT SHOWS  
7 IN THIS.

8 COUPLE OF REALLY QUICK QUESTIONS SLASH  
9 COMMENTS FOR THE GROUP A LITTLE BIT IN ORDER. THE  
10 FIRST IS WOULD YOU CONSIDER SOME KIND OF OPPORTUNITY  
11 FOR CIRM IN ITS SOLE DISCRETION TO EXTEND A LOAN IF I  
12 WERE, FOR EXAMPLE, TRYING TO FUND A \$50 MILLION PHASE  
13 III PROGRAM THAT WAS STARTED BASED ON A DISEASE TEAM  
14 LOAN TEN YEARS PRIOR, I'D HATE TO COME UP WITH ANOTHER  
15 20 MILLION ACCRUED INTEREST, CALL IT 30 MILLION, IN  
16 THE MIDST OF THAT. ONE WAY YOU COULD THINK ABOUT IT  
17 WOULD BE IF A LOAN RECIPIENT IS STILL SPENDING, PICK A  
18 NUMBER, 10 MILLION, \$15 MILLION A YEAR ON A PROGRAM,  
19 CIRM COULD AT ITS SOLE DISCRETION CONSIDER TO EXTEND  
20 THAT ON A YEAR-BY-YEAR BASIS WITH KIND OF THE COMPANY  
21 CONTINUING TO SPEND MONEY AS A SURROGATE FOR  
22 CONTINUING TO ADVANCE IT. JUST A THOUGHT THERE.

23 THE SECOND QUESTION SLASH COMMENT IS I  
24 REALLY LIKE A LOT OF THE STRUCTURAL IDEAS ON THE  
25 WARRANT COVERAGE AND THAT KIND OF THING. WOULD YOU

## BARRISTERS' REPORTING SERVICE

1 CONSIDER SOMETHING, FOR EXAMPLE, FOR GIVING ONE-TENTH  
2 OF THE LOAN AMOUNT UP TO HALF -- I'M SORRY --  
3 ONE-TENTH OF THE WARRANT AMOUNT UP TO HALF OF THE  
4 TOTAL IF IT WERE REPAYED IN YEAR FOUR, FIVE, SIX,  
5 SEVEN, EIGHT? AND I THINK THE EARLIER A LOAN WOULD BE  
6 REPAYED, THE MORE THE LOANS ARE WORTH BECAUSE  
7 PRESUMABLY SOMEBODY IS PAYING THAT BACK BECAUSE THE  
8 COMPANY IS WORTH A LOT MORE. SO THOSE TWO THINGS KIND  
9 OF OFFSET EACH OTHER.

10 AND LIKE I SAID, THIS IS IN ORDER, THE THIRD  
11 QUESTION IS THERE WAS SOME DISCUSSION IN DECEMBER  
12 ABOUT WARRANT PRICING BASED ON -- FOR A PRIVATE  
13 COMPANY BASED ON LAST ROUND VERSUS FUTURE ROUND OF  
14 FINANCING. JUST WANTED TO ASK THAT QUESTION AS WELL.

15 SO FOR CONSIDERATION, BUT AGAIN REALLY  
16 INCREDIBLE, CREATIVE WORK. SO THANK YOU SO MUCH TO  
17 ALL OF YOU ON THE GROUP.

18 MR. KLEIN: IF I COULD ASK A QUESTION OF  
19 JAMES HARRISON. THE LAST SPEAKER PUT TOGETHER SOME  
20 COMPLICATED IDEAS. DO WE HAVE THE ABILITY IN TERMS OF  
21 OUR TIMEFRAME ON REGULATIONS TO COME BACK AT A LATER  
22 SESSION AND CONSIDER THOSE SUGGESTIONS IF WE MOVE  
23 FORWARD WITH A RECOMMENDATION TO ADVANCE THESE  
24 PROPOSALS TO THE BOARD AS THEY ARE?

25 MR. HARRISON: I BELIEVE THE ANSWER IS YES.

## BARRISTERS' REPORTING SERVICE

1 FIRST OF ALL, ASSUMING THAT THE FINANCE SUBCOMMITTEE  
2 APPROVES A MOTION TODAY RECOMMENDING THESE CONCEPTS TO  
3 THE BOARD, THE BOARD WILL TAKE UP THE ITEM AT ITS  
4 MEETING IN EARLY FEBRUARY. AND GIVEN THE FACT THAT  
5 THE CONCEPT WE'VE DISCUSSED TODAY IS ONE IN WHICH THE  
6 FINANCE SUBCOMMITTEE WOULD RETAIN DISCRETION OVER THE  
7 TERMS AND COULD ALTER THEM ON AN RFA-BY-RFA BASIS, I  
8 BELIEVE THAT YOU WOULD HAVE THAT FLEXIBILITY.

9 MR. KLEIN: WELL, IN THAT REGARD THEN, I  
10 WOULD MAKE A MOTION, CHAIRMAN GOLDBERG, TO RECOMMEND  
11 TO THE BOARD THESE GUIDELINES AND AMENDMENTS AS  
12 DISCUSSED HERE TODAY WITH THE STAFF DIRECTED TO  
13 INCORPORATE THE REFINEMENTS THAT HAVE BEEN DISCUSSED  
14 BASED UPON THE TRANSCRIPT.

15 CHAIRMAN GOLDBERG: IS THERE A SECOND?

16 MR. TORRES: SECOND.

17 MS. KING: SECOND IS FROM SENATOR TORRES.

18 CHAIRMAN GOLDBERG: DO WE NEED FOR ROLL  
19 CALL, JAMES?

20 MR. HARRISON: YES, YOU DO.

21 MR. ROTH: MICHAEL, JUST BEFORE THAT COULD I  
22 MAKE JUST TWO QUICK COMMENTS BASED ON MATT'S THREE  
23 ITEMS? SO ON ITEM NO. 1, I THINK WE HAVE THAT RIGHT.  
24 THE FLEXIBILITY THAT WE'RE ABOUT TO APPROVE WOULD  
25 ALLOW US TO EXTEND THE LOAN UNDER TERMS AND CONDITIONS

## BARRISTERS' REPORTING SERVICE

1 THAT WE FELT WERE APPROPRIATE; IS THAT CORRECT?

2 MS. BAUM: CERTAINLY ON AN RFA-BY-RFA BASIS.

3 MR. ROTH: I'M TALKING ABOUT THE FLEXIBILITY  
4 ON AN INDIVIDUAL REQUEST DOWN THE ROAD ON A CONDITION  
5 LIKE HE JUST DESCRIBED. DON'T WE ALWAYS HAVE THE  
6 FLEXIBILITY TO CHANGE THOSE TERMS?

7 MR. KLEIN: I THINK WHAT ELONA IS SAYING IS  
8 THAT WE WOULD HAVE TO IN THE RFA ACTUALLY SPECIFY THAT  
9 THE FINANCE COMMITTEE COULD REVIEW REQUESTS,  
10 EXCEPTIONAL REQUESTS, TO REVIEW ADDITIONAL EXTENSIONS  
11 BEYOND THE STATED TERMS. SO THAT WOULD HAVE TO BE  
12 INCORPORATED IN THE RFA WHEN THE RFA TERMS WERE  
13 APPROVED.

14 MR. ROTH: I BELIEVE THAT FUNDAMENTALLY IS  
15 VERY IMPORTANT TO THIS POLICY, THAT THAT RESIDE  
16 SOMEWHERE.

17 SO LET ME MOVE, NO. 2 --

18 MR. KLEIN: LET ME AMEND MY MOTION TO  
19 INCORPORATE THAT IN THE GUIDELINES THAT WE'RE  
20 DISCUSSING.

21 MS. BAUM: I THINK THAT'S THE BETTER  
22 APPROACH.

23 MR. ROTH: THANK YOU. THEN JUST QUICKLY NO.  
24 2, I THINK, IS MORE DIFFICULT TO DEAL WITH. I'M NOT  
25 SURE WE CAN WRITE A POLICY FOR EACH AND EVERY ONE OF

## BARRISTERS' REPORTING SERVICE

1 THOSE.

2 NO. 3, I WOULD JUST POINT OUT THAT BECAUSE  
3 THESE LOANS ARE TRANCHED, THE PRICING OF THOSE LOANS  
4 OR THOSE WARRANTS IS BASED ON THE LAST FINANCING THE  
5 COMPANY DID. IT ISN'T SET UP FRONT. SO IF IT'S A \$20  
6 MILLION LOAN THAT'S GIVEN IN FOUR EQUAL PARTS, THE  
7 FIRST 5 MILLION IS BASED ON THE LAST FINANCING THE  
8 COMPANY DID. THAT'S THE SET PRICE. THE NEXT SET  
9 PRICE WILL BE AT THE TIME THE NEXT TRANCHE IS GIVEN.

10 SO I THINK IT DOES, EVEN THOUGH THE FIRST  
11 TRANCHE MIGHT BE PRICED AT SOMETHING THAT WAS PRIOR,  
12 IT'S ALWAYS THE MOST RECENT FINANCING THAT THE STRIKE  
13 PRICE IS SET AT.

14 MR. KLEIN: YOU MEAN FOR EACH TRANCHE?

15 MR. ROTH: FOR EACH TRANCHE.

16 MR. KLEIN: SO IT DOESN'T CHANGE THE PRICING  
17 FOR THE PRIOR TRANCHE.

18 MR. ROTH: THAT'S RIGHT.

19 CHAIRMAN GOLDBERG: MELISSA, DID THE SECOND  
20 ACCEPT THE AMENDMENT?

21 MS. KING: SENATOR TORRES, DO YOU ACCEPT THE  
22 AMENDMENT?

23 MR. TORRES: YES.

24 MS. KING: IS THERE ANYONE ON THE PHONE THAT  
25 IS NOT CLEAR ON THE MOTION? SPEAK NOW OR FOREVER HOLD

## BARRISTERS' REPORTING SERVICE

1 YOUR PEACE WHILE I TAKE THE ROLL CALL.  
2 ROBERT BIRGENEAU.  
3 DR. BIRGENEAU: YES.  
4 MS. KING: FLOYD BLOOM.  
5 DR. BLOOM: YES.  
6 MS. KING: MARCY FEIT.  
7 MS. FEIT: YES.  
8 MS. KING: MICHAEL GOLDBERG.  
9 CHAIRMAN GOLDBERG: YES.  
10 MS. KING: BOB KLEIN.  
11 MR. KLEIN: YES.  
12 MS. KING: TED LOVE.  
13 DR. LOVE: YES.  
14 MS. KING: DUANE ROTH.  
15 MR. ROTH: YES.  
16 MS. KING: JEFF SHEEHY.  
17 MR. SHEEHY: YES.  
18 MS. KING: OSWALD STEWARD.  
19 DR. STEWARD: YES.  
20 MS. KING: AND ART TORRES.  
21 MR. TORRES: AYE.  
22 MS. KING: AND THAT MOTION CARRIES.  
23 CHAIRMAN GOLDBERG: IF THERE IS NO MORE  
24 BUSINESS FOR THE COMMITTEE, MOVE ADJOURNMENT.  
25 MS. KING: IS THERE A SECOND FOR THAT

**BARRISTERS' REPORTING SERVICE**

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MOTION?

DR. BIRGENEAU: SECOND.

CHAIRMAN GOLDBERG: THANK YOU ALL.

(THE MEETING WAS THEN ADJOURNED AT

08:42 A.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 FINANCE SUBCOMMITTEE OF THE INDEPENDENT CITIZEN' S OVERSIGHT COMMITTEE OF THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE IN THE MATTER OF ITS REGULAR MEETING ON JANUARY 21, 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.



BETH C. DRAIN, CSR 7152  
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