

BEFORE 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:                   MAYER AUDITORIUM  
                              KEITH ADMINISTRATION BUILDING  
                              KECK SCHOOL OF MEDICINE  
                              1975 ZONAL AVENUE  
                              LOS ANGELES, CALIFORNIA

DATE:                     APRIL 6, 2006

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

BRS FILE NO.:            74246

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1           LOS ANGELES, CALIFORNIA; THURSDAY, APRIL 6, 2006

2

3           CHAIRMAN KLEIN: WE'RE GOING TO CALL THE  
4 MEETING TO ORDER. WE WILL PROVIDE TODAY IN OUR SESSION  
5 A BIRTHDAY PASS FOR JOAN SAMUELSON SINCE IT IS HER  
6 BIRTHDAY TODAY. SHE DOES NOT APPEAR TO BE IN THE  
7 BUILDING AT THIS TIME, BUT EVERYONE MIGHT WANT TO  
8 CONVEY THEIR CONGRATULATIONS TO HER ON HER BIRTHDAY.  
9 AND DAVID SERRANO-SEWELL'S BIRTHDAY WAS YESTERDAY.

10           AS WE COMMENCE THE MEETING TODAY, I WANT TO  
11 PAY SPECIAL TRIBUTE AND THANKS TO JON SHESTACK AND CURE  
12 AUTISM NOW FOR THEIR LEADERSHIP IN THE AUTISM MOVEMENT.  
13 JON, IN THE PRESENTATION EARLIER, PROVIDED AN EXTREMELY  
14 TOUCHING AND COGENT LAY DESCRIPTION OF AUTISM IN  
15 SAYING, TO BRING IT HOME TO EACH OF US WITH OUR  
16 FAMILIES, THAT IT'S LIKE SOMEONE CAME INTO YOUR HOME IN  
17 THE MIDDLE OF THE NIGHT AND THEY TOOK THE PERSONALITY  
18 AND INTELLIGENCE FROM THE BRAIN OF YOUR CHILD AND LEFT  
19 THEIR CONFUSED BODY WITH YOU.

20           IT IS AN EXTRAORDINARY DISEASE AFFECTING ONE  
21 OUT OF EVERY 166 CHILDREN IN THIS COUNTRY. THAT'S A  
22 RADICAL INCREASE IN THE IDENTIFICATION OF THIS DISEASE  
23 OVER TIME. IT IS MORE PREVALENT IN THIS SOCIETY THAN  
24 JUVENILE DIABETES OR CHILDHOOD CANCER. IT IS A DISEASE  
25 THAT THE NATION HAS NOT YET RECOGNIZED AND ALLOCATED

1 SUFFICIENT RESEARCH FUNDS TO ADDRESS.

2 SO IT IS IN THE PRIVATE SECTOR THAT CURE  
3 AUTISM NOW AND THE OTHER AUTISM SOCIETIES HAVE LED US  
4 TO FOCUS OUR ATTENTION AND UNDERSTAND THIS DISEASE. WE  
5 HAD AN EXCELLENT RELATIONSHIP OF THIS DISEASE TO STEM  
6 CELL RESEARCH AND THE VALUE OF USING STEM CELL RESEARCH  
7 AS A MODEL SYSTEM TO FURTHER OUR UNDERSTANDING OF THE  
8 NEURAL DEVELOPMENT, IN PARTICULAR, THAT MAY LEAD TO  
9 THIS DISEASE. SOPHIA COLAMARINO SPOKE VERY POINTEDLY  
10 ON THIS WITH A NUMBER OF SLIDES THAT I HOPE ALL THE  
11 MEMBERS OF THE BOARD WOULD TAKE A LOOK AT. THERE IS A  
12 GREAT DEAL WE CAN LEARN BY HAVING TISSUE FROM CHILDREN  
13 OR ADULTS WITH AUTISM WHO DIE AND CAN CONTRIBUTE THAT  
14 TISSUE WHERE WE CAN UNDERSTAND POTENTIALLY HOW THIS  
15 DISEASE HAS DEVELOPED OVER TIME. BUT THANK YOU, JON,  
16 FOR YOUR LEADERSHIP.

17 (APPLAUSE.)

18 CHAIRMAN KLEIN: I'D LIKE PAY SPECIAL THANKS  
19 TO DEAN BRIAN HENDERSON AND HIS STAFF FOR HOSTING US,  
20 PARTICULARLY DIANE LAPA AND OLIVIA MONTEZ. I THINK  
21 THEY MIGHT BE IN THE AUDIENCE. DIANE, THANK YOU.  
22 BETTY SMITH AND DAVID SHOUBE ALSO PROVIDED TECHNICAL  
23 EXPERTISE AND ARE CONTINUING RIGHT AT THIS MOMENT, I  
24 THINK, TO PROVIDE TECHNICAL EXPERTISE TO BRING US  
25 THROUGH THE DAY, ALONG WITH WENDY QUINN FOR HER

1 CATERING.

2 DAVID, WE RECOGNIZE THE FACT THAT YESTERDAY  
3 WAS YOUR BIRTHDAY.

4 MR. SERRANO-SEWELL: THANK YOU, BOB.

5 CHAIRMAN KLEIN: CONGRATULATIONS. THANK YOU  
6 FOR SPENDING YOUR DAY OFF FOLLOWING YOUR BIRTHDAY WITH  
7 US.

8 MR. SERRANO-SEWELL: PLEASURE.

9 CHAIRMAN KLEIN: MY UNDERSTANDING IS AS WELL  
10 THAT THE GOVERNOR HAS JUST ANNOUNCED A NEW APPOINTMENT  
11 FROM SAN DIEGO, DUANE ROTH, WHO WILL BE FILLING THE  
12 VACANT POSITION ON THE BOARD SO THAT OUR BOARD  
13 COMPLEMENTS WILL BE UP TO THE FULL STRENGTH AT THE NEXT  
14 MEETING.

15 I'D LIKE TO GO TO MELISSA KING AT THIS POINT  
16 SINCE I THINK WE HAVE AS MANY BOARD MEMBERS PRESENT  
17 WITH ONE ON THE AISLE THAT WE CAN LOG IN AS CLOSE TO A  
18 FULL ROLL CALL AS POSSIBLE. AND WE WOULD WELCOME DR.  
19 HOLMES PARTICULARLY SINCE HE CAME ALL THE WAY FROM  
20 SINGAPORE FOR THE BENEFIT OF CALIFORNIA. BUT, MELISSA,  
21 FIRST THE PLEDGE OF ALLEGIANCE AND THEN THE ROLL CALL.

22 MS. KING: PLEASE STAND IF YOU ARE ABLE.

23 (THE PLEDGE OF ALLEGIANCE.)

24 MS. KING: BEFORE I CALL THE ROLL, I'D JUST  
25 LIKE TO LET THE BOARD MEMBERS KNOW THAT THE MICROPHONES

1 DO NEED TO BE TURNED ON WITH THE GREEN BUTTON BEFORE  
2 YOU SPEAK INTO THEM. THANK YOU.

3 MS. KING: PAUL JENNINGS.

4 DR. JENNINGS: HERE.

5 MS. KING: BOB PRICE FOR ROBERT BIRGENEAU.

6 DR. PRICE: HERE.

7 MS. KING: DAVID MEYER FOR KEITH BLACK.

8 DR. MEYER: HERE.

9 MS. KING: DENNIS CUNNINGHAM FOR SUSAN  
10 BRYANT.

11 DR. CUNNINGHAM: HERE.

12 MS. KING: MARCY FEIT.

13 MS. FEIT: HERE.

14 MS. KING: MICHAEL FRIEDMAN.

15 DR. FRIEDMAN: HERE.

16 MS. KING: MICHAEL GOLDBERG. BRIAN  
17 HENDERSON.

18 DR. HENDERSON: HERE.

19 MS. KING: ED HOLMES.

20 DR. HOLMES: HERE.

21 MS. KING: DAVID KESSLER. BOB KLEIN.

22 CHAIRMAN KLEIN: HERE.

23 MS. KING: SHERRY LANSING.

24 MS. LANSING: HERE.

25 MS. KING: GERALD LEVEY. TED LOVE.

1 DR. LOVE: HERE.

2 MS. KING: RICHARD MURPHY. TINA NOVA. ED  
3 PENHOET.

4 DR. PENHOET: HERE.

5 MS. KING: PHIL PIZZO.

6 DR. PIZZO: HERE.

7 MS. KING: CLAIRE POMEROY.

8 DR. POMEROY: HERE.

9 MS. KING: FRANCISCO PRIETO.

10 DR. PRIETO: HERE.

11 MS. KING: JEANNIE FONTANA FOR JOHN REED.

12 DR. FONTANA: HERE.

13 MS. KING: JOAN SAMUELSON. DAVID  
14 SERRANO-SEWELL.

15 MR. SERRANO-SEWELL: HERE.

16 MS. KING: JEFF SHEEHY.

17 MR. SHEEHY: HERE.

18 MS. KING: JONATHAN SHESTACK.

19 MR. SHESTACK: HERE.

20 MS. KING: OSWALD STEWARD. LEON THAL. JANET  
21 WRIGHT.

22 DR. WRIGHT: HERE.

23 CHAIRMAN KLEIN: THANK YOU VERY MUCH. FIRST  
24 ITEM ON THE AGENDA IS APPROVAL OF OUR LAST ICOC MEETING  
25 ON FEBRUARY 10TH AND THE MINUTES. IS THERE A MOTION TO

1 APPROVE THESE MINUTES?

2 UNIDENTIFIED MEMBER: SO MOVED.

3 CHAIRMAN KLEIN: SECOND?

4 DR. WRIGHT: SECOND.

5 DR. LOVE: I HAVE ONE COMMENT, JUST ONE  
6 CORRECTION ON THE MINUTES. THE MINUTES REFLECT I WAS  
7 ABSENT FROM THE LAST MEETING OR AT LEAST THE ROLL CALL.  
8 IT MAY REFLECT THE QUALITY OF MY CONTRIBUTIONS, BUT I  
9 WAS ACTUALLY PRESENT.

10 CHAIRMAN KLEIN: CORRECTION SO TAKEN AS  
11 AMENDED. IS THERE ANY FURTHER DISCUSSION ON THE  
12 MOTION? THE QUESTION IS IF THERE'S ANY ADDITIONAL  
13 DISCUSSION ON THE MOTION. THE FIRST AND SECOND ACCEPT  
14 THE AMENDMENT? YES. ALL IN FAVOR. OPPOSED? MINUTES  
15 ARE PASSED.

16 GO TO THE CHAIRMAN'S REPORT. I'D LIKE TO  
17 THANK THE STAFF OF THE CHAIRMAN'S OFFICE AND BEGIN BY  
18 THANKING MELISSA KING FOR HER TREMENDOUS WORK LEADING  
19 UP TO THE LITIGATION. IT'S IMPORTANT TO NOTE THAT  
20 MELISSA WORKED THROUGH THE SCHEDULING AND RESCHEDULING  
21 OF APPEARANCES IN THE COURT, WHICH THANKFULLY WERE NOT  
22 NEEDED; BUT BY OUR DEMONSTRATION THAT, IN FACT, THOSE  
23 INDIVIDUALS WERE AVAILABLE FOR DEPOSITIONS, WHICH DID  
24 OCCUR, AND WERE AVAILABLE FOR THE COURT, THE OPPOSITION  
25 COULD NOT USE THAT AS A MEANS OF DELAYING THE TRIAL.



1     THEY REALLY THOUGHT THAT THEY HAD AN ACE IN THE HOLE  
2     BECAUSE HOW COULD 29 PEOPLE WORK TOGETHER TO MAKE  
3     THEMSELVES AVAILABLE ON SHORT NOTICE FOR DEPOSITIONS ON  
4     A TRIAL.

5                     WELL, WITH MELISSA KING'S HELP AND YOUR  
6     TREMENDOUS PATIENCE AND DEDICATION AS MEMBERS OF THE  
7     BOARD, WE WERE ABLE TO DEMONSTRATE THAT, IN FACT, WE  
8     WERE AVAILABLE AND THE TRIAL COULD MOVE FORWARD. SO  
9     THE TRIAL, AS YOU KNOW, INSTEAD OF TAKING THREE TO FOUR  
10    WEEKS, TOOK THREE DAYS. IT IS A TREMENDOUS EFFORT.  
11    I'D LIKE TO GIVE A ROUND OF APPLAUSE FOR MELISSA KING.

12                     (APPLAUSE.)

13                     CHAIRMAN KLEIN: I WOULD LIKE TO ALSO  
14    INDICATE THAT AMY DUROSS, AMY LEWIS, KATE SHREVE,  
15    JENNIFER ROSAIA, KIRK KLEINSCHMIDT, THE OTHER MEMBERS  
16    OF THE CHAIRMAN'S STAFF INVOLVED IN THE LITIGATION  
17    EFFORT, ALONG WITH WALTER BARNES, ZACH HALL, WITH MARY  
18    MAXON, THE KEY INDIVIDUALS WHO WERE INVOLVED WITH THE  
19    LITIGATION SIDE OF THE PRODUCTION, MADE TREMENDOUS  
20    SACRIFICES. I THINK I'VE STATED BEFORE THAT BETWEEN  
21    DECEMBER 21ST AND JANUARY 3D THERE WERE 600 PRODUCTION  
22    REQUESTS BY THE OPPOSITION, WHICH WERE ALL ANSWERED ON  
23    TIME, WORKING THROUGH THE VACATIONS.

24                     THE STAFF DEDICATION IS ENORMOUS, AND I'D  
25    LIKE TO THANK THEM ALL FOR THE MIRACULOUS JOB THAT

1 PRODUCED ABOUT 37,000 PAGES OF DOCUMENTS BECAUSE THOSE  
2 PRODUCTION REQUESTS THAT ENDED ON JANUARY 3D WERE  
3 FOLLOWED BY PRODUCTION REQUESTS ON JANUARY 5TH, JANUARY  
4 10TH, JANUARY 20TH, FEBRUARY 10TH. SO THIS IS A STAFF  
5 OF GREAT DEDICATION, AND WE MUST REALIZE THAT WITHOUT  
6 THEIR EFFORTS, WE WOULD NOT BE WHERE WE ARE TODAY,  
7 HAVING COMPLETED THAT TRIAL VERY EFFECTIVELY. SO HAND  
8 OF APPLAUSE FOR THE STAFF.

9 (APPLAUSE.)

10 CHAIRMAN KLEIN: AND REALIZE THAT WHILE ALL  
11 THIS WAS GOING ON, INDIVIDUALS LIKE MARY MAXON WERE  
12 HELPING DR. PENHOET LEAD THE IP TASK FORCE, ARLENE CHIU  
13 AND ZACH HALL WERE MOVING AHEAD THE SCIENCE AGENDA AND  
14 MEDICAL AND ETHICAL STANDARDS. IT IS A TREMENDOUS  
15 TESTIMONY TO THEIR DEDICATION.

16 IN LOOKING FORWARD, THE STATE FINANCE  
17 COMMITTEE OF THE CALIFORNIA INSTITUTE OF REGENERATIVE  
18 MEDICINE HAD ITS MEETING THIS LAST WEEK AND APPROVED  
19 OR -- EXCUSE ME -- THIS WEEK. SEEMS LIKE THE WEEKS ARE  
20 RUNNING TOGETHER -- THIS WEEK AND APPROVED THE BOND  
21 ANTICIPATION NOTE PROGRAM. IT WAS RECOGNIZED THAT THEY  
22 WOULD INCREMENTALLY CLOSE THE BOND ANTICIPATION NOTES  
23 WITH THE FIRST 14 MILLION GOING TO FUND THE FELLOWSHIP  
24 PROGRAM. AND WITH 31 MILLION OF OTHER COMMITMENTS IN  
25 PROGRESS, WE ARE WELL ON OUR WAY TO OUR \$50 MILLION

1 GOAL .

2 WE HAVE A PROCESS THAT AFTER WE IDENTIFY  
3 THESE COMMITMENTS, THEY MUST, OF COURSE, BE VETTED BY  
4 THE FOUNDATION BOARDS REPRESENTING THE FOUNDER THAT IS  
5 GENERALLY MAKING THE COMMITMENT, THE FOUNDATION'S  
6 ATTORNEYS, THE ORRICK, HERRINGTON, THE COUNSEL TO THE  
7 TREASURER'S OFFICE, THE TREASURER'S STAFF, ALL HAVING  
8 TO APPROVE THESE COMMITMENTS. SO IT IS A GOOD PROCESS,  
9 BUT A PROCESS WHERE WE HAVE PLEDGED TRANSPARENCY ON THE  
10 FIRST 14 MILLION THAT ARE APPROVED FOR INITIAL FUNDING.

11 ALL OF THE NAMES OF THE FOUNDATIONS HAVE BEEN  
12 PUBLISHED AND WERE PUBLISHED AT THE TIME OF THE STATE  
13 FINANCE HEARING, AND WE'VE COMMITTED THAT ON THE  
14 BALANCE OF 50 MILLION, IN REAL TIME AS THOSE BONDS ARE  
15 PREPARED FOR THEIR FINAL APPROVAL AND FUNDING, WE WILL,  
16 IN FACT, POST THOSE NAMES FOR THE PUBLIC.

17 IT IS IMPORTANT TO RECOGNIZE THAT THESE BOND  
18 ANTICIPATION NOTE PURCHASERS ARE REAL HISTORIC  
19 CHAMPIONS OF CHRONIC DISEASE RESEARCH AND RESEARCH INTO  
20 CHRONIC INJURY IN THE STATE OF CALIFORNIA, AND THAT  
21 THEY SHOW THAT THE STATE IS UNITED IN THIS EFFORT FOR  
22 THE COMMITMENT STRETCHED FROM SAN DIEGO TO SAN  
23 FRANCISCO AND NORTH.

24 THE FIRST \$14 MILLION IN COMMITMENTS COME  
25 FROM THE FOLLOWING GREAT FOUNDATIONS THAT CHAMPION

1 DISEASE RESEARCH IN THE STATE AND RESEARCH FOR CHRONIC  
2 INJURY. WILLIAM BOWES FOUNDATION FROM THE BAY AREA,  
3 THE IRWIN JACOBS FAMILY TRUST FROM SAN DIEGO. YOU  
4 MIGHT REMEMBER IRWIN JACOBS FOUNDED QUALCOMM, A  
5 TREMENDOUS COMPANY THAT DEMONSTRATES THE LEADERSHIP OF  
6 CALIFORNIA IN HIGH TECH BY THE FAMILY DEDICATED TO THE  
7 FUTURE OF CHRONIC DISEASE RESEARCH IN CALIFORNIA. THE  
8 MOORES FOUNDATION, JOHN MOORES, WHO OWNS THE PADRES,  
9 AGAIN SOMEONE FROM HIGH TECH MAKING A COMMITMENT TO  
10 BIOMEDICAL RESEARCH. THE MOORES CANCER CENTER IS WELL  
11 KNOW AT UC SAN DIEGO. THE ELI BROAD FOUNDATION FROM  
12 LOS ANGELES THAT'S RECENTLY, WITH KECK SCHOOL OF  
13 MEDICINE, ANNOUNCED THEIR COURAGEOUS COMMITMENT TO A  
14 \$200 MILLION PROJECT WITH THE LARGEST SINGLE PART OF  
15 THAT PROJECT BEING FOR A CENTER FOR BIOLOGICAL RESEARCH  
16 AND STEM CELL RESEARCH, AND BIOLOGICAL DEVELOPMENT  
17 RESEARCH IS, I THINK, PART OF THE TITLE. THE BENEFICUS  
18 FOUNDATION, WHICH IS JOHN AND ANN DOOR FROM NORTHERN  
19 CALIFORNIA, AND THE BLUM FAMILY PARTNERS, RICHARD BLUM  
20 AND HIS WIFE, U.S. SENATOR DIANNE FEINSTEIN, MAKING UP  
21 THE BALANCE OF THOSE COMMITMENTS. BUT CLEARLY A GROUP  
22 WITH KNOWN CREDENTIALS, COMMITTED TO PUBLIC POLICY,  
23 COMMITTED TO RESEARCH TO MITIGATE THE FUTURE SUFFERING  
24 FROM HUMAN DISEASES ACROSS A BROAD SPECTRUM. THESE ARE  
25 PEOPLE THAT HOPEFULLY AS INDIVIDUALS WE CAN ALL TAKE AS

1 MODELS FOR THEIR COMMITMENT, FOR THEIR PERSONAL  
2 SACRIFICE FOR THE BENEFIT OF THE PUBLIC, AND FOR THEIR  
3 VISION OF WHAT THE CALIFORNIA INSTITUTE OF REGENERATIVE  
4 MEDICINE CAN DO FOR THE PEOPLE OF CALIFORNIA, THE  
5 NATION, AND THE WORLD. SO IF WE COULD, RECOGNIZING  
6 THAT NONE OF THEM ARE HERE, JUST TAKE A MOMENT AND GIVE  
7 THEM A HAND OF APPLAUSE.

8 (APPLAUSE.)

9 CHAIRMAN KLEIN: IN THE CHAIRMAN'S REPORT I  
10 WOULD LIKE TO END WITH A FOCUS ON THE FACT THAT AFTER  
11 THE PRESIDENT'S REPORT, WHICH WILL LAY OUT THE  
12 PRESIDENT'S VISION AND LEADERSHIP OF THE STRATEGIC  
13 PLAN, THAT WE HAVE AN AGENDA ITEM WHICH FOLLOWS WHICH  
14 WILL FOCUS ON THE PUBLIC TRANSPARENCY OF THE STRATEGIC  
15 PLAN PROCESS AND THE BOARD'S MATERIAL INVOLVEMENT IN  
16 DEVELOPING THE STRATEGIC PLAN.

17 AS YOU KNOW, ON THE POSTED AGENDA, WE HAVE  
18 RECOGNIZED AND WILL DISCUSS LATER UNDER AGENDA ITEM 8  
19 THERE ARE FOUR MEETINGS, AT LEAST FOUR MEETINGS, OF THE  
20 ICOC IN PUBLIC SESSION UNDER BAGLEY-KEENE WITH FULL  
21 TRANSPARENCY TO BRING TOGETHER AT EACH STAGE OF THE  
22 STRATEGIC PLAN PROCESS THE INPUT AND INFORMATION AND  
23 PROVIDE THE RESPONSES THE PRESIDENT NEEDS FOR THE  
24 STRATEGIC PLAN PROCESS. THOSE FOUR MEETINGS START WITH  
25 A JUNE 2D MEETING TO CONSIDER MISSION AND OBJECTIVES OF

1 THE STRATEGIC PLAN. ON AUGUST 1ST, EXAMINE STRATEGIC  
2 PLAN VALUES. ON OCTOBER 11TH AND 12TH OR 12TH LOOK AT  
3 THE DRAFT STRATEGIC PLAN, AND ON DECEMBER 6TH OR  
4 DECEMBER 7TH LOOK AT STRATEGIC PLAN REVIEW AND POSSIBLE  
5 APPROVAL OR APPROVAL OF PARTS WITH LATER ADDITIONAL  
6 REVIEWS.

7 SO IT'S VERY CLEAR THAT WE ARE GOING TO HAVE  
8 A HIGHLY PUBLIC AND TRANSPARENT PROCESS WITH PUBLIC  
9 INPUT SEPARATE FROM, I THINK, THE VERY PUBLIC PROCESS  
10 THAT THE PRESIDENT WILL DESCRIBE TO US IN THE PROCESS  
11 OF HIS REPORTS. WITH THAT, I'D LIKE TO TURN TO AGENDA  
12 ITEM NO. 7, WHICH IS THE PRESIDENT'S REPORT, AND UNDER  
13 ITEM 8, WHEN WE GET TO THAT ITEM, STRATEGIC PLAN, WE  
14 WILL HAVE A FULL PUBLIC COMMENT PERIOD.

15 MR. SIMPSON: CAN WE HAVE PUBLIC COMMENT ON  
16 YOUR CHAIRMAN'S REPORT?

17 JOHN SIMPSON FROM THE FOUNDATION FOR TAXPAYER  
18 AND CONSUMER RIGHTS. MR. CHAIRMAN, SINCE THE LAST  
19 MEETING, ELIZABETH DONNELLY FROM THE WISCONSIN AREA  
20 ALUMNI RESEARCH FOUNDATION ASSERTED THAT THEY WILL ASK  
21 FOR LICENSING RIGHTS BECAUSE THEY CLAIM THAT THEY HOLD  
22 PATENTS ON ALL HUMAN EMBRYONIC STEM CELLS. ASIDE FROM  
23 THAT BEING AN OUTRAGEOUS RAID ON THE TREASURY OF  
24 CALIFORNIA, A NUMBER OF PEOPLE HAVE ALSO SAID THAT  
25 THEIR PATENTS, THEIR OVERREACHING PATENTS, ARE, IN

1 FACT, HINDERING STEM CELL RESEARCH.

2 ROBERT GOLDSTEIN SAID AS MUCH WHEN HE SPOKE  
3 TO THE IP TASK FORCE TWO WEEKS AGO. CALIFORNIA  
4 RESEARCHERS HAVE SAID THE SAME THING. SO I'M WONDERING  
5 IF IN YOUR ROLE AS CHAIRMAN YOU WOULD PLEASE AS SOON AS  
6 POSSIBLE PUT ON THE AGENDA A RESOLUTION CALLING FOR  
7 CIRM TO CHALLENGE THESE PATENTS, BOTH IN THE BENEFIT OF  
8 THE PEOPLE OF CALIFORNIA AND ALSO FOR STEM CELL  
9 RESEARCH IN THE UNITED STATES. IT IS CLEARLY HINDERING  
10 THIS, AS MR. GOLDSTEIN SAID. THEY'RE MAKING GRANTS TO  
11 SINGAPORE AND THE UK SPECIFICALLY BECAUSE OF CONCERNS  
12 THEY HAVE ABOUT THE WARF PATENTS, SO I WOULD CALL UPON  
13 YOU IN YOUR ROLE AS CHAIRMAN TO PLEASE PUT THAT ON THE  
14 AGENDA AT THE SOONEST POSSIBLE MOMENT. THANK YOU.

15 CHAIRMAN KLEIN: THANK YOU VERY MUCH. I LOVE  
16 YOUR SPIRIT. I THINK WE HAVE TO CAREFULLY CONSIDER  
17 THIS ITEM AND GET LEGAL COUNSEL ON THIS ITEM, BUT WE  
18 WILL TAKE THIS UNDER ADVISEMENT. IT IS A VERY  
19 IMPORTANT ITEM TO FOCUS ON.

20 THE ITEM NEXT ON THE AGENDA IS THE  
21 PRESIDENT'S REPORT. DR. HALL, THIS IS A LONG AWAITED  
22 AND VERY DISTINGUISHED MOMENT. IF YOU COULD LEAD US  
23 THROUGH THE PRESIDENT'S REPORT AND YOUR DISCUSSION  
24 RELATED TO THE STRATEGIC PLAN.

25 DR. HALL: OKAY. LET ME JUST BEGIN WITH A

1 DIFFERENT ITEM ACTUALLY, IF I MAY. AND THAT IS, I WANT  
2 TO ANNOUNCE A NEW APPOINTMENT TO OUR STAFF, WHICH IS  
3 VERY IMPORTANT. DR. PATRICIA OLSON, WHO IS COMING ON  
4 BOARD AS SCIENTIFIC PROGRAM OFFICER AND ACTING GRANTS  
5 MANAGEMENT OFFICER. DR. OLSON IS A PH.D. IN MOLECULAR  
6 BIOLOGY FROM BERKELEY AND HAS SERVED A VARIETY OF ROLES  
7 IN THE BIOTECH INDUSTRY, MOST RECENTLY AS VICE  
8 PRESIDENT OF CORPORATE R&D AT CHIRON. SHE'S BEEN  
9 INVOLVED THERE IN STRATEGIC PLANNING. SHE'S BEEN  
10 INVOLVED IN RESEARCH AND DEVELOPMENT. AND SHE HAS BEEN  
11 HELPING US OUT ON A CONSULTANT BASIS AS WE PUT TOGETHER  
12 OUR GRANTS MANAGEMENT POLICY AND IN WORKING WITH THE  
13 TRAINING GRANTS. AND SHE IS, AS WE ARE, FORTUNATE IN  
14 THAT SHE SHOWED INTEREST IN JOINING US FULL TIME, AND  
15 SHE WAS THE BEST OF THE CANDIDATES WE HAD CONSIDERED.  
16 AND SO WE'RE DELIGHTED TO PERSUADE HER TO JOIN US.

17 SHE IS ON BOARD THIS WEEK, AND SHE WILL HAVE  
18 TWO RESPONSIBILITIES. FIRST OF ALL, FOR THE MOMENT SHE  
19 WILL CARRY OUT OUR GRANTS MANAGEMENT FUNCTION, WHICH  
20 WILL BE VERY IMPORTANT AS WE GO FORWARD AND ACTUALLY  
21 BEGIN TO FUND GRANTS. AND SECONDLY, SHE WILL BE  
22 INVOLVED IN THE STRATEGIC PLAN AND HELP US IN THAT  
23 ARENA AS WELL. AT ANY RATE, WE'RE DELIGHTED TO HAVE  
24 HER AS PART OF OUR TEAM.

25 NOW, AT OUR LAST MEETING I DESCRIBED TO YOU



1 THAT WE HAVE A SEPARATE FUND-RAISING EFFORT. AS YOU'VE  
2 HEARD FROM BOB, WE HAVE PASSED THIS IMPORTANT MILESTONE  
3 OF HAVING OUR BAN'S APPROVED BY THE FINANCE COMMITTEE,  
4 AND THAT IS EXTRAORDINARY. WE ALSO HAVE A SECOND  
5 FUNCTION, AND THAT IS, BECAUSE OF OUR VERY STRAITENED  
6 ECONOMIC CIRCUMSTANCES, WE HAVE SOUGHT MONEY THAT WOULD  
7 SUPPORT OUR SCIENTIFIC ACTIVITIES. AND WE'VE SOUGHT  
8 THIS IN THE FORM OF GIFTS RATHER THAN BAN'S. AND YOU  
9 WILL HEAR LATER FROM AMY LEWIS THAT WE'VE BEEN MODESTLY  
10 SUCCESSFUL SO FAR IN THAT EFFORT. IT IS CONTINUING,  
11 BUT THE IMPORTANT POINT IS THAT WE HAVE SECURED ENOUGH  
12 PLEDGES SO THAT WE CAN GO FORWARD WITH SOME OF THE  
13 ACTIVITIES THAT I'VE DESCRIBED TO YOU BEFORE.

14 SO WE HAVE NOW TOLD THE INSTITUTE OF MEDICINE  
15 THAT WE ARE PREPARED TO NEGOTIATE A CONTRACT WITH THEM  
16 FOR THE MEETING ON ASSESSMENT OF MEDICAL RISK FOR EGG  
17 DONORS. AND WE ARE IN DISCUSSION WITH THEM ABOUT THE  
18 FINANCIAL DETAILS OF THIS. IT WILL BE, AS I'VE TOLD  
19 YOU BEFORE, COSPONSORED WITH THE SOCIETY FOR  
20 GYNECOLOGIC INVESTIGATION, WHICH IS A LEADING ACADEMIC  
21 AND SCIENTIFIC SOCIETY, I SHOULD SAY, FOR GYNECOLOGIC  
22 RESEARCH, REPRODUCTIVE MEDICINE. THEY ARE VERY  
23 INTERESTED IN THIS MEETING AS WELL.

24 WE WILL HAVE A DATE EITHER THIS SUMMER OR  
25 EARLY FALL IN SAN FRANCISCO. WE WILL PROBABLY HAVE A

1 LIMITED ATTENDANCE, ON THE ORDER OF 50 OR 60 PEOPLE,  
2 BUT WE WILL SIMULTANEOUSLY WEBCAST THE MEETING AS WE  
3 DID BEFORE. THIS WAS A TREMENDOUSLY POPULAR WAY OF  
4 DOING THINGS. AND I FORGET THE NUMBER OF HITS NOW, BUT  
5 IT WAS TRULY PHENOMENAL THE NUMBER OF PEOPLE WHO  
6 ACTUALLY CHECKED IN ON THAT MEETING. SO THIS WAY THE  
7 MEETING ITSELF WILL BE ACCESSIBLE TO A LARGE NUMBER OF  
8 PEOPLE. AND THEY WILL COME OUT, THEN, THE IOM WILL  
9 DEVELOP A REPORT OF THE MEETING, WHICH WILL ALSO BE  
10 AVAILABLE.

11 THE SECOND ITEM THAT WE'VE BEEN ABLE TO GO  
12 AHEAD WITH IS OUR PLANNING FOR THE CIRM/UK MEETING. AS  
13 YOU REMEMBER, QUOTE, UNQUOTE, BINATIONAL MEETING WITH  
14 THE UK, THE NATION OF CALIFORNIA AND THE UNITED  
15 KINGDOM, AND THAT MEETING WILL BE HELD JUNE 19TH AND  
16 20TH IN DERBYSHIRE IN THE UK. THE TOPIC WILL BE STEM  
17 CELL SELF-RENEWAL AND DIFFERENTIATION. THERE WILL BE  
18 16 CALIFORNIA AND 16 UNITED KINGDOM STEM CELL  
19 SCIENTISTS. AND WE ARE NOW ABLE TO TELL THEM THAT WE  
20 CAN SUPPORT THE CALIFORNIA SCIENTISTS THAT WE SEND.  
21 AND WE'VE SENT OUT SOLICITATIONS TO ALL THE  
22 INSTITUTIONS WHO SENT IN TRAINING GRANT APPLICATIONS  
23 ASKING FOR PEOPLE WHO MIGHT BE INTERESTED IN GOING TO  
24 THAT MEETING. WE WANT TO HAVE A MIXTURE OF BOTH SENIOR  
25 PEOPLE AND JUNIOR PEOPLE. AND THERE WILL BE

1 OPPORTUNITY AT THE MEETING, IN AND AROUND THE MEETING  
2 FOR VISITING IN LABS IN THE UK, AND THIS WILL HELP US  
3 CEMENT OUR RELATIONS WITH THE COUNTRY THAT MANY PEOPLE  
4 FEEL IS THE MOST ADVANCED IN STEM CELL RESEARCH AT THE  
5 MOMENT.

6 NOW, THE NEXT THING THAT WE ALSO WOULD LIKE  
7 TO GO AHEAD WITH ON THE BASIS OF OUR FINANCES IS THE  
8 STRATEGIC PLAN. AND I JUST WANT TO BRING YOU UP TO  
9 DATE ON THAT. AND FIRST OF ALL, JUST TO REITERATE, YOU  
10 WILL HAVE IN YOUR FOLDERS A COPY, TAB 7, AN UPDATED  
11 COPY OF THE PLAN FOR A PLAN, AS CLAIRE POMEROY  
12 DESCRIBED IT. AND THIS IS ESSENTIALLY WHAT YOU SAW  
13 BEFORE. IT'S BEEN REARRANGED AND MODIFIED IN SEVERAL  
14 WAYS. AND I WON'T REITERATE THE PRINCIPLES.

15 I WOULD POINT OUT THAT THESE ARE THE  
16 PRINCIPLES OF THE PLAN. AS YOU HEARD FROM BOB, WE WILL  
17 ENGAGE THE ICOC AT A LATER TIME IN DEVELOPING A SET OF  
18 PRINCIPLES OR VALUES FOR THE STRATEGIC PLAN, BUT THIS  
19 IS SIMPLY THE PRINCIPLES OF THE PROCESS. WE WANT A  
20 PLAN THAT REPRESENTS SCIENCE IN THE SERVICE OF  
21 THERAPIES. IT'S AN OPERATIONAL WORKING PLAN. IT WILL  
22 BE A LIVING PLAN, IN SHERRY LANSING'S PHRASE; THAT IS,  
23 IT WILL CONTINUE TO CHANGE IN RESPONSE TO NEW  
24 SCIENTIFIC DEVELOPMENTS AND IN RESPONSE TO WHAT WE SEE  
25 WORKING AND WHAT WE DON'T. THERE WILL BE STAKEHOLDER

1 PARTICIPATION IN FORMULATION OF THE PLAN. AS BOB  
2 INDICATED, WE WILL HAVE A TRANSPARENT PROCESS AS WE GO  
3 THROUGH.

4 NOW, WE HAVE ALREADY BEGUN TO WORK ON THIS,  
5 AS I WAS CHARGED AT THE DECEMBER MEETING. AND THE  
6 FIRST NEWS IS QUITE EXCITING FOR US. WE NOW HAVE, YOU  
7 SHOULD HAVE AT EACH OF YOUR PLACES OUR CONFERENCE  
8 REPORT FROM OUR OCTOBER 1ST AND 2D SCIENTIFIC  
9 CONFERENCE LAST FALL, "STEM CELL RESEARCH - CHARTING  
10 NEW DIRECTIONS FOR CALIFORNIA." AS YOU RECALL, THE  
11 INTENT OF THIS CONFERENCE WAS TO GET THE BEST TALENT  
12 AROUND THE WORLD TO COME IN AND TELL US WHAT THEY THINK  
13 THEY THOUGHT OUR PRIORITIES SHOULD BE AS WE GO ABOUT  
14 OUR WORK.

15 SO THIS WILL BE IN SOME SENSE A SORT OF  
16 STARTING PLACE FOR THE STRATEGIC PLAN BY CONSIDERING  
17 THE RECOMMENDATIONS WHICH ARE SUMMARIZED IN THIS  
18 BOOKLET. AND I WANT TO COMMEND FOR THIS HARD WORK ON  
19 THIS. I THINK YOU WILL FIND IT VERY WELL-WRITTEN. WE  
20 HOPE IT'S WRITTEN IN A WAY THAT IS TECHNICALLY  
21 FAITHFUL, BUT ACCESSIBLE TO A BROAD AUDIENCE. AND  
22 ARLENE CHIU AND HER SCIENTIFIC TEAM DID A TERRIFIC JOB  
23 ON THIS, MARY MAXON, GIL SAMBRANO. AND WE GOT SOMEBODY  
24 TO HELP US WITH THE FIRST DRAFT WHICH WAS KELLY  
25 LAMARCO. SO I WOULD ACTUALLY LIKE TO GET A ROUND OF

1 APPLAUSE FOR THIS GROUP BECAUSE THEY'VE DONE A GREAT  
2 JOB.

3 (APPLAUSE.)

4 DR. HALL: AND I THINK, IN SPITE OF ITS  
5 TECHNICAL NATURE, I HOPE YOU WILL READ IT. I THINK YOU  
6 WILL ENJOY READING IT. IT ACTUALLY IS AN INTERESTING  
7 ACCOUNT.

8 NOW, I ALSO HAVE IN YOUR FOLDERS THE PLAN FOR  
9 A PLAN, WHICH I MENTIONED, UNDER TAB 7. AND I WILL GO  
10 THROUGH SOME OF THE ELEMENTS OF THAT AS WE GO FORWARD.  
11 WE HAVE HAD AN INITIAL PLANNING MEETING WITH  
12 PRICEWATERHOUSECOOPERS. WE WILL COME LATER IN THE  
13 SESSION TO REQUEST FOR AUTHORIZATION TO GO AHEAD WITH  
14 THE CONTRACT WITH THEM.

15 AS YOU REMEMBER, OUR INFORMATION GATHERING  
16 WILL OCCUR IN TWO WAYS. FIRST OF ALL -- OR THREE WAYS  
17 ACTUALLY. WE START WITH THE SCIENTIFIC CONFERENCE.  
18 SECONDLY, WE WILL INTERVIEW A NUMBER OF PEOPLE,  
19 SOMETHING ON THE ORDER OF 60 TO 75. WE HAVE MADE AN  
20 INITIAL SELECTION OF SOME NAMES. WE ARE SEEKING OTHER  
21 NAMES. WE WILL UNDOUBTEDLY HAVE MORE CANDIDATES FOR  
22 INTERVIEW THAN WE HAVE THE CAPACITY TO DO. BUT IF ANY  
23 OF YOU HAVE SUGGESTIONS FOR PEOPLE YOU THINK WE SHOULD  
24 TALK TO, NATIONALLY PROMINENT SCIENTISTS, SCIENTIFIC  
25 ADMINISTRATORS, PATIENT ADVOCATES, ANY PHILANTHROPIC

1 ORGANIZATIONS, ANYBODY YOU THINK COULD MAKE AN  
2 IMPORTANT CONTRIBUTION TO THIS, PLEASE LET US KNOW, AND  
3 WE WANT TO COVER AS WIDE A GROUP AS POSSIBLE WITH THIS.

4 SO WE ALSO WILL, THEN, IN ADDITION TO THE  
5 INTERVIEWS, HAVE A SERIES OF MEETINGS. AND I WANT TO  
6 JUST WALK THROUGH THOSE WITH YOU, IF I MIGHT. THE  
7 FIRST OF THE MEETINGS THAT BOB DESCRIBED, WE WILL TAKE  
8 SOME PART OF THE NEXT FOUR ICOC MEETINGS TO ASK THE  
9 ICOC TO PARTICIPATE FORMALLY IN THE PLAN, FIRST OF ALL,  
10 BY DEFINING OUR MISSION STATEMENT AND LONG-TERM  
11 OBJECTIVES, SECOND BY DRAWING UP THE PRINCIPLES OR  
12 VALUES OF THE PLAN. AND HERE I DON'T MEAN OF THE  
13 PROCESS, BUT OF THE PLAN ITSELF. THAT IS, WHAT ARE WE  
14 TRYING TO DO? WHAT ARE THE GENERAL GUIDELINES THAT  
15 SHOULD GUIDE US AS WE GO THROUGH THIS?

16 WE HOPE BY OCTOBER TO HAVE A PLAN DRAFT, AND  
17 IT IS OUR JOB TO PRODUCE THAT DRAFT FOR YOU BY THEN.  
18 AND THEN ON YOUR INSTRUCTIONS AND YOUR COMMENTS AND  
19 YOUR SUGGESTIONS, WE WILL GO BACK AND REVISE THAT DRAFT  
20 AND, WE HOPE, BRING IT TO YOU IN DECEMBER FOR OUR FINAL  
21 ADOPTION.

22 SO LET ME, THEN, TALK ABOUT A DIFFERENT KIND  
23 OF MEETING THAT WE WILL BE HAVING. WE PLAN TWO  
24 SCIENTIFIC -- CURRENTLY PLAN TWO SCIENTIFIC MEETINGS  
25 FOR ICOC MEMBERS AND THE PUBLIC. WE WILL MODEL THESE

1 AFTER THE VERY SUCCESSFUL INTELLECTUAL PROPERTY TASK  
2 FORCE MEETINGS THAT ED PENHOET AND MARY MAXON HAVE BEEN  
3 HOLDING IN THAT WE WILL HAVE SPEAKERS, WE WILL HAVE  
4 DISCUSSION. IT WILL BE OPEN -- ALL ICOC MEMBERS WILL  
5 BE INVITED, THE PUBLIC WILL BE INVITED. WE'D LIKE TO  
6 ALSO INVITE THE GRANTS WORKING GROUP MEMBERS TO ONE OF  
7 THESE MEETINGS, AND WE HOPE THAT THE CHAIR AND VICE  
8 CHAIR OF THAT WORKING GROUP CAN MEET PERHAPS ONE  
9 EVENING WITH THAT GROUP AND TAKE ADVANTAGE OF THEIR  
10 PARTICIPATION AS WELL. AS HAS BEEN SAID, THEY ARE AN  
11 IMPORTANT GROUP AND HAVE MUCH TO CONTRIBUTE TO OUR  
12 PLAN.

13 WE ARE CURRENTLY TRYING TO FIND A DATE IN MAY  
14 FOR THE FIRST MEETING AND A DATE IN JULY FOR THE  
15 SECOND. AND WE WILL KEEP YOU APPRISED. THIS WILL BE  
16 AS SOON AS OUR TEAM GETS THROUGH, MELISSA AND HER CREW,  
17 PUTTING TOGETHER ALL THE LOGISTICS FOR THIS MEETING.  
18 WE'RE GOING TO IMMEDIATELY SAY, OKAY, NOW LET'S FIND US  
19 A DATE FOR THE NEXT MEETING AND LET'S GO AHEAD. SO  
20 WE'D LIKE TO GET STARTED ON THAT RIGHT AWAY.

21 WE ALSO WOULD LIKE TO HAVE AT LEAST ONE  
22 PUBLIC HEARING AT WHICH WE SIMPLY, WITHOUT A PROGRAM,  
23 INVITE ANYBODY IN THE PUBLIC WHO WISHES TO MEET AND  
24 COMMENT ON WHAT WE'RE DOING AND OFFER SUGGESTIONS TO  
25 HAVE THAT OPPORTUNITY. IN, THEN, BOTH OF THESE CASES

1 WE WILL, AGAIN, FOLLOWING THE EXAMPLE OF ED AND MARY,  
2 TRY TO STRUCTURE THE DISCUSSION AROUND A SERIES OF  
3 SPECIFIC QUESTIONS THAT WE THINK WILL BE IMPORTANT AS  
4 WE GO FORWARD WITH THE PLAN.

5 I HOPE WE CAN DISPERSE THOSE GEOGRAPHICALLY.  
6 IDEALLY WE WOULD HAVE ONE OF THOSE MEETINGS IN SAN  
7 FRANCISCO; THAT IS, OF THE SCIENTIFIC MEETINGS FOR ICOC  
8 MEMBERS AND THE PUBLIC HEARING MEETING, ONE IN SAN  
9 FRANCISCO, ONE IN L.A., AND ONE IN SAN DIEGO. SO WE'LL  
10 HAVE AN OPPORTUNITY FOR PEOPLE ACROSS THE STATE TO  
11 PARTICIPATE. AND THEN WE PROBABLY WILL HAVE SEVERAL  
12 FOCUS GROUPS. THAT IS LESS WELL-PLANNED, BUT WE HAVE  
13 BEEN TALKING WITH DAVID SERRANO-SEWELL AND OTHERS ABOUT  
14 HOW WE MIGHT DO ONE FOR PATIENT ADVOCATES. PERHAPS  
15 WE'LL HAVE ONE IN THE PRIVATE SECTOR. AND WE  
16 ANTICIPATE, AS WE GO FORWARD, THAT IS, AS A RESULT OF  
17 THE INTERVIEWS AND THE MEETINGS, THAT WE WILL REALIZE  
18 THERE ARE ISSUES IN WHICH WE NEED TO FOCUS DOWN, GET IN  
19 SOME EXPERTS AND HEAR WHAT THEY HAVE TO SAY ABOUT A  
20 PARTICULAR TOPIC. AND WE MAY HAVE NEW IDEAS COME UP  
21 THAT WE HAVEN'T THOUGHT ABOUT. WE CERTAINLY HOPE SO.  
22 AND SO OUR PLANS FOR DOING THIS, AS I SAY, WILL BE SORT  
23 OF FLEXIBLE AND STAGED AS WE GO FORWARD SO THAT AFTER  
24 WE GET OUR FIRST INFORMATION, WE CAN GO AHEAD WITH THE  
25 REST OF IT.



1                   NOW, AS YOU KNOW, WE HAVE AN ADVISORY  
2                   COMMITTEE THAT WILL BE ADVISORY TO ME IN DEVELOPING THE  
3                   PLAN. AND I AM DELIGHTED TO SAY THAT WE HAVE AN  
4                   INCREDIBLY DISTINGUISHED COMMITTEE. I'M ALSO DELIGHTED  
5                   TO SAY THAT NOT ONE PERSON WHO WAS INVITED TURNED US  
6                   DOWN. SO THIS COMMITTEE WILL BE MEETING EVERY THREE TO  
7                   FOUR WEEKS, AND WE WILL HAVE PUBLIC MEETINGS MUCH LIKE  
8                   THE MEETINGS FOR THE MEDICAL AND ETHICAL STANDARDS, AND  
9                   WE HAVE, OF COURSE, OUR CHAIR AND VICE CHAIR, JEFF  
10                  SHEEHY AND SHERRY LANSING, HAVE AGREED TO SERVE, PAUL  
11                  BERG AND DAVID BALTIMORE, TWO NOBEL LAUREATES, WILL BE  
12                  ON THE COMMITTEE. WILLIAM RASTETTER, WHO HAS JUST  
13                  STEPPED DOWN AS THE PRESIDENT AND CEO, PERHAPS THE  
14                  CHAIR, OF BIOGEN IDEC, BUT HE IS A CHEMIST FROM  
15                  HARVARD, WHO HAS BEEN VERY ACTIVE IN DEVELOPING  
16                  THERAPEUTICS IN THE PRIVATE SECTOR. BECAUSE HE'S  
17                  RECENTLY RETIRED, HE HAS SOME TIME. WE'RE GOING TO TRY  
18                  TO FILL UP SOME OF IT. I WENT DOWN AND MET HIM IN SAN  
19                  DIEGO. HE'S GOING TO BE A TERRIFIC ADDITION TO OUR  
20                  GROUP. GEORGE DALEY FROM HARVARD MEDICAL SCHOOL, WHO  
21                  MANY OF YOU MAY REMEMBER FROM OUR SCIENTIFIC  
22                  CONFERENCE. HE IS THE INCOMING PRESIDENT OF THE  
23                  INTERNATIONAL SOCIETY FOR STEM CELL RESEARCH AND HEADS  
24                  THE STEM CELL EFFORT AT HARVARD WHERE THEY'RE DOING A  
25                  NUMBER OF INNOVATIVE THINGS, SO I THINK THIS WILL BE

1 VERY IMPORTANT. FINALLY, ON THE CLINICAL SIDE, STEVE  
2 FOREMAN OF CITY OF HOPE HOSPITAL, HAS AGREED TO JOIN  
3 OUR GROUP AS WELL. SOME OF YOU MAY REMEMBER HE GAVE A  
4 WONDERFUL TALK AT THE MEETING THAT WE HELD AT CITY OF  
5 HOPE SEVERAL TIMES AGO. BUT AT ANY RATE, WE HAD A  
6 DISEASE WORKSHOP, AND STEVE GAVE A TERRIFIC TALK AND, I  
7 THINK, WILL BRING A VERY, VERY VALUABLE PERSPECTIVE TO  
8 OUR PROGRAM.

9 SO LET ME JUST QUICKLY MENTION THE SCHEDULE,  
10 A TIMETABLE. WE EXPECT TO DO OUR INTERVIEWS BETWEEN  
11 APRIL AND JUNE. AND THEN, AS I SAY, ON THE BASIS OF  
12 WHAT WE LEARN, WE MAY WISH TO GO OUT AND HAVE SOME MORE  
13 INTERVIEWS. AND WE HOPE TO HAVE ALL THAT INFORMATION  
14 GATHERING PROCESS, MEETINGS, AND FOLLOW-UP INTERVIEWS  
15 COMPLETED BY AUGUST. AND WE WILL SPEND AUGUST AND  
16 SEPTEMBER DRAFTING THE PLAN, AND WE HOPE TO PRESENT IT  
17 TO YOU, THAT DRAFT, IN OCTOBER AT THE ICOC MEETING.  
18 AND MARY MAXON HAS TALENTS IN MANY DIRECTIONS, AND SHE  
19 PUT TOGETHER A WONDERFUL SLIDE SHOWING THIS  
20 GRAPHICALLY. NEXT SLIDE PLEASE JUST TO DEMONSTRATE  
21 HERE HOW WE'RE GOING TO PROCEED.

22 THE ICOC MEETINGS THAT BOB MENTIONED ARE ON  
23 TOP, AND THERE WILL BE AN AGENDA ITEM TO FORMALLY  
24 APPROVE THE ICOC'S PARTICIPATION IN THAT WAY. WE THEN  
25 HAVE OUR TWO SCIENTIFIC MEETINGS. I THINK WHAT DID NOT

1 MAKE IT WAS OUR THIRD PUBLIC MEETING WILL BE ON THERE  
2 AS WELL. AND YOU CAN ROUGHLY SEE ENDING ON THE RIGHT  
3 WITH, WE HOPE, APPROVAL OF THE PLAN IN EARLY DECEMBER.

4 SO THAT'S WHERE WE STAND WITH THAT. I WOULD  
5 BE HAPPY TO ANSWER ANY QUESTIONS ABOUT ANY OF THE  
6 TOPICS THAT I'VE RAISED WITH YOU.

7 CHAIRMAN KLEIN: THANK YOU VERY MUCH, DR.  
8 HALL. IT'S AN EXTREMELY INCLUSIONARY OUTREACH PROGRAM  
9 FOR THE PUBLIC HERE IN CALIFORNIA AND FOR THE BEST  
10 SCIENTIFIC MINDS IN CALIFORNIA, IN THE NATION, AND FROM  
11 AROUND THE WORLD.

12 ARE THERE ANY QUESTIONS FROM MEMBERS OF THE  
13 BOARD? NOT SEEING ANY QUESTIONS FROM MEMBERS OF THE  
14 BOARD, THIS IS NOT AN ACTION ITEM, BUT ARE THERE ANY  
15 QUESTIONS FROM THE PUBLIC?

16 MR. SIMPSON: JOHN SIMPSON FROM THE  
17 FOUNDATION FOR TAXPAYER AND CONSUMER RIGHTS. DR. HALL,  
18 IN THE HANDOUT IT SAYS THAT THE ADVISORY COMMITTEE  
19 MEETING THAT WILL BE MEETING EVERY THREE OR FOUR WEEKS.  
20 THOSE WILL BE PUBLIC MEETINGS; IS THAT CORRECT?

21 DR. HALL: YES. THEY WILL BE PUBLIC IN THE  
22 SAME WAY THAT THE MEDICAL AND ETHICAL STANDARDS  
23 MEETINGS WILL BE PUBLIC. THEY WILL BE PUBLIC MEETINGS.

24 MR. SIMPSON: THIS PLAN HAS BEEN DISCUSSED, I  
25 THINK, SINCE LAST DECEMBER, AND WE WERE AMONG THOSE WHO

1 WERE IN EVERY FORUM WE COULD FIND ADVOCATING INCLUSION  
2 OF THE PUBLIC. I JUST WANTED TO SAY THAT I RECALL,  
3 BESIDES THOSE PUBLIC STATEMENTS, ALSO SOME LETTERS TO  
4 YOU, AND YOU SEEM TO HAVE LISTENED TO WHAT WE WERE  
5 SUGGESTING. WE'RE VERY ENCOURAGED BY THE SHAPE THAT  
6 THE PLAN IS TAKING. THANK YOU FOR THAT.

7 DR. HALL: JOHN, I'VE ALWAYS LISTENED TO WHAT  
8 YOU SUGGEST.

9 MS. FOGEL: SUSAN FOGEL, PRO CHOICE ALLIANCE  
10 FOR RESPONSIBLE RESEARCH. SO MY FIRST QUESTION IS CAN  
11 WE GET COPIES OF THE CONFERENCE REPORT? I DIDN'T SEE  
12 THEM OUT THERE.

13 DR. HALL: WE HAVE A LIMITED NUMBER NOW. IT  
14 IS AVAILABLE ON THE WEB. AND WE HAVE A LIMITED NUMBER.  
15 WE ARE, AS YOU KNOW, FINANCIALLY CONSTRAINED, SO WE'RE  
16 NOT ABLE TO PRODUCE AS MANY OF THESE AS WE WOULD LIKE,  
17 BUT I'M SURE, SUSAN, WE COULD FIND ONE FOR YOU.

18 MS. FOGEL: THANK YOU. MY OTHER QUESTION HAS  
19 TO DO WITH THE MAKEUP OF THE ADVISORY BOARD. IT SEEMS  
20 TO ME THAT IT WOULD BE VERY USEFUL, IN ADDITION TO  
21 HAVING FOCUS GROUPS, TO ACTUALLY HAVE DISINTERESTED  
22 MEMBERS OF THE PUBLIC, EXPERTS IN HEALTH ACCESS,  
23 EXPERTS IN SOME OF THE BROADER ISSUES THAT HAVE BEEN  
24 ADDRESSED HERE. EVERYBODY ON THAT IS AN INTERESTED  
25 PARTY, AND SOMETIMES THAT LIMITS ONE'S VIEW.

1           THERE ARE, FOR EXAMPLE, PROFESSOR TED MARMER  
2   AT YALE, WHO, FIRST OF ALL, HAS A LOT OF EXPERTISE  
3   ABOUT WELFARE POLICIES, HEALTH POLICIES, HEALTH ACCESS  
4   ISSUES.  THERE ARE A LOT OF ACADEMICS, BIOETHICISTS.  
5   NONE OF THESE PEOPLE ARE REPRESENTED, AND I THINK THOSE  
6   ARE VOICES THAT OUGHT TO BE ACTUALLY AT THE TABLE  
7   AROUND THE STRATEGIC PLAN, NOT JUST PROVIDING INPUT  
8   FROM THE OUTSIDE.

9           DR. HALL:  I WOULD REMIND YOU THAT IT IS A  
10   SCIENTIFIC STRATEGIC PLAN, AND WE HAVE OTHER MECHANISMS  
11   FOR DEALING WITH THESE VERY IMPORTANT ISSUES TO DO WITH  
12   ETHICS AND TO DO WITH ACCESSIBILITY.  AND SO HERE WE'RE  
13   REALLY FOCUSING IN ON WHAT OUR SCIENTIFIC PLAN WILL BE.  
14   WE WOULD WELCOME THE PARTICIPATION OF SUCH PEOPLE IN  
15   ANY OF OUR OPEN MEETINGS.  AND I SHOULD SAY THAT THE  
16   ADVISORY COMMITTEE, I CERTAINLY WILL FEEL FREE TO ADD  
17   OTHERS AS WE GO ALONG AS WE FEEL THAT WE NEED THEM.  SO  
18   I APPRECIATE YOUR SUGGESTION.

19           MS. FOGEL:  YOU AND I HAVE DISAGREED ABOUT  
20   HOW MUCH THESE ISSUES NEED TO BE INTERTWINED.  SO I  
21   THINK THERE ARE -- EVEN A BIOETHICIST WHO'S VERY  
22   STEEPED IN THE SCIENCE WOULD BROADEN THE SCOPE OF THE  
23   DISCUSSION ON THE PLAN.

24           MS. DELAURENTIS:  I HAVE A COMMENT.  SUSAN  
25   DELAURENTIS FROM THE ALLIANCE FOR STEM CELL RESEARCH.

1 I JUST WANTED TO MAKE TWO COMMENTS ON BEHALF OF THE  
2 PATIENTS THAT WE REPRESENT IN THE STATE OF CALIFORNIA  
3 AND THROUGHOUT THE REST OF THE COUNTRY. WE WANT TO  
4 APPLAUD THE INSTITUTE FOR YOUR COMMITMENT TO GETTING  
5 FUNDING TO MOVE THESE PROGRAMS FORWARD IN THE FACE OF  
6 ALL THE OBSTACLES THAT HAVE BEEN THROWN IN YOUR PATH,  
7 BOTH FROM LAWSUITS AND FROM CRITICS OF PUBLIC FUNDING  
8 OF THIS RESEARCH. WE THINK THIS IS A HUGE STEP  
9 FORWARD.

10 AND, DR. HALL, WE'RE VERY EXCITED ABOUT THE  
11 PLAN FOR THE PLAN AND THE PROCESS. THERE SEEMS TO BE  
12 JUST A MULTITUDE OF OPPORTUNITIES FOR PUBLIC INPUT.  
13 AND WE LOOK FORWARD TO PARTICIPATING IN THAT PROCESS  
14 AND REPRESENTING THE PATIENTS AND ENCOURAGING OTHER  
15 PATIENTS TO BE INVOLVED TOO.

16 DR. HALL: THANK YOU, SUSAN.

17 (APPLAUSE.)

18 CHAIRMAN KLEIN: THANK YOU, DR. HALL. WE'LL  
19 MOVE TO AGENDA ITEM NO. 8. I WOULD ALSO CALL YOUR  
20 ATTENTION TO THE FACT THAT WE WILL HAVE A LATER AGENDA  
21 ITEM RELATED TO THE GOVERNANCE COMMITTEE'S REPORT THAT  
22 SPECIFICALLY ADDRESSES THE CONTRACT APPROVAL TO MOVE  
23 THE PRESIDENT'S PLAN FORWARD. SO THIS ITEM NO. 8 IS  
24 ONLY TO AFFIRM TO THE PUBLIC THAT WE HAVE A COMMITMENT  
25 TO THE PUBLIC PROCESS, TO TRANSPARENCY, TO THE PUBLIC

1 HEARINGS OF THE BOARD SO THAT THE PUBLIC UNDERSTANDS  
2 THAT WE ARE HONORING OUR OBLIGATION IN THE INITIATIVE  
3 FOR THE ICOC BOARD TO DEVELOP THE STRATEGIC PLAN IN A  
4 PUBLIC PROCESS AS PROMISED.

5 CERTAINLY IN THE SELECTION OF THE BOARD  
6 MEMBERS BY THE FOUR CONSTITUTIONAL OFFICERS THAT MADE  
7 THE APPOINTMENTS, THE CRITERIA WERE HONORED TO GIVE US  
8 A SPECTRUM OF BOARD MEMBERS WHO REPRESENT RESEARCH  
9 INSTITUTIONS, RESEARCH HOSPITALS, RESEARCH INSTITUTES,  
10 FIELDS OF PATIENT ADVOCACY, AND EXPERIENCE IN  
11 DEVELOPMENT OF BIOTECH-BASED THERAPIES. SO THE PUBLIC  
12 HAS THE CONFIDENCE THAT WHEN 29 MEMBERS WITH THESE  
13 CREDENTIALS MEET PUBLICLY TO BRING TOGETHER THEIR  
14 EXPERIENCE, THEIR KNOWLEDGE, AND THEIR WISDOM, THAT WE  
15 HAVE A VETTING PROCESS IN THE PUBLIC THAT SHOULD LEAD  
16 TO AN EXTREMELY SOUND VALIDATION OF THE TREMENDOUS WORK  
17 AND LEADERSHIP BROUGHT TO US IN THE DRAFT PLAN AND THE  
18 QUESTIONS FROM THE PRESIDENT'S OFFICE.

19 IT'S INTENDED SO THAT THE PUBLIC CAN  
20 UNDERSTAND THAT IN THE AUGUST 1ST MEETING, IN TERMS OF  
21 STRATEGIC PLAN VALUES, IT'S THE INTENTION OF THE  
22 PRESIDENT'S OFFICE AND STAFF TO BRING TO THIS BOARD  
23 QUESTIONS SUCH AS WHAT IS THE VALUE OF COLLABORATION?  
24 DO WE WANT TO FOCUS, AS ANOTHER EXAMPLE, OUR PORTFOLIO  
25 INTO HIGH RISK VENTURES FOR MAJOR BREAKTHROUGHS? DO WE

1 WANT TO FOCUS INTO GOLDPLATED RESEARCH THAT WILL HELP  
2 US INCREMENTALLY IN ADVANCING EXISTING THERAPIES? DO  
3 WE WANT, IN TERMS OF VALUES, TO HAVE A DIVERSIFICATION  
4 WITH MANY GRANTS DISTRIBUTED BROADLY OVER LARGE AREAS  
5 OF DISEASE RESEARCH? OR DO WE WANT A NUMBER OF  
6 BLOCKBUSTER GRANTS WITH HIGH COLLABORATION, FOCUSING  
7 AND DRAWING MOST OF THE MONEY TOGETHER?

8 THESE ARE ALL QUESTIONS OF VALUES THAT THE  
9 PRESIDENT'S OFFICE INDICATES THEY WILL WANT INPUT FROM  
10 THE BOARD AS A PART OF THE PUBLIC PROCESS. SO THERE  
11 ARE FOUR KEY BENCHMARK DATES HERE. AND THE QUESTION  
12 PRESENTED HERE ON THE STRATEGIC PLAN, AGENDA ITEM 8, IS  
13 JUST APPROVING AND CONFIRMING FOR THE PUBLIC THIS  
14 INVOLVEMENT TO HONOR OUR OBLIGATION UNDER THE  
15 INITIATIVE.

16 ANY BOARD DISCUSSION ON THIS ITEM? IS THERE  
17 ANY DISCUSSION FROM THE PUBLIC ON THIS ITEM? SEEING  
18 NONE, IS THERE A MOTION?

19 DR. HENDERSON: YES. SO MOVED.

20 CHAIRMAN KLEIN: IS THERE A SECOND?

21 DR. PIZZO: SECOND.

22 CHAIRMAN KLEIN: MOVED AND SECONDED. ALL IN  
23 FAVOR. OPPOSED? THAT'S THE FASTEST ITEM WE'VE EVER  
24 HAD ON THE AGENDA.

25 IN THE AGENDA ITEM NO. 9, CONSIDERATION OF



1 ACCEPTANCE OF MONETARY STOCK AND GIFTS, SPECIFIC GIFTS,  
2 BEFORE BEGINNING THIS ITEM, WHICH AMY LEWIS WILL LEAD  
3 US THROUGH, I'D LIKE TO RECOGNIZE THE FACT THAT IN  
4 EVERY ITEM WE PASS THROUGH ON THE AGENDA, THERE'S A  
5 TREMENDOUS AMOUNT OF LEGAL CONTENT. AND JAMES HARRISON  
6 ALONG WITH TAMARA PACHTER FROM THE ATTORNEY GENERAL'S  
7 OFFICE HAVE DONE AN INCREDIBLE JOB IN REPRESENTING THIS  
8 AGENCY, JAMES IN EVERY PUBLIC HEARING OF THE AGENCY AND  
9 IN SPECIAL COUNSEL IN LITIGATION. AND I WOULD THINK IT  
10 WOULD BE GOOD, IN INTRODUCING THIS ITEM, TO RECOGNIZE  
11 THE CONTRIBUTION AND JUST GIVE JAMES HARRISON A HAND OF  
12 APPLAUSE.

13 (APPLAUSE.)

14 CHAIRMAN KLEIN: I'M GOING TO ASK AMY LEWIS  
15 TO GO THROUGH THIS, AND THEN JUST ASK JAMES HARRISON  
16 FOR A SHORT COMMENT ON HOW THIS RELATES TO THE SPECIFIC  
17 ENTITLEMENT IN THE INITIATIVE TO OUR ABILITY TO ACCEPT  
18 GIFTS. THANK YOU.

19 MS. LEWIS: GOOD MORNING. THANK YOU. AS  
20 ZACH MENTIONED IN HIS PRESIDENT'S REPORT, HE AND ED  
21 PENHOET --

22 DR. HENDERSON: EXCUSE ME. COULD YOU SPEAK  
23 MORE LOUDLY?

24 CHAIRMAN KLEIN: I THINK THE PROBLEM IS YOU  
25 HAVE TO PUSH YOUR MIC BUTTON.

1 MS. LEWIS: I JUST HAVE TO USE MY VOICE. AS  
2 ZACH MENTIONED IN HIS PRESIDENT'S REPORT, HE AND ED  
3 PENHOET ARE LEADING AN EFFORT TO RAISE GIFTS TO SUPPORT  
4 THE SCIENTIFIC ACTIVITIES OF THE INSTITUTE. BOB KLEIN  
5 HAS ALSO JOINED IN THIS EFFORT, AND TOGETHER THEY HAVE  
6 SECURED SEVERAL GIFTS TO THE CIRM.

7 I'LL LET JAMES GO AHEAD AND READ THE SECTION  
8 NUMBER AFTER WE LIST THE GIFTS HERE THAT ALLOWS THE  
9 ICOC TO ACCEPT THESE GIFTS. SO WE WOULD TO ASK TO YOU  
10 CONSIDER THE FOLLOWING GIFTS THAT ARE LISTED ON THE  
11 SLIDE THERE FOR APPROVAL.

12 THE FIRST IS FROM ED PENHOET, PRESIDENT OF  
13 THE GORDON AND BETTY MOORE FOUNDATION, A GIFT OF  
14 \$50,000 TO SUPPORT CIRM SCIENTIFIC ACTIVITIES. THE  
15 SECOND A GIFT FROM RICHARD K. ROBBINS, PRESIDENT OF  
16 WAREHAM PROPERTIES, A GIFT OF \$50,000 TO SUPPORT CIRM  
17 SCIENTIFIC ACTIVITIES. IT'S IMPORTANT TO NOTE THAT  
18 THIS IS THE SECOND CONTRIBUTION MR. ROBBINS HAS MADE TO  
19 CIRM. WAREHAM PROPERTIES, HIS COMPANY, PROVIDED CIRM'S  
20 FIRST HOME IN EMERYVILLE FOR OUR FIRST NINE MONTHS IN  
21 EXISTENCE. AS YOU ALL KNOW, THE OFFICE SPACE WAS  
22 PROVIDED RENT FREE TO CIRM. AND FINALLY, E. HUGH  
23 TAYLOR OF ATHERTON, CALIFORNIA, A GIFT OF \$50,000 TO  
24 SUPPORT CIRM'S SCIENTIFIC ACTIVITIES. WE'LL DISCUSS  
25 THE FOURTH GIFT THERE SEPARATELY.

1 MR. HARRISON: AS BOB NOTED, PROPOSITION 71  
2 AUTHORIZES YOU AS A BOARD EXPRESSLY TO ACCEPT GIFTS OF  
3 REAL AND PERSONAL PROPERTY. SO ACCEPTANCE OF THESE  
4 GIFTS IS WITHIN YOUR AUTHORITY.

5 MS. LEWIS: SO WE'D LIKE TO ASK YOU, BOB, IF  
6 YOU WOULD CALL A VOTE ON THESE FIRST THREE GIFTS.

7 CHAIRMAN KLEIN: IS THERE A MOTION TO ACCEPT  
8 THE FIRST THREE GIFTS?

9 DR. WRIGHT: SO MOVED.

10 CHAIRMAN KLEIN: IS THERE A SECOND?

11 DR. THAL: SECOND.

12 MS. LEWIS: JUST TO NOTE FOR THE PUBLIC  
13 RECORD, BOB, WERE THERE ANY RECUSALS ON THAT VOTE?

14 DR. PENHOET: (INDICATING.)

15 CHAIRMAN KLEIN: IT WAS INDICATED THAT DR.  
16 PENHOET RECUSED HIMSELF FROM THE VOTE ON HIS OWN  
17 CONTRIBUTION.

18 MS. LEWIS: FOR THE FINAL GIFT, I'M PLEASED  
19 TO ANNOUNCE A SIGNIFICANT GIFT TO CIRM FROM THE RICHARD  
20 & RHODA GOLDMAN FOUNDATION, A SUPPORTING FOUNDATION OF  
21 THE JEWISH COMMUNITY FEDERATION OF SAN FRANCISCO, THE  
22 PENINSULA, MARIN, AND SONOMA COUNTIES. CIRM IS  
23 EXTREMELY FORTUNATE TO HAVE THE GOLDMAN FOUNDATION'S  
24 COMMITMENT TO SUPPORT THE SCIENTIFIC ACTIVITIES OF THE  
25 INSTITUTE WITH A GIFT IN THE AMOUNT OF \$350,000.

1 WE'D LIKE TO TAKE THIS OPPORTUNITY TO THANK  
2 THE BOARD OF THE GOLDMAN FOUNDATION, AND IN PARTICULAR  
3 ITS PRESIDENT, MR. GOLDMAN, FOR THEIR EXTRAORDINARY  
4 SUPPORT AND ASK THAT YOU, THE ICOC, PLEASE CONSIDER  
5 ACCEPTING THIS GENEROUS GIFT SUBJECT TO EXECUTIVE  
6 COMMITTEE APPROVAL OF THE FINAL DOCUMENTATION AS BEING  
7 CONSISTENT WITH CIRM POLICIES AND LEGAL COUNSEL'S  
8 APPROVAL OF THAT DOCUMENTATION. THIS GIFT'S  
9 DOCUMENTATION HASN'T QUITE BEEN COMPLETED YET, AS BOB  
10 WILL NOTE.

11 CHAIRMAN KLEIN: THANK YOU. DR. PIZZO, DO  
12 YOU HAVE A COMMENT?

13 DR. PIZZO: I WANT GO BACK TO THE FIRST  
14 THREE. I DON'T THINK WE ACTUALLY VOTED ON IT. I THINK  
15 IT'S EXTRAORDINARILY WONDERFUL THAT ED MADE THIS  
16 CONTRIBUTION, BUT I DO WANT TO AT LEAST RAISE THE  
17 QUESTION OF PERCEPTION. CERTAINLY ON OTHER BOARDS  
18 MEMBERS OF BOARDS MAKE CONTRIBUTIONS TO AN EFFORT, SO  
19 THERE'S AN EXTANT POLICY FOR DOING THAT. BECAUSE THIS  
20 IS A STATE OPERATION, HAS OTHER PUBLIC FEATURES  
21 ASSOCIATED WITH IT, I THINK WE SHOULD JUST PAUSE FOR A  
22 MOMENT AND ASK WHETHER THIS WILL RAISE MORE QUESTIONS  
23 THAN IT WILL PERHAPS ANSWER. AND I DON'T KNOW WHETHER  
24 OTHERS HAVE A DIFFERENT OPINION ABOUT THIS, BUT I THINK  
25 WE SHOULD AT LEAST HAVE SOME DISCUSSION ABOUT IT.

1                   CHAIRMAN KLEIN: ALL RIGHT. THE QUESTION HAS  
2 BEEN POSED. AND IN TERMS OF THE LEGAL ISSUES, I THINK  
3 THE LEGAL ISSUES HAVE BEEN CLEARED VERY PRECISELY.

4                   DR. PIZZO: I ASSUMED THAT THAT WAS THE CASE.

5                   CHAIRMAN KLEIN: IN TERMS OF THE FINANCIAL  
6 ISSUES, I WOULD SAY THAT THE CONCEPT AND THE HOPE WAS  
7 THAT, AS WITH MANY BOARDS, IF A MEMBER OF THE BOARD IS  
8 MAKING A PERSONAL SACRIFICE FOR THE BENEFIT OF THE  
9 MISSION, IT IS A STANDARD THAT CAN BENEFIT THE PUBLIC  
10 AS A MODEL, THAT WE BELIEVE SO MUCH IN OUR MISSION IN  
11 ADDITION TO COMMITTING OUR TIME, THAT WE'RE ALSO  
12 COMMITTING OUR FINANCIAL RESOURCES. THE PUBLIC, SEEING  
13 THE TREMENDOUS COMMITMENT OF TIME AND ENERGY AS WELL AS  
14 FINANCIAL COMMITMENTS, IS INSPIRED, HOPEFULLY, TO  
15 FOLLOW IN THIS VEIN.

16                   AND I ASSURE YOU THAT MY OWN DUE DILIGENCE  
17 SHOWS THAT DR. PENHOET IS NOT DOING ANY RESEARCH AND  
18 WILL NOT BE AN APPLICANT FOR ANY GRANT.

19                   DR. PENHOET: UNFORTUNATELY.

20                   CHAIRMAN KLEIN: UNFORTUNATELY. BUT ANY  
21 ADDITIONAL COMMENTS FROM THE BOARD ON THIS MATTER?

22                   DR. POMEROY: I HAD ANOTHER QUESTION ON THIS  
23 ITEM, PERHAPS FOR ZACH OR WALTER, WHICH WAS HOW DOES  
24 CIRM PROPOSE TO HANDLE THE STOCK GIFTS? WOULD THESE BE  
25 HELD, CASHED IN? WHAT ARE YOUR THOUGHTS ON THAT

1 MATTER?

2 MR. BARNES: WE'LL ACTUALLY GET A LITTLE BIT  
3 INTO THAT IN THE GIFT POLICY THAT'S COMING UP UNDER THE  
4 GOVERNANCE COMMITTEE. BUT TO ANSWER YOUR QUESTION  
5 SPECIFICALLY, ANY GIFT THAT WE RECEIVE, OTHER THAN  
6 MONETARY GIFTS, WILL BE SOLD AS QUICKLY AS POSSIBLE.  
7 AND THAT MEANS ALMOST IMMEDIATELY SO THAT WE GET THE  
8 CASH, AND THAT IS THEN DEPOSITED.

9 CHAIRMAN KLEIN: AND I WOULD LIKE TO ALSO SAY  
10 IN THE VEIN, DR. PIZZO, YOU'VE RAISED THIS QUESTION,  
11 THAT WE'VE DEVELOPED A POLICY WITH LEGAL ADVICE THAT,  
12 TO THE EXTENT THAT THERE'S ANY FOUNDATION, FOR EXAMPLE,  
13 DR. PENHOET IS THE CHAIRMAN OF THE GORDON AND BETTY  
14 MOORE FOUNDATION, TO THE EXTENT THAT WE ARE EVER  
15 DEALING WITH THEM, HE WILL NOT BE INVOLVED IN THE  
16 TRANSACTION IN ANY WAY. HE COMPLETELY RECUSES HIMSELF  
17 FROM ANY DISCUSSION WITH GORDON AND BETTY MOORE  
18 FOUNDATION, WHICH IS A GOOD EXAMPLE FOR ANYONE, SO THAT  
19 IT IS A DIRECT RELATIONSHIP BETWEEN, FOR EXAMPLE,  
20 MYSELF AS CHAIRMAN AND THE FOUNDATION STAFF.

21 DR. PIZZO: JUST TO UNDERSCORE, I HAVE NO  
22 CONCERN AT ALL ABOUT DR. PENHOET AND HIS CONTRIBUTION,  
23 NOR ABOUT HIS ABILITY TO RECUSE HIMSELF, NOR ABOUT THE  
24 LEGAL SITUATION OR THE PRECEDENCE OF NONPROFIT  
25 ORGANIZATION'S DIRECTORS MAKING CONTRIBUTIONS. THIS

1 WAS REALLY A QUESTION ABOUT HOW THIS WOULD BE PERCEIVED  
2 IN THE PUBLIC. AND IF NO ONE ELSE HAS A CONCERN ABOUT  
3 THAT, I OBVIOUSLY WILL REST ACCORDINGLY.

4 DR. HENDERSON: I WONDER IF ONE WAY TO ALLAY  
5 SOME CONCERN ABOUT THIS MIGHT BE TO SUGGEST THESE FUNDS  
6 BE USED TO SUPPORT ADMINISTRATIVE ACTIVITIES ONLY AND  
7 NOT COMMINGLED WITH GRANTING FUNDS. SO ANY POTENTIAL  
8 CONTRIBUTIONS FROM THIS BOARD, FOR EXAMPLE, COULD BE  
9 SPECIFICALLY FOR ADMINISTRATIVE PROGRAMS AND NEVER  
10 COMMINGLED WITH ANY FUNDS GRANTED TO ANY OF THE  
11 INSTITUTIONS IN THE STATE. AND THEN THAT WAY HELPS  
12 SUPPORT THE ADMINISTRATIVE ACTIVITIES DURING  
13 PARTICULARLY THESE DAYS, BUT COULD BE USED FOR  
14 CONFERENCES AND OTHER THINGS IN THE FUTURE. AND IF WE  
15 MAKE THAT PUBLICLY CLEAR AND IT'S SORT OF A POLICY,  
16 THEN MAYBE THAT WILL TAKE CARE OF SOME CONCERNS.

17 CHAIRMAN KLEIN: I THINK THAT MIGHT BE AN  
18 EXCELLENT RECOMMENDATION. PERHAPS THE CHAIRMAN'S  
19 OFFICE CAN BRING BACK A RECOMMENDATION AT THE NEXT  
20 MEETING TO FOLLOW UP ON THAT.

21 DR. HALL: I'D LIKE TO UNDERLINE THAT  
22 COMMENT, IF I MAY. THESE FUNDS HAVE BEEN SOLICITED  
23 EXPRESSLY FOR PARTICULARLY THE SCIENTIFIC ACTIVITIES  
24 AND THE ADMINISTRATIVE ACTIVITIES THAT SUPPORT THOSE  
25 FOR THE INSTITUTE BECAUSE RIGHT NOW WE HAVE NO OTHER

1 FUNDS FOR THEM. THERE IS NO DOUBT IN MY MIND AND I  
2 HOPE IN ANYBODY ELSE'S MIND ABOUT WHERE THE MONEY IS  
3 GOING. THIS MONEY WILL NOT BE USED FOR GRANTS.

4 CHAIRMAN KLEIN: ALL RIGHT. DR. HALL IS  
5 SPECIFICALLY, I BELIEVE, REFERRING TO THE EGG  
6 CONFERENCE.

7 DR. THAL: I'M NOT SURE THAT THE INSTITUTE  
8 WANTS TO TIE ITS HANDS PERMANENTLY IN THE FUTURE. THAT  
9 MAY BE PERFECTLY REASONABLE TO DO AT THIS PARTICULAR  
10 MOMENT, BUT THE INSTITUTE MAY BE IN A POSITION LATER ON  
11 TO RECEIVE LARGER GIFTS THAN IT WOULD NEED FOR  
12 ADMINISTRATIVE PURPOSES. AND IT WOULD BE VERY NICE TO  
13 BE ABLE TO USE SOME OF THOSE GIFTS FOR RESEARCH. I  
14 WOULD JUST CAUTION AGAINST A SWEEPING RESTRICTION.

15 MS. LANSING: IT'S ONLY FOR BOARD MEMBERS.

16 CHAIRMAN KLEIN: DR. THAL HAS NOT ELIMINATED  
17 THE POSSIBILITY THAT SOME GENEROUS BOARD MEMBER MAY  
18 GIVE US MILLIONS OF DOLLARS, WHICH I DON'T WANT TO  
19 SUPPRESS THAT CONCEPT. BUT I THINK PERHAPS WE COULD  
20 BRING BACK THAT THOUGHT AS WELL, THAT TO THE EXTENT  
21 THAT IT'S NOT FOR ADMINISTRATIVE ACTIVITIES, WE MAKE A  
22 SPECIAL FINDING. SO LET US CONSIDER THAT AND TRY AND  
23 BRING BACK SOMETHING THAT TAKES THESE POINTS INTO  
24 CONSIDERATION.

25 IS THERE ADDITIONAL PUBLIC COMMENT? ANY



1 PUBLIC COMMENTS ON THIS? NO PUBLIC COMMENT.

2 MR. SIMPSON: WE WELCOME DR. PENHOET'S  
3 CONTRIBUTION.

4 CHAIRMAN KLEIN: JOHN SIMPSON, FOR THE  
5 RECORD, INDICATED HE, ON BEHALF OF THE PUBLIC, WELCOMES  
6 DR. PENHOET'S CONTRIBUTION. AND CERTAINLY THE BOARD IS  
7 DEEPLY APPRECIATIVE.

8 I WOULD LIKE TO ALSO RECOGNIZE SPECIFICALLY  
9 THAT DR. PENHOET, IN ADDITION TO HIS NUMEROUS DUTIES  
10 WITH THE BOARD AND THE IP TASK FORCE, FOUND THE TIME TO  
11 GO WITH ME TO MEET WITH RICHARD GOLDMAN. RICHARD  
12 GOLDMAN HAS A HISTORY OF INNOVATION IN HIS FUNDS  
13 GRANTS. HE SEES THIS AS A MODEL OPPORTUNITY TO ADVANCE  
14 SCIENCE INNOVATION IN STEM CELL RESEARCH, AND I WOULD  
15 ASSURE THE BOARD THAT DR. PENHOET IS AN ELOQUENT  
16 SPOKESMAN AND A GREAT COMPANION TO HAVE IN ANY GRANT  
17 VISIT. AND I SUGGEST THAT IF YOU HAVE ANY GRANT VISIT  
18 YOU WANT TO MAKE, TO RECRUIT HIM.

19 BUT WITH THAT, I'D LIKE TO HAVE A VOTE. IS  
20 THERE A MOTION TO ACCEPT THE SECOND -- WE HAVEN'T VOTED  
21 ON THE FIRST. POINT WELL TAKEN. ALL IN FAVOR OF THE  
22 FIRST MOTION. OPPOSED?

23 IS THERE A MOTION TO ACCEPT THE SECOND GRANT  
24 FROM THE RICHARD GOLDMAN FOUNDATION?

25 DR. PENHOET: SO MOVED.

1 CHAIRMAN KLEIN: MOVED BY DR. PENHOET.

2 DR. PRIETO: SECOND.

3 CHAIRMAN KLEIN: SECOND BY FRANCISCO PRIETO.  
4 IS THERE ANY DISCUSSION? ANY PUBLIC DISCUSSION? ALL  
5 IN FAVOR.

6 IN LEAVING THAT SUBJECT, I'D LIKE TO INDICATE  
7 IT'S THE FIRST TIME WE KNOW OF IN STATE HISTORY WHERE A  
8 REAL ESTATE PARTNERSHIP HAS GIVEN AWAY THEIR PROPERTY  
9 TO A STATE AGENCY AND THEN FOLLOWED IT UP TO COMPOUND  
10 THE ISSUE BY GIVING MONEY TO US AFTER WE HAVE LEFT THE  
11 PROPERTY. WE THANK MR. ROBBINS FOR HIS GENEROSITY AND  
12 CONTINUING COMMITMENT.

13 DR. POMEROY: BOB, A QUESTION. JUST TO  
14 CLARIFY THEN, IS THAT DONATION FROM MR. ROBBINS AS AN  
15 INDIVIDUAL OR FROM HIS COMPANY? IT WAS PRESENTED, I  
16 THOUGHT, AS A DONATION FROM AN INDIVIDUAL.

17 CHAIRMAN KLEIN: IT'S AN INDIVIDUAL DONATION.

18 WE GO TO AGENDA ITEM 10. SHERRY LANSING,  
19 WOULD YOU PLEASE LEAD US THROUGH AGENDA ITEM 10 WITH  
20 THE REPORT FROM THE GOVERNANCE SUBCOMMITTEE?

21 MS. LANSING: YES, WITH PLEASURE. WE HAD A  
22 VERY PRODUCTIVE GOVERNANCE SUBCOMMITTEE MEETING LAST  
23 THURSDAY, WHICH WAS ONE WEEK AGO. AND WE DISCUSSED A  
24 NUMBER OF MEETINGS -- A NUMBER OF ITEMS AT OUR  
25 COMMITTEE, WHICH WE ARE NOW GOING TO SUBMIT TO THE ICOC

1 FOR CONSIDERATION HERE TODAY.

2 DAN BEDFORD, WHO WAS THE LEAD DRAFTSMAN FOR  
3 OUR ICOC BYLAWS, IS NOT ABLE TO BE WITH US. SO  
4 INSTEAD, THE ABLE JAMES HARRISON WILL LEAD US THROUGH A  
5 PRESENTATION OF THE BYLAWS. I JUST WANT TO PUT A  
6 SLIGHT INFORMATION ITEM BEFORE JAMES BEGINS THAT THOSE  
7 OF US WHO ARE ON THE GOVERNANCE COMMITTEE, THOSE OF US  
8 WHO HAVE LOOKED OVER THE MATERIAL THAT WAS IN THE  
9 GOVERNANCE COMMITTEE, AND THOSE OF YOU IN THE PUBLIC  
10 WHO ATTENDED IT WILL SEE, THAT THESE BYLAWS ARE  
11 SLIGHTLY LONGER THAN THE ONES THAT WE WENT THROUGH.  
12 AND IT IS BECAUSE THEY ARE A COMPILATION OF ALL OF THE  
13 GOVERNANCE MEETINGS. SO I JUST WANT TO SAY THAT SOME  
14 OF US NOTED THAT, AND I JUST WANT YOU TO UNDERSTAND  
15 THAT.

16 AND JAMES CAN, IN PARTICULAR, SHOW US THE  
17 DIFFERENCES, BUT THERE IS NOTHING THAT WE DIDN'T  
18 DISCUSS BEFORE.

19 MR. HARRISON: THANK YOU, SHERRY. AS SHERRY  
20 MENTIONED, I'VE GOT TO GIVE CREDIT TO DAN BEDFORD, CIRM  
21 INTERIM LEGAL COUNSEL, WHO TOOK THE LABOR IN BRINGING  
22 THESE BYLAWS TO COMPLETION.

23 LET ME BRIEFLY EXPLAIN THE PURPOSE OF THE  
24 BYLAWS AND THEN SPECIFICALLY DESCRIBE TO YOU THE  
25 DIFFERENCES THAT WERE MADE, RATHER THE CHANGES THAT

1 WERE MADE SUBSEQUENT TO THE GOVERNANCE MEETING AND  
2 POINT OUT A COUPLE OF OTHER FEATURES TO YOU BRIEFLY.

3 THESE BYLAWS SET FORTH THE AUTHORITY,  
4 FUNCTIONS, AND COMPOSITION OF THE INDEPENDENT CITIZEN'S  
5 OVERSIGHT COMMITTEE BASED ON THE LANGUAGE IN  
6 PROPOSITION 71 AND THE MANNER IN WHICH YOU, AS A BOARD,  
7 WILL CONDUCT YOUR BUSINESS.

8 AS SHERRY MENTIONED, THE GOVERNANCE  
9 SUBCOMMITTEE MET TO CONSIDER THESE BYLAWS AND  
10 RECOMMENDED APPROVAL OF THE BYLAWS WITH SEVERAL  
11 CHANGES, WHICH, IN FACT, EXTENDED THE LENGTH OF THE  
12 BYLAWS SOMEWHAT SIGNIFICANTLY. JUST TO ALLAY ANY  
13 CONCERNS YOU HAVE, THOUGH, ALL OF THOSE ADDITIONS  
14 EITHER INVOLVE TAKING LANGUAGE FROM PROPOSITION 71 WORD  
15 FOR WORD, AS WAS THE CASE IN DESCRIBING, FOR EXAMPLE,  
16 THE ICOC'S POWER TO MEET IN CLOSED SESSION, TO MAKE  
17 CLEAR TO THE PUBLIC AND TO YOU AS A BOARD THAT YOU DO  
18 HAVE THE AUTHORITY TO MEET IN CLOSED SESSION TO DISCUSS  
19 A VARIETY OF DIFFERENT MATTERS, INCLUDING CONFIDENTIAL  
20 PREPUBLICATION SCIENTIFIC DATA, AS WELL AS TRADE SECRET  
21 OR OTHER PROPRIETARY INFORMATION.

22 SECONDLY, THE BYLAWS NOW INCLUDE A DETAILED  
23 DESCRIPTION OF THE FUNCTION OF THE WORKING GROUPS THAT  
24 COMES DIRECTLY FROM PROPOSITION 71.

25 AND FINALLY, WE HAVE ADDED A POLICY THAT YOU

1 ADOPTED AT A PRIOR ICOC MEETING TO DESCRIBE THE MANNER  
2 IN WHICH NON-ICOC MEMBERS OF THE WORKING GROUPS MAY BE  
3 REMOVED.

4 SO THAT EXPLAINS THE CHANGE FOR THOSE OF YOU  
5 WHO ARE ON THE GOVERNANCE SUBCOMMITTEE WHO SAW A PRIOR  
6 DRAFT AND THE DRAFT THAT YOU HAVE IN FRONT OF YOU  
7 TODAY.

8 LET ME MENTION JUST A COUPLE OF CHANGES THAT  
9 WE'D LIKE TO MAKE EVEN TO THE DRAFT THAT YOU HAVE  
10 BEFORE YOU TODAY, COUPLE OF VERY TECHNICAL CHANGES.  
11 THERE'S A TYPOGRAPHICAL ERROR AT PAGE 3 IN ARTICLE IV.  
12 THE SECTION NUMBERING IS OFF. WHAT APPEARS AS SECTION  
13 6 AT THE TOP OF THE PAGE SHOULD BE SECTION 5, AND THE  
14 NUMBERS THAT FOLLOW HAVE ALSO BEEN RENUMBERED  
15 ACCORDINGLY.

16 AT PAGE 4 OF 16 IN ARTICLE V, SECTION 2,  
17 WE'VE ADDED A CITE TO ONE OF YOUR FAVORITE ACTS, THE  
18 BAGLEY-KEENE OPEN MEETING ACT, IN CASE ANYONE WANTS TO  
19 REFER TO IT QUICKLY.

20 AND THEN FINALLY, WITH RESPECT TO THE REMOVAL  
21 OF MEMBERS OF THE WORKING GROUP, WHICH IS IN ARTICLE  
22 VII, SECTION 5, WE HAVE MODIFIED THAT TO MAKE CLEAR  
23 THAT THIS REMOVAL POLICY APPLIES TO NON-ICOC MEMBERS OF  
24 THE WORKING GROUPS TO REFLECT THE ORIGINAL INTENT OF  
25 THE POLICY.

1 I'D LIKE ALSO TO POINT OUT TO YOU JUST TWO  
2 OTHER FEATURES OF THE BYLAWS. IN ARTICLE IV, SECTION  
3 5, WE HAVE ADDED A PROVISION THAT MAKES CLEAR THAT ICOC  
4 MEMBERS ARE EXPECTED TO ABIDE BY THE CONFLICT OF  
5 INTEREST POLICY THAT THE BOARD ADOPTED SEVERAL MONTHS  
6 AGO. AND THAT POLICY IS, IN FACT, ATTACHED AS EXHIBIT  
7 B TO THE BYLAWS.

8 AND FINALLY, I WANTED TO POINT OUT TO YOU  
9 THAT IN ARTICLE V, SECTION 4, WE HAVE INCLUDED A  
10 PROVISION CONSISTENT WITH YOUR DIRECTION THAT REQUIRES  
11 THE ICOC TO PROVIDE NOTICE TO THE SPEAKER OF THE  
12 ASSEMBLY AND THE PRESIDENT PRO TEM OF THE SENATE TEN  
13 DAYS PRIOR TO ANY MEETING AT WHICH THE ICOC INTENDS TO  
14 CONSIDER CHANGES TO THE POLICY ENHANCEMENTS THAT YOU  
15 ADOPTED AT YOUR JULY AND AUGUST MEETINGS.

16 SO WITH THAT EXPLANATION AND WITH THOSE  
17 CHANGES, WE'D ASK FOR YOUR APPROVAL OF THE BYLAWS.

18 MS. LANSING: IS THERE BOARD COMMENT ON THE  
19 ICOC BYLAWS?

20 CHAIRMAN KLEIN: I'D LIKE TO SAY THAT UNDER  
21 SECTION 2, SUBSECTION C ON PAGE 4 OF 16, WHERE WE ADDED  
22 THE LANGUAGE THAT COMES ESSENTIALLY FROM THE INITIATIVE  
23 ITSELF, INDICATING THAT THE BOARD HAS THE ABILITY TO  
24 HAVE EXECUTIVE SESSION DURING GRANT REVIEW MEETINGS OF  
25 THE BOARD TO LOOK AT PREPUBLICATION SCIENTIFIC

1 MATERIAL, TO LOOK AT MATERIAL THAT HAS CONFIDENTIAL  
2 INTELLECTUAL PROPERTY CONTENT IS IMPORTANT IN THAT,  
3 ALTHOUGH WE HAVE EMPHASIZED, EVEN IN OUR LITIGATION,  
4 THE ABILITY OF THIS BOARD TO DRILL DOWN AND MAKE  
5 SCIENTIFIC DECISIONS, TO MAKE DECISIONS ON THE  
6 PREPUBLICATION SCIENTIFIC RESEARCH AND DATA THAT MAY BE  
7 BEHIND AN APPLICATION'S EVALUATION, WE HAD NOT MADE IT  
8 A FORMAL COPY OF OUR BYLAW DRAFTS. AND WE INCLUDED  
9 THIS IN THE FINAL DRAFT BECAUSE THE BOARD MAY VERY WELL  
10 IN GRANT REVIEW SESSIONS WANT TO CONVENE AN EXECUTIVE  
11 SESSION, SO BOARD MEMBERS WITH THE TREMENDOUS THE  
12 EXPERTISE THAT IS AVAILABLE ON THIS BOARD CAN, IN FACT,  
13 MAKE THE ORIGINAL DECISIONS ON SCIENTIFIC INFORMATION  
14 THAT IS NOT AVAILABLE IN THE SUMMARIES BECAUSE OF THE  
15 CONFIDENTIAL NATURE, THE PROPRIETARY NATURE OF NEW  
16 INTELLECTUAL IDEAS.

17 SO THIS BOARD IS MAKING IT VERY CLEAR TO THE  
18 PUBLIC THAT IT HAS THE ABILITY TO LOOK AT THAT  
19 INFORMATION AND HAS THE ABILITY, WHENEVER THERE IS A  
20 QUESTION ABOUT THE SCIENTIFIC REVIEW, TO ASK THE  
21 PRESIDENT AND THE SCIENTIFIC STAFF IN EXECUTIVE SESSION  
22 TO DISCUSS THE BASIC UNDERLYING SCIENTIFIC INFORMATION.  
23 THAT IS A DEMONSTRATION THAT THE FINAL DECISIONS AT ALL  
24 LEVELS ARE MADE AT THIS BOARD AND THEY CAN EXAMINE  
25 THOSE IN-DEPTH.

1 MS. LANSING: THANK YOU, BOB. THANK YOU FOR  
2 THE CLARIFICATION. ANY OTHER BOARD COMMENT? IS THERE  
3 PUBLIC COMMENT ON THE ICOC BYLAWS? THEN IS THERE A  
4 MOTION TO APPROVE THESE BYLAWS?

5 CHAIRMAN KLEIN: MAKE A MOTION.

6 MS. LANSING: SECOND?

7 DR. FRIEDMAN: SECOND.

8 MS. LANSING: ANY DISCUSSION ON THE MOTION?  
9 ALL IN FAVOR. MOTION PASSES.

10 I'M NOW GOING TO MOVE ON TO OUR COMPENSATION  
11 PLAN. I JUST WANT TO PUT IT IN THE CONTEXT OF THE  
12 INFORMATION. AS YOU ALL KNOW, THE CIRM COMPENSATION  
13 PLAN IS PEGGED TO THE UC SCHOOLS AND TO OTHER NONPROFIT  
14 RESEARCH INSTITUTIONS, AND THAT IS REPRESENTED ON THE  
15 ICOC. SPECIFICALLY, I JUST WANT TO DO THIS SO THAT YOU  
16 UNDERSTAND THE CONTEXT IN WHICH WE'RE REVIEWING THESE,  
17 THERE'S HEALTH AND SAFETY CODE 125290.45. AND IT  
18 AUTHORIZES THE ICOC TO SET COMPENSATION FOR THE  
19 CHAIRPERSON, THE VICE CHAIRPERSON, AND THE PRESIDENT,  
20 AND OTHER OFFICERS AND FOR THE SCIENTIFIC, MEDICAL,  
21 TECHNICAL, AND ADMINISTRATIVE STAFF OF THE INSTITUTE  
22 WITHIN THE RANGE OF COMPENSATION LEVELS FOR EXECUTIVE  
23 OFFICERS AND SCIENTIFIC, MEDICAL, TECHNICAL, AND  
24 ADMINISTRATIVE STAFF OF THE MEDICAL SCHOOLS WITHIN THE  
25 UNIVERSITY OF CALIFORNIA SYSTEM AND THE NONPROFIT



1 ACADEMIC AND RESEARCH INSTITUTIONS DESCRIBED IN  
2 PARAGRAPH 2 OF SUBSECTION A OF SECTION 125290.20.

3 IN PLAIN ENGLISH, IT MEANS THAT WE ARE HELD  
4 ACCOUNTABLE, AND IT ISN'T IN THE ICOC IN THE  
5 LEGISLATION, TO THE UC SYSTEM AS WELL AS OTHER RESEARCH  
6 AND ACADEMIC INSTITUTIONS IN THE STATE.

7 NOW, ALEXANDRA CAMPE, WHO IS OUR CHIEF HUMAN  
8 RESOURCE OFFICER, GAVE US AT OUR GOVERNANCE COMMITTEE  
9 MEETING A SUPERB UPDATE ON DATA THAT SHE HAD GATHERED  
10 SURVEYING OTHER ORGANIZATIONS THAT FALL INTO THESE  
11 CATEGORIES IN ORDER TO LAY THE GROUNDWORK FOR OUR  
12 COMPENSATION PLAN. DESPITE THE FACT THAT EVERYTHING  
13 THAT HAS BEEN DONE WAS CORRECT, AND DESPITE THE FACT  
14 THAT SHE LAID A COMPENSATION PLAN WITHIN THESE AREAS,  
15 SOME OF US ON THE GOVERNANCE COMMITTEE WANTED TO GO THE  
16 EXTRA DISTANCE. WE FELT THAT THOUGH -- AND I WANT TO  
17 REEMPHASIZE THIS, THAT WE FELT THAT THOUGH EVERYTHING  
18 WAS DONE IN ACCORDANCE WITH THE INITIATIVE, IN  
19 ACCORDANCE WITH OUR BYLAWS, THAT THE SURVEY SET WAS  
20 SIMPLY NOT EXPANSIVE ENOUGH.

21 AND SO WE FELT THAT WE DIDN'T HAVE ENOUGH  
22 INFORMATION TO COME BACK TO THE FULL ICOC BOARD AND  
23 FULLY RECOMMEND THIS COMPENSATION PLAN. AND SO WE'VE  
24 ASKED ALEX TO GATHER ADDITIONAL DATA. AND IN  
25 PARTICULAR, WE'RE LOOKING FOR GOVERNMENT DATA, AND

1 WE'RE ALSO LOOKING FOR THE RADFORD BIOTECH INDEX. AND  
2 WE WANT TO COMPARE THAT DATA TO WHAT WE ALREADY HAVE  
3 JUST TO MAKE SURE, TO MAKE OVERLY SURE THAT WE ARE  
4 FULFILLING OUR FIDUCIARY RESPONSIBILITY IN RECOMMENDING  
5 THE COMPENSATION PLAN.

6 SO AFTER THE GOVERNANCE COMMITTEE HAS AN  
7 OPPORTUNITY TO REVIEW THIS ADDITIONAL SURVEY, WE EXPECT  
8 THAT WE WILL DELIVER A RECOMMENDATION TO THE ICOC AT  
9 OUR JUNE MEETING. ARE THERE ANY QUESTIONS ON THAT?

10 OKAY.

11 DR. LOVE: MAYBE JUST ONE COMMENT.  
12 PARTICULARLY, AS YOU BEGIN TO LOOK AT THE RADFORD DATA,  
13 I THINK IT'S GOING TO BE IMPORTANT TO KEEP IN MIND THAT  
14 STOCK COMPENSATION IS A SIGNIFICANT COMPONENT ON THE  
15 INDUSTRY SIDE. AND HOW ONE ACCOUNTS FOR THAT CAN BE  
16 FAIRLY COMPLEX, AS YOU KNOW, SHERRY.

17 MS. LANSING: I THINK WE'RE LOOKING AT THAT  
18 AS ONE EXTREME, AND THEN WE'RE LOOKING AT THE STATE ON  
19 THE OTHER SIDE. SO WE WANT TO MAKE SURE THAT WE FEEL  
20 COMFORTABLE, EVEN THOUGH, AS I MUST EMPHASIZE,  
21 EVERYTHING THAT ALEXANDRA BROUGHT TO US WAS FULLY  
22 WITHIN OUR LEGISLATIVE MISSION, FULLY WITHIN OUR  
23 FIDUCIARY RESPONSIBILITY, BUT I THINK A GREAT MANY OF  
24 US WANT TO GO THE EXTRA DISTANCE JUST TO MAKE SURE  
25 WE'RE TOTALLY COMFORTABLE.

1 DR. PIZZO: JUST AS A COROLLARY OF YOUR  
2 COMMENTS, ONE OF THE OTHER THINGS THAT WE DISCUSSED IN  
3 THE GROUP, IN THE COMMITTEE, WAS MAKING SURE THAT THE  
4 COMPARABLES WERE ACCURATE AS WELL. SOME OF THE  
5 POSITIONS, IN FACT, WE FOCUSED ON THE PRESIDENT'S  
6 POSITION AS ONE EXAMPLE, ALTHOUGH THERE ARE OTHERS, ARE  
7 NOT EXACTLY THE SAME IN TERMS OF SCOPE OF  
8 RESPONSIBILITIES AS THE COMPARABLE USED, AND WE FELT  
9 THAT ALSO NEEDED TO BE TAKEN INTO ACCOUNT.

10 MS. LANSING: YOU'RE ABSOLUTELY RIGHT. AND  
11 THANK YOU FOR THE ADDITION.

12 ANY OTHER QUESTIONS? THIS ISN'T ON IT, BUT  
13 ARE THERE ANY QUESTIONS FROM THE PUBLIC? OKAY.

14 THEN WITH THAT SAID, OUR NEXT ITEM IS THE  
15 GIFT POLICY, AND I'M GOING TO ASK WALTER BARNES TO  
16 UPDATE THE ICOC ON THIS ITEM.

17 MR. BARNES: THANK YOU. EARLIER YOU HEARD  
18 ABOUT THE PROPOSITION 71 PROVISION THAT AUTHORIZES THE  
19 ICOC TO ACCEPT REAL AND PERSONAL PROPERTY. AND SO WHAT  
20 WE HAVE BEEN WORKING ON HERE IS AN ONGOING POLICY AND  
21 PROCEDURE TO ACTUALLY IMPLEMENT THIS SO THAT WE DON'T  
22 HAVE TO COME EVERY SINGLE TIME WITH EVERY SINGLE GIFT  
23 AND DEAL WITH IT INCREMENTALLY.

24 THE MATERIAL THAT I'VE GIVEN YOU IN YOUR  
25 BINDER IS DIVIDED INTO THREE PARTS. THERE'S A

1 BACKGROUND NARRATIVE AND A RECOMMENDATION. THERE IS A  
2 PROPOSED POLICY AND PROCEDURE RELATED TO THAT  
3 RECOMMENDATION. AND THEN THERE'S A PROPOSED COMMITMENT  
4 LETTER FORMAT THAT WOULD BE USED TO IMPLEMENT THE  
5 RECOMMENDATIONS.

6 THE BACKGROUND MATERIAL, WHICH BEGINS ON THE  
7 FIRST PAGE, TRACES THE HISTORY OF THE ICOC'S EFFORTS TO  
8 IMPLEMENT THIS PROVISION, WHICH INCLUDES THE ACCEPTANCE  
9 OF THE \$5 MILLION FROM THE DOLBY FOUNDATION. TO  
10 DEVELOP A PROPOSED POLICY, JAMES HARRISON AND SCOTT  
11 TOCHER AND I RESEARCHED THE GIFT AND NAMING POLICIES  
12 AND PROCEDURES UNDER THREE GROUPS OF STATE AGENCIES.  
13 ONE WAS THE UNIVERSITY OF CALIFORNIA SYSTEM, ONE WAS  
14 THE CALIFORNIA STATE UNIVERSITY SYSTEM, AND THE OTHER  
15 WAS ALL OTHER STATE AGENCIES.

16 AND WE'VE GIVEN YOU A SUMMARY OF THE FINDINGS  
17 FOR EACH OF THESE GROUPS. AND THAT PART IS GIVEN AT  
18 PAGE 2 AND AT THE TOP OF PAGE 3. ALSO, ON PAGE 3 UNDER  
19 THE ANALYSIS, WHAT WE SAY IS THAT GENERALLY, REGARDLESS  
20 OF WHICH SYSTEM YOU ARE LOOKING AT, THERE WAS SOME  
21 COMMONALITY IN ELEMENTS IN THEIR POLICY AND PROCEDURES.  
22 GENERALLY EACH OF THE POLICIES IS WRITTEN DOWN,  
23 APPROVED BY A GOVERNING BODY, AND INCLUDE FOUR  
24 ELEMENTS. ONE IS A STATEMENT OF GOALS FOR BOTH THE  
25 RECEIPT OF REAL AND PERSONAL PROPERTY AND FOR NAMING.

1 AND WE'VE LINKED NAMING INTO THIS BECAUSE THERE HAS  
2 BEEN SOME DISCUSSION ABOUT NAMING IN THE PAST. THERE'S  
3 ALWAYS A DELEGATION FROM THE HIGHEST AUTHORITY TO A  
4 LOWER LEVEL FOR AUTHORIZATION TO ACCEPT CERTAIN REAL OR  
5 PERSONAL PROPERTY AND/OR TO MAKE NAMING DECISIONS.  
6 THERE'S A PREFERENCE FOR GIFTS THAT DO NOT REQUIRE  
7 EITHER ADDITIONAL EXPENDITURE OR SIGNIFICANT DELAY IN  
8 MAKING THE GIFT CONVERTIBLE TO CASH AND AVAILABLE FOR  
9 USE. AND SPECIFICALLY REAL ESTATE IS ONE OF THOSE  
10 THAT'S SUBJECT TO A NUMBER OF REVIEWS. AND THEN  
11 USUALLY WITH REGARD TO NAMING THERE'S A STRICT LIMIT ON  
12 NAMING THAT'S NOT LINKED TO A GIFT.

13 SO OUR RECOMMENDATION IS THE POLICY AND  
14 PROCEDURE THAT IS LISTED AS ATTACHMENT 1 BEGINS ON PAGE  
15 4. AND JUST TO TAKE YOU THROUGH SOME OF THE HIGHLIGHTS  
16 OF THIS, I SHOULD SAY THAT WHAT WE DID IN DEVELOPING  
17 THIS IS THAT WE SORT OF FOCUSED ON THE UC AND CSU  
18 SYSTEMS AS BEING THE MODEL FROM WHICH WE DEVELOPED THIS  
19 PROCESS.

20 IN ADDITION, WE ALSO TRIED TO BUILD UPON ANY  
21 ACTIONS THAT THE ICOC HAD ALREADY TAKEN AS SORT OF  
22 GUIDANCE TO US ABOUT WHAT YOU WOULD LIKE IN AN ICOC  
23 GIFT POLICY.

24 SO WITH REGARD TO THE POLICY, AND YOU WILL  
25 FIND, THOSE OF YOU WITH THE UC SYSTEM AND CSU SYSTEM,

1 WE HAVE SORT OF COBBLED TOGETHER A POLICY BASED UPON  
2 MUCH OF THE POLICY STATEMENTS THAT ARE IN THOSE  
3 AGENCIES, THAT ESSENTIALLY THE ICOC HAS A POLICY TO  
4 ACCEPT ADDITIONAL REVENUE AND REAL ESTATE AS AUTHORIZED  
5 UNDER THE PROPOSITION 71 TO SUPPORT THE OPERATIONS OF  
6 CIRM AND FURTHER THE GOALS OF PROPOSITION 71.

7 IN ADDITION, IT'S THE POLICY TO ENCOURAGE THE  
8 OFFER OF ADDITIONAL REVENUE AND REAL PROPERTY THROUGH  
9 NAMING. NAMING CAN BE GIVEN TO BOTH REAL OBJECTS --  
10 AND KEEP IN MIND WE DON'T HAVE A LOT OF REAL OBJECTS.  
11 WE HAVE ONLY OUR SPACE, BUT THERE IS THE POSSIBILITY OF  
12 NAMING LIKE CONFERENCE ROOMS AND THINGS LIKE THAT --  
13 AND INANIMATE OBJECTS, AND THERE HAS BEEN SOME  
14 DISCUSSION ABOUT NAMING PROGRAMS. SO THAT WOULD BE THE  
15 POLICY.

16 IN ADDITION, WE OUTLINED A NUMBER OF LIMITS  
17 THAT WE THINK ARE APPROPRIATE. FIRST OFF, NO NAMING  
18 WOULD BE CONSIDERED WITHOUT A GIFT OF SUBSTANTIAL VALUE  
19 TO CIRM AND ITS PROGRAMS. NOW, I SHOULD SAY THAT WE  
20 SORT OF STRUGGLED WITH THIS CONCEPT OF SUBSTANTIAL  
21 VALUE. AND, IN FACT, THE COMMITTEE ASKED US TO GO BACK  
22 AND PRESENT TO THEM AT THE NEXT MEETING A DEFINITION OF  
23 WHAT SUBSTANTIAL VALUE MIGHT MEAN. AND TO A CERTAIN  
24 EXTENT, SUBSTANTIAL VALUE HAS CERTAIN TIMING ISSUES.  
25 RIGHT NOW A CONTRIBUTION OF \$10 MILLION MIGHT BE

1 SUBSTANTIAL GIVEN THE FACT THAT WE HAVE NO ACCESS TO  
2 OUR BOND MONEY AT THIS POINT IN TIME, BUT \$10 MILLION  
3 AFTER THE BONDS START COMING IN MIGHT NOT BE  
4 SUBSTANTIAL. SO THAT'S WHY WE LEFT IT SORT OF OPEN AT  
5 THIS POINT, BUT WE ARE COMING BACK TO DEFINE THIS AND  
6 PRESENT A RECOMMENDATION FOR DEFINITION AT THE NEXT  
7 MEETING.

8 THE SECOND LIMIT IS THAT A GIFT -- BY THE  
9 WAY, I THINK I ENDED UP DANGLING MY PARTICIPLE UNDER  
10 THIS PARTICULAR WRITE-UP HERE BECAUSE IT IMPLIED THAT  
11 IF THERE WAS ANY EXPENDITURE ASSOCIATED WITH A GIFT, WE  
12 WOULD NOT ACCEPT IT. IN FACT, WHAT WE MEAN TO SAY  
13 HERE, AND WE'RE REVISING THIS, BASICALLY A GIFT THAT  
14 REQUIRES AN INITIAL OR ONGOING EXPENDITURE THAT WILL  
15 LIKELY EXCEED OR EQUAL THE VALUE OF THE GIFT WILL NOT  
16 BE CONSIDERED. IN OTHER WORDS, WE DON'T WANT TO ACCEPT  
17 SOMETHING THAT WE'RE GOING TO PUT OUT MORE MONEY THAN  
18 IT'S WORTH TO DEALING WITH IT.

19 IN ADDITION, OUR USUAL LIMIT, THAT NO GIFT  
20 WILL BE ACCEPTED FROM AN INSTITUTION, ENTITY, OR  
21 INDIVIDUAL THAT HAS APPLIED FOR CIRM FUNDING OR THAT  
22 INTENDS TO APPLY FOR CIRM FUNDING. NOW, WE HAVE PUT A  
23 LITTLE CAVEAT ON THIS BECAUSE, IN EFFECT, THERE ARE  
24 TIMES WHEN WE HOLD MEETINGS LIKE THIS WHERE WE GET  
25 ROOMS FROM AGENCIES THAT MIGHT BE A GRANTEE AT SOME

1 POINT IN TIME AT EITHER REDUCED OR NO COST. SO THOSE  
2 ARE GIFTS, BUT WE DON'T WANT TO -- BASED ON OUR  
3 DISCUSSION WITH JAMES AND SCOTT, WE WANT TO MAKE SURE  
4 THAT WE RECOGNIZE THEM, BUT WE DON'T FEEL THAT THESE  
5 ARE GIFTS THAT WOULD NOT BE ACCEPTED UNDER THIS POLICY.  
6 SO THIS IS AN EXEMPTION FROM THAT PARTICULAR LIMIT FOR  
7 THOSE LIMITED TYPES OF THINGS.

8 IN ADDITION, NO GIFT WILL BE ACCEPTED FROM A  
9 BIOTECHNOLOGY COMPANY THAT DEVOTES 5 PERCENT OR MORE OF  
10 ITS ANNUAL BUDGET TO STEM CELL RESEARCH. AND THIS  
11 PARTICULAR THING IS A LIFT OUT OF THE CONFLICT OF  
12 INTEREST POLICY FOR ALL CIRM STAFF WITH REGARD TO  
13 DIVESTMENT. SO WE FELT THAT WAS AN APPROPRIATE THING  
14 TO PUT IN HERE AS WELL. SO THOSE WOULD BE THE LIMITS.

15 WITH REGARD TO THE PROCEDURE AND THE  
16 DECISION-MAKING AUTHORITY, FIRST OFF, OUR  
17 RECOMMENDATION IS THAT ALL NAMING DECISIONS REMAIN WITH  
18 THE ICOC. IN ADDITION, ALL GIFTS OF REAL PROPERTY  
19 SHOULD BE ACCEPTED BY THE ICOC UNDER THIS POLICY. WITH  
20 REGARD TO PERSONAL PROPERTY, WHICH WOULD BE CASH,  
21 STOCK, ANY KIND OF PERSONAL PROPERTY THAT WE MIGHT  
22 RECEIVE, WHAT WE'RE PROPOSING IS THAT ANYTHING WITH A  
23 VALUE OF UP TO FIVE MILLION WOULD BE APPROVED BY THE  
24 UNANIMOUS AGREEMENT OF AN EXECUTIVE COMMITTEE. THE  
25 EXECUTIVE COMMITTEE WOULD CONSIST OF THE CHAIR, VICE



1 CHAIR, AND THE PRESIDENT OF CIRM.

2 NOW, THEY WOULD HAVE TO MAKE SURE THAT THE  
3 GIFT COMPLIED WITH BOTH THE POLICY AND THE LIMITS THAT  
4 ARE LISTED ABOVE. NOW, THERE COULD BE AN INSTANCE  
5 WHERE ONE OR MORE MEMBERS OF THE EXECUTIVE COMMITTEE IS  
6 ABSENT OR UNABLE TO VOTE OR HAS TO RECUSE HIM OR  
7 HERSELF, SO THAT ESSENTIALLY WHAT WE'RE SAYING IS THAT  
8 IF WE CAN'T GET UNANIMOUS AGREEMENT BY THIS  
9 THREE-MEMBER GROUP, THAT THE GIFT WOULD COME TO THE  
10 ICOC REGARDLESS OF THE VALUE.

11 GENERALLY THERE'S SOME EXCEPTIONS TO THIS  
12 THAT ARE OUTLINED IN 2 AND 3. WE'RE TALKING HERE ABOUT  
13 DIRECT REIMBURSEMENT BY THIRD PARTIES FOR COSTS OF  
14 GENERAL OPERATION OR GRANT MANAGEMENT ADMINISTRATIVE  
15 ACTIONS THAT CAN BE ACCEPTED BY THE PRESIDENT.  
16 EXAMPLES OF THIS WOULD BE THINGS LIKE IF WE HAVE A  
17 CONFERENCE AND SOMEBODY WANTS TO SPONSOR A CERTAIN  
18 SEGMENT OF THE CONFERENCE AND PAY FOR SOMETHING  
19 DIRECTLY. THAT WOULD BE THE KIND OF THING THAT WOULD  
20 BE ACCEPTED BY THE PRESIDENT AS OPPOSED TO HAVING TO GO  
21 TO THE EXECUTIVE COMMITTEE. AND WITH REGARD TO THE  
22 FREE OR REDUCED FACILITIES THAT WE TALKED ABOUT BEFORE,  
23 THIS COULD BE ACCEPTED BY EITHER THE PRESIDENT OR THE  
24 CHAIR. AND THEN ALSO GIFTS OF WHAT WE DETERMINED TO BE  
25 A DE MINIMIS AMOUNT, 5,000 OR LESS, MAY BE ACCEPTED BY

1 THE PRESIDENT, AGAIN, WITHOUT THE APPROVAL OF THE  
2 EXECUTIVE COMMITTEE OR THE ICOC.

3 AND I SHOULD TELL YOU WE ACTUALLY HAVE  
4 RECEIVED INQUIRIES FROM PEOPLE SAYING THAT THEY'D LIKE  
5 TO GIVE US \$50 OR A HUNDRED DOLLARS OR THINGS LIKE  
6 THAT. SO THERE ARE PEOPLE OUT THERE THAT WANT TO MAKE  
7 THOSE KINDS OF GIFTS TO US.

8 WITH REGARD TO PRESENTATION OF THE GIFTS TO  
9 THE ICOC, ESSENTIALLY WE LAY OUT ON PAGE 5 THE  
10 INFORMATION THAT WILL BE PROVIDED TO YOU. AND, AGAIN,  
11 A LOT OF THIS IS LIFTED FROM THE UC MATERIAL THAT HAS  
12 TO BE PRESENTED AND THE CSU MATERIAL THAT'S PRESENTED  
13 TO THE REGENTS AND THINGS LIKE THAT. NAME AND  
14 BIOGRAPHICAL DATA REGARDING THE INDIVIDUAL  
15 ORGANIZATION, A DESCRIPTION OF THE GIFT, LIST OF  
16 CONDITIONS. THIS IS VERY IMPORTANT. IS THE MONEY  
17 LIMITED IN ITS USE? WE WANT TO MAKE SURE THAT YOU  
18 FULLY UNDERSTAND WHAT THAT IS. ONE OF THE CONDITIONS  
19 IS NAMING. WE NEED TO INCLUDE A DESCRIPTION OF WHAT'S  
20 TO BE NAMED AND HOW LONG THAT NAME WOULD CONTINUE. IF  
21 THE GIFT IS REAL PROPERTY, WE'D INCLUDE AN EVALUATION  
22 BY THE DEPARTMENT OF GENERAL SERVICES BECAUSE THEY'RE  
23 THE ONES THAT HAVE TO MANAGE REAL PROPERTY. GIFT OF  
24 STOCK OR OTHER INVESTMENTS, INCLUDE A DESCRIPTION OF  
25 HOW WE WOULD LIQUIDATE THOSE AND A DESCRIPTION OF HOW

1 THE GIFT WILL BE USED.

2 ONCE THE ICOC APPROVES THE GIFT, THEN  
3 BASICALLY THE PRESIDENT WILL BE AUTHORIZED TO INITIATE  
4 THE ACTION TO ACCEPT THE GIFT AND IMPLEMENT THE  
5 CONDITIONS.

6 GIFTS THAT DON'T REQUIRE THE ICOC APPROVAL  
7 ARE COVERED IN THE SECOND PART OF THIS AT THE BOTTOM OF  
8 PAGE 5. AND LIKE THE CONTRACTS REPORTS THAT WE GIVE  
9 YOU EACH MONTH, WE BRING TO YOU RECOMMENDATIONS THAT  
10 YOU HAVE TO APPROVE, BUT WE ALSO GIVE YOU INFORMATION  
11 ABOUT THE ONES THAT WE HAVE OR ACTUALLY THE EXECUTIVE  
12 COMMITTEE HAS APPROVED. AND SO THAT WOULD BE INCLUDED  
13 IN OUR REPORT TO YOU EACH MONTH. AND IT BASICALLY  
14 CONTAINS SOME OF THE SAME INFORMATION THAT'S INCLUDED  
15 IN THE ONES THAT ARE PRESENTED TO YOU FOR DECISION.  
16 OBVIOUSLY NAMING WON'T BE A PART OF THE CONDITION, SO  
17 THAT'S NOT IN HERE.

18 GIFTS OF A DE MINIMIS AMOUNT, WHAT WE'RE  
19 PROPOSING IS WE JUST GIVE YOU A TOTAL RATHER THAN GO  
20 INTO ALL THE DETAILS WITH REGARD TO THAT.

21 IMPLEMENTING A DECISION, TALKS ON PAGE 6,  
22 ESSENTIALLY A COMMITMENT LETTER WILL BE DEVELOPED AND  
23 SIGNED BY THE DONOR AND THE PRESIDENT. AND WE'VE GIVEN  
24 A SAMPLE FORMAT, WHICH IS IN THE SECOND ATTACHMENT,  
25 ATTACHMENT 2. THIS IS BASED ON THE COMMITMENT LETTER

1 THAT WAS ACTUALLY USED FOR THE DOLBY FOUNDATION. SO  
2 IT'S BARE BONES IN TERMS OF THE THINGS THAT WE WOULD  
3 LIKE TO SEE IN IT, BUT IT WOULD BE EXPANDED TO INCLUDE  
4 THINGS LIKE LIMITATIONS AND THAT KIND OF STUFF.

5 ONCE A COMMITMENT LETTER IS SIGNED, BASICALLY  
6 WE'LL RECEIVE THE GIFT, DEPOSIT ANY FUNDS INTO A STATE  
7 ACCOUNT AS QUICKLY AS WE CAN. WE WOULD LIQUIDATE  
8 NONCASH ITEMS. WITH REGARD TO STOCK, WE'RE WORKING OUT  
9 AN ARRANGEMENT NOW WITH THE FOUNDATION WHERE WE CAN  
10 HAVE THEM ACTUALLY RECEIVE THE STOCK, LIQUIDATE IT, AND  
11 PROVIDE US WITH THE CASH VERY QUICKLY. THEN WE WOULD  
12 ESTABLISH A FILE FOR EACH GIFT, INCLUDING RECORDS THAT  
13 SUPPORT COMPLIANCE WITH ALL THE TERMS, AND INFORMATION  
14 ON ACTIONS TAKEN TO IMPLEMENT ANY NAMING DECISIONS.

15 THAT'S THE END OF MY PRESENTATION, AND HAPPY  
16 TO TAKE QUESTIONS.

17 MS. LANSING: THANK YOU, WALTER. THAT WAS A  
18 VERY COMPLETE PRESENTATION. BOARD COMMENT, PLEASE.

19 DR. LOVE: I HAVE A QUESTION. ONE OF THE  
20 LIMITS I NOTICED WAS THAT WE WOULD NOT ACCEPT  
21 CONTRIBUTIONS OR GIFTS FROM ANY BIOTECHNOLOGY COMPANY  
22 THAT SPENT MORE THAN 5 PERCENT OF ITS BUDGET ON STEM  
23 CELL RESEARCH. I WANT TO JUST UNDERSTAND A LITTLE BIT  
24 MORE. WHAT IF THAT COMPANY DID NOT APPLY FOR GRANTS?  
25 OR WHAT IF THAT COMPANY WAS WILLING TO ACCEPT NOT

1 APPLYING FOR GRANTS? WOULD WE STILL WANT TO SAY IF  
2 YOU'RE SPENDING MONEY ON STEM CELL RESEARCH, YOU WOULD  
3 BE EXCLUDED?

4 MR. BARNES: UNDER THIS POLICY YES. AND,  
5 AGAIN, THIS IS RELATED TO THE SPECIFIC DIVESTITURE  
6 REQUIREMENT THAT'S IN THE CONFLICT OF INTEREST POLICY  
7 FOR ALL CIRM STAFF. AND, AGAIN, BASED ON MY  
8 CONSULTATION WITH JAMES AND SCOTT, I THINK OUR FEELING  
9 WAS THAT THAT WAS A SIGNIFICANT ENOUGH ITEM TO PUT AS A  
10 LIMITATION.

11 DR. HOLMES: WALTER, WAS THERE ANY DISCUSSION  
12 ABOUT HOW THIS MIGHT EVOLVE OVER TIME FROM THE POINT OF  
13 VIEW -- MAYBE ZACH WOULD WANT TO COMMENT? DO YOU  
14 ENVISION CIRM OR -- NOT THE ICOC, BUT CIRM MAYBE  
15 EMPLOYING A DEVELOPMENT OFFICER SO THAT IT BECOMES A  
16 MUCH MORE PROACTIVE TYPE OF ENTERPRISE? AND WERE THAT  
17 TO EVENTUATE, THEN HOW WOULD YOU PROPOSE TO PARTNER  
18 WITH, SAY, THE INDEPENDENT RESEARCH INSTITUTIONS THAT  
19 ARE ATTEMPTING TO RAISE MONEY AROUND STEM CELL RESEARCH  
20 AS WELL? I DON'T THINK ANY OF US WOULD WANT TO SEE  
21 THAT AS A COMPETITIVE SORT OF SITUATION, BUT ONE THAT  
22 ONE COULD PARTNER TOGETHER WITH. I JUST WONDERED IF  
23 THERE WAS ANY DISCUSSION ABOUT HOW IT MIGHT EVOLVE?

24 MR. BARNES: ACTUALLY I WOULD SAY THE ANSWER  
25 IS, NO, WE DIDN'T TAKE THAT INTO ACCOUNT. TO A CERTAIN

1 EXTENT THIS WOULD APPLY REGARDLESS OF WHERE THE FUNDS  
2 CAME FROM, WHETHER THEY WERE AN INDIVIDUAL COMING TO US  
3 INDEPENDENTLY OR WHETHER, IN TERMS OF SOME OF THE GIFTS  
4 THAT YOU APPROVED ORIGINALLY, WHETHER OR NOT THERE HAS  
5 BEEN SOME DISCUSSION WITH PEOPLE INITIALLY.  
6 POTENTIALLY, I GUESS, THAT'S SOMETHING DOWN THE ROAD  
7 THAT WE COULD CONSIDER, BUT I THINK THAT WOULD DEPEND  
8 ON THE PRESIDENT'S DECISION ON THAT.

9 DR. HALL: I DON'T SEE US MAKING CERTAINLY A  
10 MAJOR EFFORT TO RAISE MONEY. I FRANKLY THINK THAT ONCE  
11 WE HAVE THE PUBLIC MONEY, I THINK OUR HIGH MORAL  
12 POSITION IN GOING OUT AND ASKING FOR MONEY IS SOMEWHAT  
13 DIMINISHED. BUT THE ONLY CIRCUMSTANCE I CAN CONSIDER  
14 IS I THINK WE DON'T REALLY KNOW IN TERMS OF THE  
15 ACTIVITIES THAT THE INSTITUTE ITSELF, THAT CIRM WILL BE  
16 INVOLVED IN, HOW OUR BUDGET IS GOING TO HOLD UP. I  
17 MEAN THERE'S A VERY STRICT LIMIT ON THE ADMINISTRATIVE  
18 BUDGET. ED PENHOET HAS POINTED OUT A NUMBER OF TIMES  
19 THAT BY THE USUAL STANDARDS OF NONPROFIT INSTITUTIONS,  
20 IT'S A FAIRLY LEAN BUDGET. HOWEVER, WE ARE GETTING  
21 SPACE RENT FREE. AND TO THE EXTENT THAT WE MAY WISH TO  
22 SPONSOR ACTIVITIES, MEETINGS, MEETINGS OF OUR GRANTEES,  
23 WORKSHOPS, IT IS CONCEIVABLE THAT WE MIGHT SOMEDAY HAVE  
24 TO RAISE MONEY FOR THAT, BUT I DON'T -- WE HAVE NO  
25 CURRENT PLANS TO DO SO IN ANY SPECIFIC WAY.

1 DR. HOLMES: I WAS THINKING MAYBE IN THE  
2 SITUATION LEON THAL RAISED EARLIER. WERE IT TO BECOME  
3 POSSIBLE TO GET MAJOR RESOURCES RELATED TO SUPPORT OF  
4 SCIENTIFIC RESEARCH, AND LIKE YOU SAY, WE HOPE THAT THE  
5 BOND ISSUES ARE GOING TO BE THERE IN FRONT OF US SOON  
6 AND BEHIND US SO THAT WE'LL BE ABLE TO HAVE STATE MONEY  
7 TO SUPPORT THIS. IF IT WERE TO DEVELOP INTO A TRUE  
8 DEVELOPMENT FUNCTION TO COMPETE FOR MONEY FOR  
9 SCIENTIFIC RESEARCH, IT MIGHT GET AT CROSS PURPOSES  
10 WITH THE INSTITUTIONS. I REALIZE THAT'S NOT THE  
11 INTENT. I JUST SORT OF WANTED TO PUT IT ON THE TABLE.

12 MS. LANSING: I THINK OUR INTENT IS PRETTY  
13 MUCH WHAT ZACH SAID. AGAIN, WE ALWAYS LEAVE OURSELF  
14 OPEN FOR MONEY THAT WOULD COME IN. CERTAINLY WE'RE NOT  
15 SUGGESTING THAT, WHEN THE BONDS ARE ISSUED, THAT WE  
16 WOULD TURN IT DOWN. BUT I THINK WE'RE REALLY DEALING  
17 WITH THE FACT THAT THE LEGAL ISSUE IS STOPPING US AT  
18 THIS MOMENT, SO WE'RE TRYING TO DEAL WITH IT.

19 DR. FRIEDMAN: I THINK THESE ARE VERY GOOD  
20 AND VERY APPROPRIATE SORTS OF CONSIDERATIONS. AND I  
21 HAVE JUST A SET OF QUESTIONS I'D LIKE TO ASK IN  
22 ADDITION TO THIS. AND THESE ARE REALLY -- SOME OF THEM  
23 MAY BE SO SMALL, THAT WE DON'T WISH TO DEAL WITH THEM,  
24 THAT THEY REALLY MAY BE TRIVIAL. OTHERS MAY JUST NOT  
25 BE APPROPRIATE, SO LET ME JUST ASK THEM QUICKLY.

1                   ONE IS I THINK, IN ADDITION TO PROVIDING THE  
2                   DONOR WITH A FORMAL LETTER THAT OUTLINES THE THINGS YOU  
3                   HAVE HERE, WE SHOULD ALSO THINK ABOUT OUTLINING OTHER  
4                   THINGS THAT ARE MORE TRADITIONAL WITH THESE SORTS OF  
5                   GIFTS. FOR EXAMPLE, WHAT IS THEIR EXPECTATION OF THE  
6                   RECOGNITION THAT WILL BE GIVEN ON PAPERS AND THINGS  
7                   LIKE THAT? I'M NOT PROPOSING WHAT THAT SHOULD BE. I'M  
8                   SIMPLY SAYING I THINK THAT IT'S VERY LIKELY THAT THERE  
9                   WILL BE SOME MISUNDERSTANDING, AN INNOCENT  
10                  MISUNDERSTANDING, THAT WILL RAISE UNNECESSARY ILL WILL  
11                  IN THE FUTURE UNLESS WE OUTLINE WHAT THAT WILL BE.

12                  ANOTHER TYPICAL ISSUE THAT'S DEALT WITH IS  
13                  HOW INFORMATION WILL BE REPORTED BACK TO THAT DONOR.  
14                  IN OTHER WORDS, WILL CIRM ON AN ANNUAL BASIS WRITE TO  
15                  THE DOLBYS OR WHOEVER AND SAY LET US TELL YOU HOW WE  
16                  USED THE MONEY THIS YEAR? AGAIN, MAYBE THAT'S NOT A  
17                  DETAIL THAT WE WANT TO DEAL WITH TODAY. I RECOMMEND  
18                  THAT WE DON'T, BUT I DO SUGGEST THAT YOU THINK ABOUT  
19                  WHO'S GOING TO GENERATE SOME SORT OF ONGOING FORMAL  
20                  REPORT TO THEM.

21                  THE LAST THING IS REALLY, IF YOU WILL, WINDOW  
22                  DRESSING TO DEAL WITH WHAT I CONSIDER TO BE AN  
23                  IMPORTANT PERCEPTION OF CONFLICT OF INTEREST. I AM  
24                  CONVINCED THAT WE WILL DEAL WITH THE REALITY OF  
25                  CONFLICT OF INTEREST BY THE MECHANISMS THAT ARE IN



1 PLACE AND BY THE TRANSPARENCY, BUT I THINK ANOTHER  
2 THING THAT MIGHT ASSURE SOME ESPECIALLY SKEPTICAL  
3 MEMBERS OF THE PUBLIC IS SOMETHING FORMAL IN OUR LETTER  
4 OF ACCEPTANCE WHICH SAYS, TO EFFECT, BY THE WAY, AS WE  
5 HAVE MENTIONED TO YOU, YOU HAVE NO AUTHORITY, YOU HAVE  
6 NO OPPORTUNITY TO INFLUENCE WHERE THIS RESEARCH GOES.  
7 WE'RE EXTREMELY GRATEFUL FOR IT, BUT WE MAINTAIN A  
8 STRICT ADHERENCE TO OUR POLICIES AND TO DOING THE BEST  
9 SCIENCE, AND BLAH, BLAH, BLAH. AND AGAIN, THIS MAY  
10 JUST BE UNNECESSARY, BUT I CAN'T SEE HOW THAT WOULD  
11 HURT US. AND IT DOES FORMALLY PUT EVERYONE ON NOTICE  
12 THAT WE'RE APPRECIATIVE OF THESE GIFTS, BUT FOR  
13 WHATEVER WE USE THEM FOR, THAT DONOR REALLY HAS NO  
14 RIGHT TO TELL US HOW WE SHOULD SPEND THAT MONEY. WE'RE  
15 OBLIGED TO THE CITIZENS OF THE STATE AND TO THE FORMAL  
16 PROCESSES OF THE STATE CONSTITUTION UNDER WHICH WE  
17 OPERATE. THANKS.

18 MR. BARNES: CAN I RESPOND TO THAT? JUST  
19 FIRST OFF, WITH REGARD TO REPORTS TO THE DONOR AND  
20 THINGS LIKE THAT, OUR EXPECTATION HAS BEEN THAT IF THEY  
21 WANT THAT KIND OF INFORMATION, THEY WILL MAKE IT AS A  
22 CONDITION, AND IT WOULD BE INCORPORATED INTO THE  
23 COMMITMENT LETTER. AND SO, FOR INSTANCE, IF YOU LOOK  
24 AT THE FULL DOLBY COMMITMENT LETTER, IT DOES CONTAIN  
25 INFORMATION THAT INDICATES WE'D LIKE TO HAVE AN ANNUAL

1 REPORT OF WHAT OUR MONEY HAS BEEN SPENT ON AND THAT  
2 KIND OF THING.

3 DR. FRIEDMAN: THAT'S A PERFECTLY FINE WAY TO  
4 DO IT. I JUST THINK IT MIGHT BE EASIER IF YOU HAD A  
5 STANDARD POLICY SO THAT INFORMATION WAS PROVIDED TO  
6 EVERYBODY RATHER THAN THEM HAVING TO THINK OF PUTTING  
7 IN IT. IF THEY'RE GOING TO BE NICE ENOUGH TO GIVE US  
8 THE MONEY, IT SEEMS TO ME THEY DESERVE A ONCE-A-YEAR  
9 REPORT TELLING THEM WHAT WE DID WITH IT.

10 MR. BARNES: I THINK YOUR IDEA OF TRYING TO  
11 MAKE CLEAR WHAT LACK OF INFLUENCE THEY HAVE OVER OUR  
12 DECISIONS IS GOOD TOO, ALTHOUGH IT'S IMPORTANT TO  
13 REMEMBER THAT SOMETIMES THEY DO MAKE LIMITS ON WHAT THE  
14 STUFF CAN BE USED FOR.

15 DR. FRIEDMAN: THAT'S OKAY. IF THEY SAY THIS  
16 IS ONLY FOR CONFERENCES, THAT'S PERFECTLY OKAY. BUT  
17 THEN WE SAY, BUT YOU DON'T GET TO TELL US WHICH  
18 CONFERENCES OR YOU DON'T GET TO TELL US WHAT KIND OF  
19 MOLECULAR BIOLOGY TO DO OR ANYTHING ELSE.

20 MR. BARNES: I GOT YOU.

21 DR. JENNINGS: I HAD A QUESTION WITH RESPECT  
22 THE 5-PERCENT RULE FOR THE BIOTECH COMPANIES. I KNOW  
23 OF ONE PROMINENT BIOTECH COMPANY THAT'S SET UP A  
24 FOUNDATION. THE BOARD OF DIRECTORS OF THE FOUNDATION  
25 ARE ENTIRELY EMPLOYEES OF THAT ORGANIZATION.

1 PRESUMABLY IT'S A SEPARATE NONPROFIT CORPORATION; BUT  
2 IN THE EYES OF THE PUBLIC, IF THEY WERE TO SUPPORT US,  
3 IT WOULD HAVE QUITE A DIFFERENT VIEW. I WAS JUST  
4 WONDERING IF THAT SITUATION EVER CAME UP.

5 MR. HARRISON: IT HASN'T YET. BUT THIS  
6 PROVISION, FRANKLY, WAS INCLUDED, NOT BECAUSE OF OUR  
7 BELIEF THAT THERE WAS ANY ACTUAL CONFLICT OF INTEREST  
8 UNDER THOSE CIRCUMSTANCES, BUT JUST TO ADDRESS PUBLIC  
9 CONCERNS THAT HAVE BEEN RAISED ABOUT BIOTECHNOLOGY  
10 COMPANIES WITH AN INTEREST IN STEM CELL RESEARCH MAKING  
11 GIFTS TO THE AGENCY. SO IT'S ENTIRELY A POLICY  
12 DECISION IN YOUR HANDS AS TO WHETHER YOU THINK THAT'S  
13 AN APPROPRIATE LIMITATION OR NOT.

14 WITH RESPECT TO A SEPARATELY INCORPORATED  
15 FOUNDATION, AS YOU DESCRIBED, THAT WOULD BE A  
16 SEPARATE -- PRESUMABLY AN ORGANIZATION WITH A SEPARATE  
17 CORPORATE STATUS THAT WOULD NOT BE PROHIBITED FROM  
18 MAKING A CONTRIBUTION UNLESS YOU DECIDED NOT TO ACCEPT  
19 IT.

20 MR. SERRANO-SEWELL: WALTER, THANK YOU FOR  
21 THE REPORT. AND I'M GLAD THAT WE'RE REALLY TAKING  
22 SERIOUSLY SOME OF THE AUTHORITY THAT WE'RE GRANTED  
23 UNDER PROP 71. IT'S CLEAR THAT WE CAN ACCEPT GIFTS,  
24 AND WE'RE PROMULGATING SOME RULES AROUND THAT.

25 I JUST HAVE A COUPLE OF REALLY -- JUST ONE

1 SORT OF BROADER POLICY ISSUE THAT I WANT TO ADDRESS.  
2 AND THAT IS, WE'RE LOOKING TOWARDS, AS YOU STATED IN  
3 THIS REPORT, THE CSU SYSTEM AND THE UC SYSTEM FOR SOME  
4 GUIDANCE AND OTHER STATE AGENCIES. IN FACT, ACCEPTING  
5 GIFTS IS NOT A COMMON FEATURE OF MOST STATE AGENCIES.  
6 IT JUST ISN'T. SO WHILE THERE IS PRECEDENT, WE'RE ALSO  
7 MOVING INTO SOME UNCHARTERED TERRITORY, WHICH IS OKAY.

8 MY POINT IS THIS. WHEN WE LOOK AT THE UC  
9 SYSTEM AND THE CSU SYSTEM, IT SEEMS TO ME THAT, AND AS  
10 YOU STATED IN YOUR REPORT, IT'S THE HIGHEST RANKING  
11 BODY, THE REGENTS, THE TRUSTEES, DELEGATING TO THEIR  
12 PRESIDENT OR CEO, THE CHANCELLOR OR THE PRESIDENT, WHO  
13 THEN DELEGATES TO THEIR SENIOR STAFF, THE UNIVERSITY  
14 PRESIDENTS OR LEADERS. AS I UNDERSTAND IT FROM THIS  
15 REPORT, THAT'S SORT OF WHERE THE DECISION-MAKING CHAIN  
16 ENDS. THAT'S WHAT IT LOOKS LIKE.

17 AND THIS PROPOSAL DEVIATES FROM THAT PROCESS  
18 INSOMUCH AS THAT IT CREATES THIS EXECUTIVE COMMITTEE TO  
19 MAKE DECISIONS AROUND ACCEPTING GIFTS UP TO \$5 MILLION.  
20 AND I WOULD SAY THAT, ONE, WE SHOULD NOTE THAT'S SORT  
21 OF DIFFERENT. THE REGENTS DON'T HAVE THIS SORT OF  
22 EXECUTIVE COMMITTEE OR THE TRUSTEES DON'T HAVE THIS  
23 SORT OF EXECUTIVE COMMITTEE. WE'RE PROPOSING THAT WE  
24 DO. AND I WOULD SAY IF WE'RE GOING TO LOOK AT OTHER  
25 SISTER STATE AGENCIES, WE OUGHT TO STAY AS CLOSELY AS

1 POSSIBLE, MEANING THAT THE DECISION TO ACCEPT GIFTS  
2 UNDER \$5 MILLION -- I'M SPEAKING TO SECTION 3(A) --  
3 THAT WE OUGHT JUST LEAVE IT WITH THE PRESIDENT BECAUSE,  
4 YOU KNOW, I THINK WE ALL HAVE THE SKILL SET TO MAKE A  
5 DECISION ABOUT WHETHER TO ACCEPT GIFTS UNDER \$5  
6 MILLION. THAT SKILL SET DOESN'T REST EXCLUSIVELY WITH  
7 THE CHAIR OR VICE CHAIR. I DON'T MEAN ANY DISRESPECT  
8 BY THAT AT ALL. OR IN THE ALTERNATIVE, THAT ALL  
9 MONETARY GIFTS COME TO THE ICOC.

10 MY PREFERENCE IS THAT WE STAY WITH THE  
11 PRECEDENT SET BY THE UC AND THE CSU SYSTEM, MEANING  
12 IT'S THE HIGHEST RANKING BODY WHO DELEGATES TO THEIR  
13 PRESIDENT AND CEO, AND IT STAYS WITH SENIOR STAFF.  
14 IT'S A BROADER QUESTION.

15 MS. LANSING: YOU KNOW, I'D JUST LIKE TO  
16 COMMENT ON THAT FOR A SECOND AS A REGENT. I THINK THAT  
17 WE NEED TO BE HELD ACCOUNTABLE, AND THIS IS WITH THE  
18 GREATEST RESPECT TO THE PRESIDENT, WHO I FULLY THINK  
19 CAN MAKE THESE DECISIONS, BUT I THINK WE NEED TO BE  
20 HELD ACCOUNTABLE TO A TOUGHER STANDARD BECAUSE WE ARE A  
21 STATE AGENCY. AS A REGENT, UNLESS I'M COMPLETELY  
22 FORGETTING SOMETHING, THEY DON'T COME BACK TO US WITH  
23 ANY NAMING OPPORTUNITY. THE INDIVIDUAL CAMPUS DECIDES  
24 TO TAKE THE MONEY OR NOT TAKE THE MONEY.

25 THAT WOULD, I THINK, FOR US, I SPEAK FOR

1 MYSELF, BUT I THINK FOR MOST OF THE MEMBERS OF THE  
2 GOVERNANCE COMMITTEE, THAT WOULD BE NOT SOMETHING WE  
3 WOULD FEEL COMFORTABLE WITH BECAUSE OF WANTING TO KNOW  
4 WHO THE NAME IS, ALL THE OBVIOUS QUESTIONS. AND I JUST  
5 THINK BECAUSE WE'RE NEW, BECAUSE WE ARE A STATE AGENCY,  
6 BECAUSE WE REPRESENT ALL THE CITIZENS OF THE STATE,  
7 GOING THAT EXTRA DISTANCE, UNLESS IT BECOMES  
8 CUMBERSOME, WHICH WE WON'T KNOW UNTIL WE TRY IT, AND WE  
9 ALSO HAVE TO REMEMBER THAT WE WILL GET THE BOND MONEY,  
10 SO A LOT OF THIS IS FOR -- YOU KNOW, I HOPE PEOPLE WILL  
11 CONTINUE TO GIVE TO US FOREVER, BUT THE NEED WILL BE  
12 NOT BE QUITE THE SAME.

13 I JUST THINK THE MORE STRINGENT, THE  
14 STRICTER, I JUST FEEL THAT IN THE BEGINNING, AT LEAST,  
15 IT'S BETTER TO OVERDO IT THAN TO UNDERDO IT.

16 MR. SERRANO-SEWELL: LET ME ASK YOU THEN,  
17 SHERRY, WOULDN'T OVERDOING IT BE -- MAYBE THIS IS JUST  
18 A BAD IDEA AND IT WOULD BECOME CUMBERSOME, BUT WOULDN'T  
19 OVERDOING IT MEAN HAVING THIS EXECUTIVE COMMITTEE VET  
20 IT, MAKE A RECOMMENDATION ONLY FOR THE FULL ICOC, AND  
21 THEN THE FULL ICOC IN PUBLIC GETS TO MAKE A DECISION  
22 ABOUT WHETHER TO ACCEPT THE MONETARY GIFT OR NOT?  
23 THAT'S JUST A QUESTION.

24 MS. LANSING: THE QUESTION IS THEN BY THE  
25 TIME WE ACCEPT THE GIFT, THE PERSON WILL HAVE GONE

1       AWAY. DO YOU KNOW WHAT I MEAN? THE QUESTION IS HOW  
2       MUCH ARE WE DOING? I HEAR WHAT YOU'RE SAYING.

3               CHAIRMAN KLEIN: DAVID, I THINK IT'S  
4       IMPORTANT, SINCE WE ARE A NEW AGENCY, WE HAVE A SMALL  
5       STAFF, THERE'S A GREAT NUMBER OF THINGS HAPPENING VERY  
6       RAPIDLY. BY HAVING THE THREE MEMBERS OF THE EXECUTIVE  
7       COMMITTEE REACH A CONSENSUS, WE HAVE A BUILT-IN  
8       FAIL-SAFE SYSTEM WHERE WE HAVE THREE DIFFERENT  
9       PERSPECTIVES THAT EACH COME FROM DIFFERENT  
10      INFORMATIONAL SOURCES CONFIRMING A DECISION. IT'S, I  
11      THINK, AN IMPORTANT REINFORCING PROCESS THAT PROVIDES  
12      VALIDATION AND CAN PROVIDE VALIDATION VERY QUICKLY, AND  
13      THE DECISION CAN BE MADE WITH THE HIGHER LEVEL OF  
14      CONFIDENCE.

15              SO PARTICULARLY, BECAUSE I'M PERSONALLY  
16      INVOLVED IN DEALING WITH A NUMBER OF THESE GIFTS, I  
17      FEEL I CAN MAKE AN IMPORTANT CONTRIBUTION IN THE  
18      EXECUTIVE COMMITTEE. DR. PENHOET, WHO WAS RECENTLY  
19      INVOLVED IN A MAJOR GIFT JOINTLY WITH ME, HAS A  
20      DIFFERENT PERSPECTIVE TO BRING TO IT. SO NEITHER THE  
21      CHAIRMAN NOR THE VICE CHAIRMAN OR THE PRESIDENT ACTING  
22      INDEPENDENTLY HAS THE KNOWLEDGE, THE INPUT, AND THE  
23      ABILITY TO CROSS-VALIDATE SOMETHING AND GIVE US THAT  
24      EXTRA DEGREE OF CONFIDENCE THAT SHERRY REFERENCES.

25              MS. FEIT: THIS IS MORE JUST A COMMENT ON

1 PROCESS. THERE'S A COUPLE OF UNIVERSAL WORDS THAT ARE  
2 COMMON IN GIFTS OUT IN THE GENERAL WORLD, AND THAT'S  
3 RESTRICTED AND UNRESTRICTED. PERHAPS IF WE COULD FOCUS  
4 SOME OF THIS UNDER THOSE TWO, IT HELPS THE GENERAL  
5 PUBLIC UNDERSTAND I'M GIVING A RESTRICTED GIFT, I'M  
6 GIVING AN UNRESTRICTED GIFT. AND IT'S COMMON KNOWLEDGE  
7 EITHER TO LARGE PHILANTHROPISTS OR LARGE DONATIONS THAT  
8 AN UNRESTRICTED GIFT MEANS THE ORGANIZATION PRETTY MUCH  
9 HAS CARTE BLANCHE ON WHAT THEY CAN DO WITH THE  
10 DONATION.

11 A RESTRICTED GIFT THEN GOES INTO A CATEGORY  
12 WHERE MORE ATTENTION HAS TO BE PAID TO WHAT WAS THE  
13 INTENT OF THE GIFT. SO PERHAPS WE COULD USE THOSE.  
14 THAT WOULD HELP THE GENERAL PUBLIC UNDERSTAND WHAT  
15 BUCKET THEIR GIFT WOULD BE GOING IN.

16 MS. LANSING: MORE COMMENTS FROM THE BOARD,  
17 PLEASE. IS THERE PUBLIC COMMENT ON THIS GIFT POLICY?

18 MS. FOGEL: FIRST, I WANT TO PERSONALLY THANK  
19 ZACH HALL FOR MY PERSONALLY AUTOGRAPHED COPY OF THE  
20 REPORT. THANK YOU.

21 I WANT TO RAISE A NUMBER OF QUESTIONS. THE  
22 FIRST IS UNDER ROMAN NUMERAL II(D) ABOUT THE GIFT FROM  
23 A BIOTECH COMPANY. I THINK SOME OF THE COMMENTS  
24 TOUCHED ON IT, BUT I THINK THAT'S MUCH TOO NARROW.  
25 WHAT ABOUT THE OWNER OF A BIOTECH COMPANY MAKING A HUGE



1 DONATION FROM HIS PERSONAL FUNDS? THAT WOULD BE A REAL  
2 CONFLICT OF INTEREST AS WELL AS A PERCEIVED CONFLICT OF  
3 INTEREST TO THE PUBLIC, BUT IT WOULD NOT BE EXCLUDED OR  
4 LIMITED IN ANY WAY BY THIS. SO I THINK IT'S MUCH TOO  
5 NARROW. THAT'S MY FIRST COMMENT.

6 MY SECOND COMMENT IS IN TERMS OF FINDING THIS  
7 BALANCE BETWEEN WHAT'S CUMBERSOME AND WHAT'S NOT  
8 CUMBERSOME, IT SEEMS THAT THE \$5 MILLION THRESHOLD IS  
9 TOO HIGH. AND THAT, YOU KNOW, YOUR BIGGEST PROBLEM  
10 SHOULD BE THAT YOU GET SO MANY \$1 MILLION GIFTS, THAT  
11 IT TAKES UP A WHOLE ICOC MEETING TO ACCEPT THEM.

12 DR. FRIEDMAN: WE SHOULD BE SO LUCKY.

13 MS. FOGEL: THAT'S RIGHT. SO I THINK THAT IF  
14 YOU LOWERED THE THRESHOLD OF WHAT ACTUALLY COMES TO THE  
15 ICOC. I THINK THE ISSUES OF PERCEPTION ARE REALLY  
16 IMPORTANT. MY SON GOES TO AMERICAN UNIVERSITY WHERE  
17 THEY HAVE THIS BIG BUILDING THAT HAD KHASHOGGI, THE  
18 ARMS DEALER'S NAME, ON IT IN REALLY BIG LETTERS. THEY,  
19 OF COURSE, EVENTUALLY HAD TO TAKE THE NAME OFF. BUT I  
20 THINK THAT YOU ALL SHOULD HAVE SOMETHING TO SAY ABOUT  
21 LARGER GIFTS.

22 AND THE THIRD THING IS I THINK THERE SHOULD  
23 BE A POLICY OR PRINCIPLES ABOUT THE CONDITIONS UNDER  
24 WHICH YOU WILL ACCEPT GIFTS, EVEN THOSE GIFTS THAT  
25 DON'T COME TO FULL ICOC APPROVAL, SO THAT IF THERE ARE

1 PRINCIPLES AND GUIDELINES, THEN YOU MIGHT FEEL MORE  
2 COMFORTABLE AND THE PUBLIC MIGHT FEEL MORE COMFORTABLE  
3 KNOWING UNDER WHAT CONDITIONS GIFTS WILL BE ACCEPTED  
4 AND NOT BE ACCEPTED, AND THERE WILL BE CONSISTENCY AND  
5 CLEAR EXPECTATIONS ON THE PART OF DONORS.

6 AND THE LAST THING IS WE'D LIKE TO HAVE  
7 PUBLIC ACCESS TO ALL DOCUMENTATION OF GIFTS THAT ARE  
8 RESTRICTED OR HAVE ANY CONDITIONS ATTACHED TO THEM AND  
9 COPIES OF THE REPORTS THAT MAY BE REQUIRED UNDER THOSE  
10 GIFTS THAT ARE MADE BACK TO THE DONORS.

11 MS. LANSING: THANK YOU. I JUST WANT TO MAKE  
12 SURE THAT I UNDERSTAND THIS. I THINK I DO. OUR NAMING  
13 OPPORTUNITIES WERE SUBSTANTIAL, AND WE HAD STARTED AT  
14 \$10 MILLION; IS THAT CORRECT?

15 CHAIRMAN KLEIN: THAT'S CORRECT. SO ANY  
16 NAMING OPPORTUNITY HAS TO BE BROUGHT BACK TO THE BOARD.

17 MS. LANSING: THAT'S WHAT I WANTED TO MAKE  
18 CLEAR.

19 MS. FOGEL: I'M TALKING ABOUT THE LARGE  
20 GIFTS, A \$4 MILLION GIFT, THAT DOESN'T COME BACK TO YOU  
21 AND, THEREFORE, ISN'T DISCUSSED. IT SEEMS LIKE THAT  
22 THRESHOLD IS TOO HIGH. THAT'S ASIDE FROM THE NAMING  
23 OPPORTUNITIES.

24 MS. LANSING: I UNDERSTAND. I HEAR YOU, BUT  
25 ALL THE NAMING OPPORTUNITIES WILL COME TO THE BOARD, SO

1 THE SCHOOL THAT YOU REFERENCED WOULD NOT BE A PROBLEM  
2 WE WOULD FACE.

3 MR. REED: DON REED. DR. OSWALD STEWARD IS  
4 FAR MORE QUALIFIED TO SPEAK ON THIS THAN I AM. AS HE'S  
5 NOT HERE, THE ROMAN REED ACT DOES HAVE A GIFT POLICY.  
6 ROMAN REED ACT IS A STATE AGENCY, AND WE'VE HAD SMALL  
7 GIFTS MOSTLY, BUT IT HASN'T HAD ANY PROBLEMS. THERE  
8 MAY BE USEFUL LANGUAGE WHICH HAS SET A PRECEDENT THERE.

9 MS. LANSING: THANK YOU, DON. ANY OTHER  
10 PUBLIC COMMENT?

11 THEN THERE'S BEEN A LOT OF INPUT, WHICH I  
12 THINK HAS BEEN EXTREMELY HELPFUL, FROM THE BOARD AND  
13 FROM THE PUBLIC. SO WHAT I'D LIKE TO DO IS ASK FOR A  
14 MOTION TO APPROVE THIS AS AN INTERIM GIFT POLICY, AND  
15 THEN WALTER AND EVERYONE CAN GO BACK AND ADD TO THAT.  
16 I'D LIKE TO KNOW IF THE BOARD IS COMFORTABLE WITH THAT.  
17 IS THERE A MOTION TO APPROVE THIS AS AN INTERIM GIFT  
18 POLICY AND THEN CONTINUE TO WORK ON IT?

19 DR. LOVE: SO MOVED.

20 MS. LANSING: A SECOND?

21 CHAIRMAN KLEIN: LET ME ASK THE MAKER OF THE  
22 MOTION, JUST FOR CONSERVATISM, MAYBE WE COULD ADOPT IT  
23 AS AN INTERIM WITH A \$3 MILLION LIMIT, SO WE MAKE IT  
24 MORE CONSERVATIVE. DOES THE MOTION MAKER ACCEPT THAT?

25 MS. LANSING: I CERTAINLY ACCEPT THAT.

1 DR. LOVE: THAT WOULD BE FINE.

2 CHAIRMAN KLEIN: THEN I WOULD MAKE A SECOND.

3 MS. LANSING: SO NOW I WANT TO KNOW IF  
4 THERE'S DISCUSSION ON THIS MOTION.

5 DR. FRIEDMAN: IS THERE A PARTICULAR TIME  
6 YOU'D LIKE THIS BROUGHT BACK FOR CONSIDERATION?

7 MS. LANSING: WALTER, WHAT WOULD YOU BE  
8 COMFORTABLE WITH?

9 MR. BARNES: WE'LL BRING IT BACK TO THE NEXT  
10 GOVERNANCE COMMITTEE THAT COMES BEFORE THE NEXT  
11 MEETING.

12 DR. FRIEDMAN: PERFECT. THEN I'M QUITE  
13 COMFORTABLE.

14 MS. LANSING: PLEASE TAKE ALL THE INPUT THAT  
15 YOU'VE HAD, AND WE'LL TRY AND ADDRESS EACH THING THAT  
16 WAS BROUGHT UP BY THE PUBLIC AND BY THE BOARD IN THE  
17 GOVERNANCE COMMITTEE AND SEE IF WE CAN AGREE OR NOT  
18 AGREE ON THE ISSUES.

19 ANY OTHER DISCUSSION ON THE MOTION? ALL IN  
20 FAVOR. ANY OPPOSED? THEN THE MOTION PASSES AS AN  
21 INTERIM MOTION.

22 WALTER, WILL YOU CONTINUE AND GIVE US OUR  
23 UPDATE ON THE CONTRACTS.

24 MR. BARNES: THIS IS THE LAST MATERIAL THAT'S  
25 UNDER GOVERNANCE COMMITTEE. AND YOUR FIRST PAGE IS

1 YOUR NORMAL MONTHLY REPORT, WHICH GIVES YOU INFORMATION  
2 ON NEW OR AMENDED AGREEMENTS THAT HAVE BEEN EXECUTED  
3 SINCE THE LAST REPORT. FALLING UNDER THOSE THINGS THAT  
4 ARE ELIGIBLE FOR APPROVAL BY THE PRESIDENT WITH REGARD  
5 TO INTERAGENCY AGREEMENTS, THERE WERE NONE.

6 WITH REGARD TO NEW OR AMENDED THIRD PARTIES,  
7 CONTRACTS OF LESS THAN A THOUSAND THAT THE PRESIDENT  
8 CAN APPROVE, THERE WERE THREE -- TWO CONTRACTS THAT  
9 WERE EXECUTED. ONE WAS A DEPARTMENT OF JUSTICE  
10 CONTRACT THAT WAS REQUESTED THAT WE ENTER INTO WITH A  
11 FIRM CALLED SPIEGEL, LIAO, & KAGAY. THIS IS A LAW FIRM  
12 THAT PROVIDED SUPPORTIVE SERVICES TO THE LITIGATION  
13 ACTIVITIES.

14 AND THEN WE MENTIONED AT THE LAST MEETING,  
15 INCLUDED IN OUR LAST REPORT, THAT WE HAD COMPLETED A  
16 RFP WITH REGARD TO THE SELECTION OF A FISCAL AUDITOR TO  
17 CONDUCT OUR ANNUAL FISCAL REPORT. THE CONTRACT THAT  
18 WAS CHOSEN WAS GILBERT ASSOCIATES. THEIR CONTRACT IS  
19 FOR TWO YEARS. THEY'RE CURRENTLY CONDUCTING THE AUDIT  
20 RELATED TO THE FIRST FISCAL YEAR, WHICH ENDED JUNE 30TH  
21 OF 2005, AND THEN THEY WILL DO THE SECOND AUDIT WITH  
22 REGARD TO THE CURRENT FISCAL YEAR THAT WE'RE IN, WHICH  
23 WILL END JUNE 30TH, 2006. THE AMOUNT BUDGETED FOR THIS  
24 FOR BOTH AUDITS IS \$45,000.

25 I SHOULD SAY THAT THEY ARE IN THE PROCESS OF

1 COMPLETING THE WORK ON THE CURRENT FISCAL -- FIRST  
2 FISCAL YEAR AUDIT, AND WE'RE ANXIOUSLY AWAITING WHAT  
3 THEY HAVE TO SAY.

4 LET'S SEE. THE CONTRACTS THAT EXCEEDED A  
5 HUNDRED THOUSAND THAT WOULD BE APPROVED BY THE  
6 GOVERNANCE COMMITTEE, THERE WERE NONE.

7 AND THEN THERE IS ONE CONTRACT THAT  
8 POTENTIALLY WILL EXCEED 250,000, WHICH IS SUBJECT TO  
9 APPROVAL BY THE ICOC. AND ZACH MADE MENTION OF IT IN  
10 HIS PRESENTATION ON THE STRATEGIC PLAN. AND IF YOU GO  
11 TO THE LAST DOCUMENT IN THIS, YOU WILL SEE ACTUALLY  
12 SOMETHING NEW. THIS IS A NEW FORM THAT WE DEVELOPED  
13 ACTUALLY WITH SOME SUGGESTIONS BY SOME MEMBERS OF THE  
14 ICOC. BASICALLY THEY INDICATED THAT WHEN CONTRACTS  
15 REQUESTS ARE BROUGHT TO THE ICOC, THEY THOUGHT THAT  
16 PERHAPS THERE SHOULD BE MORE INFORMATION DETAILING THE  
17 CONTRACT PROPOSED AND HOW WE SELECTED IT AND HOW MUCH  
18 MONEY AND THAT KIND OF THING.

19 SO WE HAVE DEVELOPED THIS NEW FORM, AND THIS  
20 IS OUR FIRST TIME TO USE IT. AFTER YOU HAVE A CHANCE  
21 TO LOOK AT IT AND THINK ABOUT IT, IF ANY OF YOU HAVE  
22 ANY SUGGESTIONS OR COMMENTS OR WHATEVER, WE'RE  
23 CERTAINLY HAPPY TO MAKE ADJUSTMENTS TO IT TO PROVIDE  
24 YOU AS MUCH AS INFORMATION AS YOU NEED TO FEEL  
25 COMFORTABLE WITH THE RECOMMENDATION.

1                    WITH REGARD TO THIS PARTICULAR  
2                    RECOMMENDATION, WE'RE PROPOSING TO CONTRACT WITH A  
3                    COMPANY CALLED PRICEWATERHOUSECOOPER. THIS CONTRACT  
4                    WOULD BE TO ASSIST THE CIRM WITH THE DEVELOPMENT OF THE  
5                    PROPOSED 10-YEAR STRATEGIC PLAN. THEY WOULD HELP TO  
6                    DESIGN AN INFORMATION GATHERING PROGRAM THAT WOULD SEEK  
7                    INPUT FROM EXPERTS AND STAKEHOLDERS. THEY'D IMPLEMENT  
8                    THE DATA GATHERING THROUGH GROUP AND INDIVIDUAL  
9                    MEETINGS. THEY WOULD ASSIST CIRM STAFF TO DEVELOP  
10                    RECOMMENDATIONS FOR THEMES AND IDEAS TO BE INCORPORATED  
11                    INTO A DRAFT STRATEGIC PLAN BEFORE PRESENTING IT TO THE  
12                    ICOC FOR MODIFICATION, REVISION, AND APPROVAL.

13                    PRICEWATERHOUSECOOPER PROPOSES TO DEVOTE 20  
14                    PERCENT OF A SENIOR PARTNER'S TIME TO THE PROJECT AND  
15                    UP TO THREE EXPERIENCED STAFF THAT WOULD BE ON-SITE  
16                    DURING THE PERIOD OF THE PROJECT THAT WILL ENSURE BOTH  
17                    SUFFICIENT COLLABORATION WITH US AND OVERSIGHT TO MAKE  
18                    SURE THAT THE PROJECT IS MOVING ALONG LIKE WE WOULD  
19                    LIKE IT TO.

20                    THE REASON WE'RE GOING FOR A CONTRACT IS  
21                    DEVELOPING THIS TYPE OF DATA AND ENGAGING IN THE  
22                    INFORMATION GATHERING WILL BE VERY LABOR INTENSIVE.  
23                    UNDER PROPOSITION 71 WE'RE LIMITED IN THE NUMBER OF  
24                    STAFF THAT WE CAN HIRE. AND IN ADDITION, WE THINK IT  
25                    WOULD BE VERY DIFFICULT FOR US TO RECRUIT AND HIRE

1 PEOPLE WITH THE SPECIALIZED SKILL SET TO DO THIS WORK,  
2 ESPECIALLY FOR A PROJECT OF SOME SHORT DURATION, ABOUT  
3 SIX MONTHS. SO THAT'S WHY WE DECIDED TO GO FOR A  
4 CONTRACT.

5 THE LENGTH OF TIME TO PERFORM THE SERVICES IS  
6 SIX MONTHS. WITH REGARD TO PAYMENT TERMS, WE HAVE  
7 NEGOTIATED THE FOLLOWING TERMS WITH  
8 PRICEWATERHOUSECOOPER. THERE WOULD BE A PAYMENT OF 20  
9 PERCENT OF THE ESTIMATED FEES AND EXPENSES AFTER THE  
10 CONTRACT HAS BEEN EXECUTED. SECONDLY, ALL FEES AND  
11 EXPENSES, ACTUAL AMOUNTS, WOULD BE BILLED, AND ANY  
12 AMOUNTS DUE OVER THE INITIAL 20-PERCENT PAYMENT WOULD  
13 BE DEFERRED UNTIL SIX MONTHS AFTER THE COMPLETION OF  
14 THE PROJECT. SO WE ESTIMATE THAT THAT MONEY WOULD  
15 ACTUALLY NOT BECOME DUE UNTIL SOMETIME IN MARCH OF  
16 2007. THIS IS A BIG ISSUE FOR US IN TERMS OF OUR CASH  
17 FLOW.

18 WITH REGARD TO PROJECTED TOTAL EXPENDITURES,  
19 AT THIS TIME WE'VE ESTIMATED THAT THE COST OF THE TOTAL  
20 STRATEGIC PLAN WOULD BE IN THE NEIGHBORHOOD OF ABOUT  
21 \$500,000. THAT WOULD INCLUDE THE COSTS ASSOCIATED WITH  
22 THIS CONTRACTOR. IF THE ICOC AGREES TO ALLOW US TO  
23 MOVE FORWARD, WE WOULD NEGOTIATE WITH  
24 PRICEWATERHOUSECOOPER FOR PAYING THE LOWEST POSSIBLE  
25 PRICE THAT WE COULD, JUST LIKE WE HAVE ALREADY



1 NEGOTIATED WITH THEM TO GET VERY FAVORABLE PAYMENT  
2 TERMS.

3 NOW, IN PREVIOUS BUDGET PRESENTATIONS THAT I  
4 MADE TO YOU WHERE WE TALKED ABOUT THE STRATEGIC PLAN,  
5 WE'VE SAID THIS TYPE OF CONTRACT COULD BE UP TO  
6 \$250,000. AND SO BECAUSE WE THINK IT COULD GO THAT  
7 HIGH, WE WOULD LIKE TO GET YOUR APPROVAL ON IT EVEN  
8 THOUGH WE DON'T HAVE A SPECIFIC AMOUNT AT THIS TIME.  
9 OBVIOUSLY IF WE CAN NEGOTIATE IT DOWN TO BELOW THAT, WE  
10 CERTAINLY WILL.

11 WITH REGARD TO HOW WE CHOSE THIS CONTRACTOR,  
12 WE ACTUALLY TALKED TO TWO FIRMS WITH PREVIOUS  
13 EXPERIENCE IN STRATEGIC PLANNING DEVELOPMENT. WE  
14 REQUESTED THEM TO DESIGN PROPOSALS FOR HOW THEY WOULD  
15 HELP US TO DEVELOP A PROPOSAL FOR THE STRATEGIC PLAN  
16 FOR PRESENTATION TO THE ICOC. EACH OF THEM DID SO,  
17 MADE FORMAL PRESENTATIONS TO A PANEL IN JANUARY MADE UP  
18 OF ZACH HALL, ARLENE CHIU, GIL SAMBRANO, ROBERT KLEIN,  
19 ED PENHOET, MARY MAXON, AMY DUROSS, AMY LEWIS, AND  
20 MYSELF.

21 AFTER THE MEETINGS EACH OF THE PANEL MEMBERS  
22 WERE ASKED FOR THEIR OPINIONS ABOUT THE TWO FIRMS.  
23 GENERALLY, THERE WAS A CONSENSUS THAT WHILE BOTH WERE  
24 CAPABLE OF DOING THE JOB, PRICEWATERHOUSECOOPER MIGHT  
25 HAVE A LITTLE BIT MORE RELEVANT EXPERIENCE IN WORKING

1 WITH PUBLIC PROJECTS AND STRATEGIC PLANS WITH A VERY  
2 COMPLEX CONSTITUENCY, WHICH WE FELT WAS VERY SIMILAR TO  
3 THE CHALLENGES THAT WILL BE FACING US IN DEVELOPING THE  
4 STRATEGIC PLAN FOR CIRM. ALSO, THEY SEEMED TO HAVE  
5 MORE CREATIVE IDEAS ON HOW TO APPROACH SOME OF THE  
6 ISSUES LIKE GATHERING DATA FROM MULTIPLE STAKEHOLDERS.

7 EACH OF THEM WAS REQUIRED TO PROVIDE AN  
8 ESTIMATE OF COST ASSOCIATED WITH THEIR PLAN AND TO  
9 OFFER PAYMENT ALTERNATIVES. BOTH AGREED TO PROVIDE  
10 PAYMENT DEFERRALS, SUCH AS THE ONE WE ENDED UP  
11 NEGOTIATING WITH PWC, BUT PRICEWATERHOUSECOOPERS'  
12 ESTIMATE OF COST WAS LESS THAN THAT OF THE OTHER  
13 ORGANIZATION.

14 SO BASED ON THESE FACTORS, WE'RE RECOMMENDING  
15 TO THE -- WE RECOMMENDED TO THE GOVERNANCE COMMITTEE, I  
16 SHOULD SAY, THAT THEY RECOMMEND THAT WE BE ALLOWED OR  
17 RECOMMEND TO THE FULL ICOC THAT WE BE ALLOWED TO  
18 CONTRACT WITH PWC TO PROVIDE OR TO NEGOTIATE A CONTRACT  
19 WITH PWC TO PROVIDE SUPPORT SERVICES TO CIRM'S EFFORTS  
20 TO DEVELOP A PROPOSED STRATEGIC PLAN. BECAUSE THEY  
21 LACKED A QUORUM, AT THAT TIME WHAT WE GOT WAS AN  
22 EXPRESSED SENSE OF THE MEMBERS THAT WERE PRESENT FOR  
23 SUPPORT OF THIS RECOMMENDATION.

24 MS. LANSING: THANK YOU, WALTER. I WANT TO  
25 REEMPHASIZE THAT. WE DID LOSE OUR QUORUM, BUT AMONG

1 THOSE OF US THAT WERE STILL THERE, THERE WAS UNANIMOUS  
2 SUPPORT. SO, THEREFORE, THE SENSE OF THE COMMITTEE WAS  
3 TO BRING THIS FORWARD TO THE ICOC. SO I'D LIKE TO SEE  
4 IF THERE'S BOARD COMMENT ON THE PRICEWATERHOUSECOOPERS  
5 CONTRACT.

6 DR. THAL: JUST A QUESTION. CAN YOU JUST IN  
7 A THUMBNAIL SKETCH LAY OUT WHAT THE \$500,000 WOULD BE  
8 SPENT ON FOR THE STRATEGIC PLAN? IS THAT INCLUDING THE  
9 SCIENTIFIC MEETINGS AND EVERYTHING ELSE?

10 DR. HALL: YES. SO WE WILL INTERVIEW, AS I  
11 SAID, 60 TO 75 PEOPLE. WE WILL HOLD A NUMBER OF  
12 MEETINGS. AND LET ME -- THESE MEETINGS ARE EXPENSIVE.  
13 AN ICOC MEETING COSTS US ABOUT \$20,000. AND SO IT WILL  
14 COVER THOSE COSTS. IT WILL COVER THE COST OF PERSONNEL  
15 THEN TO COLLECT THE INFORMATION, TO COLLATE IT. WE  
16 WANT THIS TO BE TRANSPARENT. WE PLAN TO HAVE  
17 INFORMATION ON THE WEBSITE SO THAT PEOPLE CAN FOLLOW  
18 THE DEVELOPMENT OF THE PLAN AS IT GOES ALONG. AND ALL  
19 OF THESE ARE DESIRABLE ITEMS: BEING INCLUSIVE, BEING  
20 TRANSPARENT, INVOLVING ALL OUR STAKEHOLDERS, BEING  
21 THOROUGH, BUT THEY ALL COST MONEY. AND OUR CONCERN  
22 ACTUALLY IS WHETHER THIS IS GOING TO BE ENOUGH OR NOT,  
23 BUT WE'RE GOING TO TRY TO DO IT WITHIN THIS RANGE.

24 DR. THAL: AND THE ROLE OF  
25 PRICEWATERHOUSECOOPERS WOULD BE WHAT IN THE OVERALL

1 DEVELOPMENT OF THE STRATEGIC PLAN?

2 DR. HALL: SEVERAL THINGS. NO. 1, THEY WILL  
3 PROVIDE PERSONNEL. WE ARE STRETCHED TO THE LIMIT. WE  
4 HAVE TAKEN ON ONE NEW PERSON. BY THE WAY, I FAILED TO  
5 ADD THAT WE HAVE NOT INCREASED OUR TOTAL PERSONNEL IN  
6 THAT MY EXECUTIVE ASSISTANT, JORGE SANCHEZ, HAS JUST  
7 MOVED TO NEW YORK. HIS PARTNER GOT A WONDERFUL NEW JOB  
8 THERE, SO WE HAVE LOST HIM, AND WE ARE NOT GOING TO  
9 REPLACE HIM FOR A BIT. SO WE HAVE TAKEN ON PATTY  
10 OLSON. BUT WE ARE ABSOLUTELY STRETCHED TO THE LIMIT IN  
11 TERMS OF WHAT WE CAN DO. AND TO TAKE ON A BIG LABOR  
12 INTENSIVE PROJECT LIKE THIS, EACH ONE OF THESE  
13 MEETINGS, AGAIN, VERY DESIRABLE, BUT TO HAVE THEM AS  
14 PUBLIC MEETINGS, TO PREPARE FOR THEM, ALL THE REST IS A  
15 TREMENDOUS AMOUNT OF WORK. SO THAT'S NO. 1. THEY  
16 BRING JUST LABOR.

17 NO. 2, THEY HAVE SOME OF THE INSTRUMENTS THAT  
18 WILL HELP US AT THE READY. FOR EXAMPLE, IN DESIGNING  
19 INTERVIEWS, YOU DON'T SIMPLY GO IN AND SAY WHAT DO YOU  
20 THINK WE OUGHT TO DO, BUT YOU NEED TO HAVE A SERIES OF  
21 QUESTIONS, A FORMAT THAT NEEDS TO BE FOCUSED, AND THIS  
22 IS THE KIND OF THING -- I MEAN WE COULD DO. IT WOULD  
23 TAKE MORE TIME. THEY HAVE IT AT THE READY. THEY WILL  
24 BRING US A READY-MADE FORMAT. THEY CAN HANDLE SOME OF  
25 THE OTHER PRACTICAL MATTERS. THEY HAVE COMPUTATIONAL

1 TOOLS ALSO THAT CAN HELP US TRACK AND PLAN SOME OF  
2 THESE THINGS.

3 FINALLY, WE HOPE THEY'LL BRING SOME  
4 EXPERIENCE. THEY HAVE, AS I'VE INDICATED, BEEN  
5 INVOLVED IN PLANNING A NUMBER OF OTHER PROJECTS, AND  
6 THE SENIOR PARTNER, IN PARTICULAR, WE HOPE, WILL BE  
7 ABLE TO PROVIDE SOME GUIDANCE AND ADVICE AS WE GO  
8 THROUGH THAT. SO THREE THINGS, LABOR, TOOLS, AND  
9 ADVICE AND EXPERIENCE ARE THE THREE ITEMS THAT WE WOULD  
10 GET FROM THEM.

11 DR. THAL: THANK YOU.

12 MS. LANSING: OTHER BOARD COMMENTS?

13 DR. FONTANA: FOR THE RECORD, I JUST HAVE TO  
14 SAY THAT THE CONCEPT -- I GUESS A LITTLE -- WHAT OTHER  
15 MODELS WERE CONSIDERED TO DEVELOP THE STRATEGIC PLAN?  
16 FOR INSTANCE, THE NIH NOW CURRENTLY HAS A GOOD SYSTEM  
17 WHERE THERE'S A REVIEW OF HOW TO CALL SCIENTISTS IN THE  
18 FIELD TO SET UP A STRATEGIC PLAN AND COSTS A LOT LESS.  
19 I GUESS I'M A LITTLE BOTHERED BY SPENDING SO MUCH MONEY  
20 ON A CONTRACTOR.

21 DR. HALL: I MEAN WE HAVE HAD A LOT OF  
22 DISCUSSION ABOUT THIS. AND WHAT WE'VE HEARD ARE A LOT  
23 OF PEOPLE HAVE A LOT OF EXPECTATIONS ABOUT THE PLAN,  
24 AND A LOT OF PEOPLE WANT TO BE INVOLVED. THAT'S  
25 WONDERFUL. THAT'S ABSOLUTELY TERRIFIC AND, I THINK, IS

1 A SIGN OF OUR ENDURING STRENGTH IN THIS THAT SO MANY  
2 PEOPLE ARE INVOLVED AND FEEL INVOLVED IN WHAT WE DO.

3           HOWEVER, EACH OF THESE THINGS COSTS MONEY AND  
4 MAKE IT MORE EXPENSIVE EVERY TIME WE HAVE A MEETING, A  
5 TREMENDOUS AMOUNT OF STAFF TIME PLANNING IT, PROVIDING  
6 TRANSPORTATION IN. WE'RE GOING TO BRING IN -- OUR  
7 GRANTS WORKING GROUP MEETING COST US \$55,000 TO PUT ON  
8 LAST SUMMER. IS THAT CORRECT, ARLENE? AND SO IF WE  
9 BRING IN ALL THESE PEOPLE FROM AROUND THE COUNTRY, THIS  
10 WILL BE LESS EXPENSIVE. THIS IS AN ADDED EXPENSE.

11           AND I WOULD BE HAPPY TO LOOK AT THE NIH  
12 MODEL, BUT ONE OF THE THEMES I HAVE HEARD FROM THE  
13 ICOC, AT LEAST FROM INDIVIDUAL MEMBERS OF THE ICOC, IS  
14 WE SHOULDN'T BE DOING THIS EXACTLY LIKE THE NIH.

15           DR. FONTANA: I'M A PERSON WHO SAYS THAT  
16 FREQUENTLY, BUT I ALSO THINK, ZACH, THAT WE SHOULD ALSO  
17 TAKE WHAT WORKS WELL FROM THE NIH. WE HAVE SYSTEMS IN  
18 PLACE THAT HAVE BEEN VETTED. USE THOSE EXAMPLES AND  
19 MODELS WHERE THEY ARE EFFECTIVE AND SEE IF WE CAN  
20 IMPROVE UPON THEM.

21           DR. HALL: I APPRECIATE THAT. AND I WILL SAY  
22 FROM MY VANTAGE POINT, THE ROADMAP OF THE NIH HAS  
23 REQUIRED A LOT OF REDRAWING. AND I THINK ZERHOUNI  
24 HIMSELF HAS BEEN UNHAPPY WITH IT. SO IT'S NOT CLEAR TO  
25 ME EXACTLY WHAT MODEL ONE SHOULD FOLLOW IN THAT. WE

1 CERTAINLY HOPE TO LEARN FROM WHAT THEY'VE DONE, BUT I  
2 THINK WE HAVE A VERY DIFFERENT SITUATION HERE. WE  
3 HAVE -- I THINK WE HAVE PUBLIC INVOLVEMENT IN A WAY  
4 THAT NIH DOES NOT HAVE. WE HAVE A PARTNERSHIP WITH  
5 PATIENT ADVOCATES TO A DEPTH THAT NIH DOES NOT HAVE.  
6 WE HAVE AN ICOC THAT'S VERY INTERESTED AND EAGER AND  
7 WANTS TO BE INVOLVED IN THE PROCESS, WHICH WE'RE HAPPY  
8 TO DO, MUCH MORE THAN ADVISORY COUNCILS AT NIH.

9 SO WE CAN'T SIMPLY PICK UP THEIR MODEL. WHAT  
10 WE HAVE TO DO IS TO FIND A WAY TO DO IT THAT IS  
11 RESPONSIVE TO THIS VERY COMPLEX CONSTITUENCY THAT WE  
12 HAVE AND THAT WILL INVOLVE PEOPLE, THAT WILL BE  
13 TRANSPARENT, THAT WILL GET THE BEST POSSIBLE SCIENTIFIC  
14 ADVICE WHEREVER THAT COMES UP. AND I WOULD BE HAPPY IF  
15 YOU HAD SUGGESTIONS FOR WHAT WE'VE PROPOSED, BUT I  
16 THINK WE HAVE TO FIND A WAY TO DO IT THAT REALLY -- WE  
17 ARE ONCE AGAIN BREAKING NEW GROUND. THERE'S NO  
18 QUESTION ABOUT IT. AND IT'S ALWAYS MORE EXPENSIVE AND  
19 MORE DIFFICULT AND MORE TIME-CONSUMING TO DO THAT, BUT  
20 WE THINK IT'S IMPORTANT TO DO. SO THAT'S WHAT WE PLAN  
21 TO DO. FIND OUR OWN WAY IN THIS IN A SENSE, AND I HAVE  
22 TRIED TO GIVE YOU OUR THINKING ON THIS, AND I'M HAPPY  
23 TO HAVE ANY SUGGESTIONS THAT YOU MAY HAVE. I'M OPEN TO  
24 THOSE, BUT THIS IS WHY WE HAVE A PLAN FOR A PLAN, SO  
25 THAT YOU CAN SEE HOW WE PLAN TO GO ABOUT IT.

1 MS. LANSING: THERE WAS AN ENORMOUS AMOUNT OF  
2 DISCUSSION. I JUST WANT TO SAY THAT TO YOU. THIS HAS  
3 BEEN GOING ON LITERALLY FOR MANY, MANY GOVERNANCE  
4 COMMITTEE MEETINGS. AND I REALLY UNDERSTAND WHAT  
5 YOU'RE SAYING. I THINK ALL OF US ON THE GOVERNANCE  
6 COMMITTEE HAVE GONE BACK AND FORTH WITH THIS AND HAVE  
7 TALKED TO ZACH QUITE A BIT ABOUT IT AND TOTALLY  
8 RESPECT, YOU KNOW, WHAT YOU JUST ARTICULATED.

9 I JUST WANT TO EMPHASIZE AGAIN THAT THIS IS  
10 GOING TO BE RAISED BY OUTSIDE MONEY, THAT ZACH FEELS  
11 VERY COMFORTABLE THAT HE WILL BE ABLE TO GET. SO I  
12 JUST -- I DO WANT TO SAY THAT I WANT TO CONTINUE THE  
13 DISCUSSION, BUT THIS IS SOMETHING THAT WE SPENT MANY,  
14 MANY MEETINGS ON. ED.

15 DR. HALL: LET ME JUST COMMENT ON THAT TO BE  
16 CLEAR, SHERRY. I DON'T WANT TO BE MISLEADING ANYBODY  
17 IN THIS. WE WILL DO OUR FIRST 20 PERCENT WITH MONEY  
18 THAT WE RAISE. WE DON'T RIGHT NOW HAVE THE MONEY IN  
19 HAND TO DO THIS. WE WILL WORK VERY HARD AND CONTINUE  
20 TO TRY TO RAISE THE MONEY; BUT IF FOR SOME REASON WE  
21 ARE UNSUCCESSFUL, THEN THAT'S THE REASON FOR THE  
22 POSTPONEMENT IN FINAL PAYMENTS, THAT, IF NECESSARY, WE  
23 CAN PAY OFF LATER IN THE DAY.

24 SO I JUST WANT TO BE CLEAR ABOUT THAT. WE  
25 WILL MAKE THE FIRST 20 PERCENT OUT OF MONEY THAT WE



1 RAISE. WE'RE GOING TO DO OUR BEST TO DO WHAT WE CAN  
2 WITH THE REST OF IT, BUT --

3 MS. LANSING: I UNDERSTAND.

4 DR. PENHOET: ANOTHER POINT TO CONSIDER IS  
5 TIMELINE. I THINK WE HAVE AN AGGRESSIVE TIMELINE. I  
6 THINK WE MUST FINISH THIS BY DECEMBER. MANY OTHER  
7 THINGS ARE IN PROCESS THAT SHOULD BE ALIGNED WITH THE  
8 STRATEGIC PLAN, NOT LEADING THE STRATEGIC PLAN. TO GET  
9 THIS DONE IN THE TIME FRAME WE'RE NOW TALKING ABOUT,  
10 WITH THE LEVEL OF INVOLVEMENT BY MANY STAKEHOLDERS,  
11 ETC., IT IS A REALLY DAUNTING TASK, FRANKLY. I THINK  
12 THAT ONE REASON YOU NEED OUTSIDE HELP WITH THIS IS AS  
13 ZACH MENTIONED. WE DON'T HAVE THE HUMAN RESOURCES  
14 INSIDE THE CIRM TO DO THE AMOUNT OF WORK THAT'S GOING  
15 TO BE REQUIRED IN THIS TIME FRAME. BECAUSE IF WE DON'T  
16 GET THIS DONE BY DECEMBER, IT COULD EASILY KEEP  
17 DRAGGING ON AND ON AND OTHER THINGS THAT WE'RE TRYING  
18 TO DO AND DECIDE, THE FIRST ROUND OF GRANTS BEING ONE  
19 OF THOSE, RESEARCH GRANTS, SHOULD BE ALIGNED WITH A  
20 STRONG STRATEGIC PLAN. SO IT'S NOT ONLY THE COMPLEXITY  
21 OF THE TASK, BUT IT'S ALSO THE COMPRESSED TIMELINE.  
22 THIS IS SOMETHING THAT IS, IN MY VIEW, WAY OVERDUE.

23 DR. HALL: THANK YOU, ED. THAT IS A VERY,  
24 VERY IMPORTANT POINT. WE ARE IN A SENSE ALREADY A BIT  
25 BEHIND ON THIS, AND WE NEED TO MOVE AHEAD IF WE'RE

1 GOING TO BE READY FOR THE MONEY WHEN IT COMES.

2 DR. PIZZO: ED ACTUALLY MADE THE POINTS I WAS  
3 GOING TO ALSO MAKE. ZACH KNOWS I'VE HAD THIS  
4 DISCUSSION WITH HIM. I HAVE A PERSONAL DISINCLINATION  
5 TO USE OF CONSULTANTS WHERE YOU CAN DO THINGS  
6 INTERNALLY, PARTICULARLY REGARDING STRATEGIC PLANNING,  
7 BUT I THINK THE REALITY IS THAT YOU CAN'T DO THIS  
8 WITHOUT THIS KIND OF SUPPORT. IN OUR OWN PROGRAM WE  
9 HAVE ESTABLISHED AN OFFICE FOR INSTITUTIONAL PLANNING  
10 THAT HAS A NUMBER OF PEOPLE WORKING ON IT JUST TO KEEP  
11 OUR STRATEGIC PLANS MOVING FORWARD. IF YOU COULD DO  
12 THAT, THAT WOULD BE THE IDEAL, BUT YOU CAN'T. AND I  
13 THINK THE ISSUES ARE JUST AS OTHERS HAVE ARTICULATED,  
14 SO I AM NOW VERY SUPPORTIVE TO THIS.

15 DR. KESSLER: I GUESS AT THE HEART OF THIS IS  
16 WE LOOK AT THE NUMBER. THAT'S WHAT GIVES US PAUSE IN  
17 DOING DUE DILIGENCE ON THE NUMBER, AS WELL AS HAVING  
18 ALL WORKED WITH THESE VERY LARGE FIRMS, SOMETIMES  
19 HAVING VERY GOOD EXPERIENCES AND SOMETIMES NOT HAVING  
20 AS IDEAL EXPERIENCES. I GUESS I WONDER WHETHER WE  
21 COULD FEEL A LITTLE MORE COMFORTABLE IF, IN FACT -- I  
22 DON'T WANT TO SECOND-GUESS HOW THIS WAS SET UP -- BUT  
23 THE ISSUE IS IS THERE A WAY TO MAKE SURE THAT THIS IS  
24 DONE -- SORT OF THE PWC CONTRACT IS DONE IN MODULES  
25 WITH MILESTONES SO THAT YOU CAN REALLY TELL THE BOARD

1 THAT WE'RE GUARANTEED THAT WE'RE NOT JUST ENTERING INTO  
2 THIS BIG NUMBER AND THAT WE HAVE DIFFERENT PHASES OF  
3 THIS? AND THAT AS LONG AS YOU'RE HAPPY WITH THEIR  
4 PERFORMANCE AND THEY ARE REALLY EARNING THESE DOLLARS,  
5 THEN WE WILL CONTINUE SORT OF DUE DILIGENCE. IT'S THE  
6 NUMBER THAT I THINK GIVES --

7 DR. HALL: DAVID, I APPRECIATE YOUR CONCERN.  
8 BUT AS SHERRY SAID, THIS IS THE THIRD ICOC MEETING AT  
9 WHICH WE'VE DISCUSSED THIS. I THINK IF YOU WANT ME TO  
10 DO THE JOB, I THINK YOU'RE GOING TO HAVE TO SAY PLEASE  
11 DO IT TO THE BEST OF YOUR ABILITY. TELL US WHAT YOU  
12 CAN. HELP US OUT. BUT I THINK IF WE HAVE TO COME BACK  
13 AND SAY NOW WE'VE BEEN THREE MONTHS INTO THE PROJECT,  
14 WILL THE ICOC APPROVE A SECOND STAGE BASED ON THE  
15 PERFORMANCE OF PWC SO FAR, I'M VERY CONCERNED ABOUT  
16 THAT.

17 MS. LANSING: WHY DON'T YOU CLARIFY? I KNOW  
18 WHAT YOU WERE SAYING.

19 DR. HALL: MAYBE I MISUNDERSTAND.

20 DR. KESSLER: I WAS JUST ASKING WHAT THE  
21 DELIVERABLES ARE, AND HAVE YOU SET THIS UP IN A WAY  
22 THAT YOU HAVE THE FLEXIBILITY? I'M NOT LOOKING TO YOU  
23 TO BRING IT BACK TO US. WE'RE LOOKING TO DO OUR  
24 FIDUCIARY WHEN WE LOOK AT THIS LARGE NUMBER. DO YOU  
25 HAVE THE DELIVERABLES AND THE OPTIONS THAT YOU CAN

1 REASSESS THIS ALONG THE WAY SO THAT YOU REALLY CAN TELL  
2 US THAT YOU CAN MANAGE THIS AND REALLY WILL GET THE  
3 PRODUCTIVITY THAT A HALF A MILLION DOLLARS BUYS?  
4 THAT'S THE QUESTION.

5 DR. HALL: NOW, RECALL, HALF MILLION DOLLARS  
6 IS FOR THE ENTIRE PROJECT AT THIS STAGE, INCLUDING ANY  
7 NUMBER OF MEETINGS. SO HALF MILLION DOLLARS IS NOT THE  
8 COST OF THE CONTRACT. MY GUESS IS AT LEAST A HUNDRED  
9 THOUSAND OF THAT, AND THAT MAY BE A SMALL AMOUNT, WILL  
10 BE SPENT ON THESE OTHER MEETINGS BY THE TIME ALL IS  
11 SAID AND DONE.

12 AND THESE ARE MEETINGS THAT WE ARE  
13 UNDERTAKING, I WANT TO BE CLEAR, FOR GOOD REASONS.  
14 NOW, WE ARE IN STAGES OF NEGOTIATING TERMS AND  
15 CONDITIONS WITH PWC AND IN DISCUSSING JUST WHAT IT IS  
16 WE WANT FROM THEM. OBVIOUSLY THAT, IN PART, DEPENDS ON  
17 THE SIZE OF THE CONTRACT, AND THIS WILL BE A  
18 NEGOTIATION BACK AND FORTH. THIS, I THINK, IS A VERY  
19 IMPORTANT CONTRACT TO THEM. I THINK THEY ARE VERY  
20 EAGER FOR IT TO BE SUCCESSFUL. I CAN ASSURE YOU THAT  
21 WE WILL HAVE WEEKLY MEETINGS WITH THEM, WITH THEIR  
22 SENIOR PERSON, WE WILL HAVE A MEETING WITH THE ADVISORY  
23 COMMITTEE THAT'S OPEN TO THE PUBLIC EVERY THREE TO FOUR  
24 WEEKS. I THINK IF THEY'RE NOT PERFORMING, I THINK IT  
25 WILL BE PLAIN TO EVERYBODY, AND I THINK WE WILL TAKE

1 APPROPRIATE ACTION. AND I HOPE YOU WOULD TRUST ME TO  
2 DO THAT.

3 MS. LANSING: I TRUST YOU A HUNDRED PERCENT.  
4 AND I THINK WHAT DAVID WAS SUGGESTING, AND THIS IS  
5 TOTALLY IN YOUR HANDS, IS THAT WHILE YOU'RE NEGOTIATING  
6 THE FINE POINTS OF THE CONTRACT, YOU MIGHT HAVE A  
7 POSSIBILITY LIKE AT SUCH POINT, IF YOU ARE NOT  
8 SATISFIED, YOU CAN TERMINATE THEIR SERVICES.

9 DR. HALL: CERTAINLY.

10 MS. LANSING: THAT IS, I THINK, WHAT DAVID  
11 WAS SUGGESTING, AND IT'S JUST A PROTECTION. I ALSO  
12 THINK THAT -- AGAIN, THIS IS THE THIRD MEETING. I WANT  
13 TO JUST SAY ON BEHALF OF THE MEMBERS OF THE GOVERNANCE  
14 COMMITTEE, WE HAVE LOOKED AT THIS NUMBER. IT HAS  
15 RAISED A RED FLAG TO A LOT OF US. WE HAVE ASKED ZACH  
16 ABOUT IT ENDLESSLY. AND I ALSO THINK YOU COULD  
17 POSSIBLY EXPLAIN WHAT A BIG REDUCTION IT WAS FROM WHAT  
18 THEY WERE INITIALLY ASKING, AND THAT WOULD ACTUALLY PUT  
19 IT IN MORE OF A CONTEXT ALSO.

20 DR. HALL: WELL, LET ME JUST SAY THAT WE WILL  
21 END UP NEGOTIATING A CONTRACT WITH THEM THAT WILL BE  
22 LESS THAN THEIR OFFER.

23 MS. LANSING: CONSIDERABLY.

24 DR. HALL: AND LET ME ALSO SAY THAT THIS WAS  
25 BY A LARGE, LARGE MARGIN SMALLER THAN THE OTHER

1 CONTRACT TERMS THAT WE WERE GIVEN BY THE OTHER FIRM,  
2 WHO EXPLAINED TO US THAT, IN FACT, THIS WAS AT HALF  
3 PRICE FOR THEM. SO --

4 MS. LANSING: THAT'S WHAT I WAS LOOKING FOR  
5 YOU TO SAY.

6 DR. HALL: SO THE NUMBERS HERE FOR THESE  
7 KINDS OF THINGS TEND TO BE VERY LARGE. AS PHIL SAID,  
8 IF WE HAD A WAY IN WHICH WE WOULD BRING IN PERSONNEL,  
9 HAVE OUR OWN OFFICE, DO IT OURSELVES, THAT WOULD  
10 CERTAINLY BE PREFERABLE. IN PART, WE ARE PAYING THE  
11 PRICE FOR HAVING TO DO IT ON A RELATIVELY FAST  
12 TIMELINE, FOR HAVING TO DO IT IN A NEW WAY, BREAKING  
13 NEW GROUND AS WE GO ABOVE AND BEYOND THE WAY THINGS  
14 HAVE BEEN DONE BEFORE, WHICH IS EXCITING AND  
15 EXHILARATING, BUT ALSO EXPENSIVE, LITTLE MORE SO THAN  
16 OTHERWISE.

17 I THINK IN THE WORLD OF CONSULTING FIRMS, TO  
18 DO IT THIS WAY, TO GET A READY-MADE PRODUCT, IN  
19 ESSENCE, I THINK WE'RE GOING TO COME OUT VERY, VERY  
20 WELL. I THINK WE'RE GOING TO GET GREAT VALUE FOR OUR  
21 MONEY, AND I'M QUITE CONFIDENT OF THAT. IF WE'RE NOT  
22 HAPPY WITH THEM, I'LL TELL YOU THE FIRST ONE TO SCREAM  
23 WILL BE ME. IT'S MY JOB TO BRING IN A DRAFT OF A PLAN  
24 TO YOU BY OCTOBER AND TO BRING YOU THE BEST POSSIBLE  
25 PLAN THAT I CAN, AND I WILL CERTAINLY NEED GOOD

1 PERFORMANCE FROM THEM AND WILL NEED -- ALL OF US ON THE  
2 STAFF WILL BE WORKING. THIS WILL BE OUR TOP PRIORITY  
3 FOR THE NEXT FEW MONTHS. I CAN ASSURE YOU OF THAT.

4 MS. LANSING: THANK YOU, ZACH.

5 CHAIRMAN KLEIN: JUST TO PLACE THIS IN  
6 POSITION FOR A FORMAL VOTE WITH ADDITIONAL  
7 CONSIDERATION AS A MOTION, I WOULD LIKE TO MOVE THAT WE  
8 APPROVE THIS REQUEST. AND VERY SPECIFICALLY IN SUPPORT  
9 OF THAT, I WOULD SAY THAT I HOLD DR. PIZZO'S POSITION,  
10 WHICH IS I NORMALLY WOULD NOT WANT TO LOOK TO AN  
11 OUTSIDE FIRM OF THIS KIND. WE HAVE TO LOOK AT THE TIME  
12 CONSTRAINTS. WE HAVE TO LOOK AT THE CONSTRAINTS ON  
13 STAFF AND THE OTHER DEMANDS. WE HAVE TO LOOK AT THE  
14 SIZE AND THE SCOPE OF THE CHALLENGE AND THE SCOPE OF  
15 THE INFORMATION THAT NEEDS TO BE INCORPORATED. I THINK  
16 WE CAN LOOK WITH GREAT CONFIDENCE TO THE FACT THAT OUR  
17 PRESIDENT WILL HOLD THE FIRM ACCOUNTABLE FOR BENCHMARKS  
18 AND WILL LISTEN, AS HE ALWAYS DOES, TO INCORPORATE THE  
19 BOARD'S IDEAS AND GETTING THE FULL PERFORMANCE THAT  
20 WE'RE LOOKING FOR. BUT I WOULD URGE YOU THAT WE MOVE  
21 FORWARD ON THIS ITEM TODAY.

22 MS. LANSING: I'M GOING TO CONTINUE THE  
23 DISCUSSION, BUT I NEED TO ASK FOR A SECOND.

24 DR. LOVE: I'LL SECOND.

25 MS. LANSING: I JUST WANT TO ADD TO WHAT

1 BOB'S SAYING. ON BEHALF OF ALL THE MEMBERS OF THE  
2 GOVERNANCE COMMITTEE, WE, I THINK, WITHOUT EXCEPTION,  
3 DID ASK WAS IT POSSIBLE TO DO IT INTERNALLY. AS ZACH  
4 SO ELOQUENTLY STATED, WE DON'T HAVE THE MANPOWER, AND  
5 WE DON'T HAVE THE TIME. AND MOSTLY WE JUST DON'T HAVE  
6 THE MANPOWER. I THINK THAT IS THE SENTIMENT OF THE  
7 GOVERNANCE COMMITTEE AS YOU SO EXPRESSED IT FOR ALL OF  
8 US. I'D LIKE TO CONTINUE. JOAN.

9 MS. SAMUELSON: I'VE GOT SOME QUESTIONS. AND  
10 FORGIVE ME IF THIS HAS BEEN DISCUSSED BEFORE, BUT IT  
11 GOES TO WHAT THE CONSULTANTS WOULD BE PROVIDING. SO MY  
12 QUESTION IS, FOR ONE THING, IS THERE A PROPOSAL OR  
13 SOMETHING IN WRITING THAT DESCRIBES WHAT THEY INTEND TO  
14 BE -- LET ME JUST SAY WHAT MY SUM TOTAL OF THE  
15 QUESTIONS ARE -- THAT ACTUALLY DESCRIBES IN WRITING  
16 WHAT THEY WOULD BE DOING AND PROVIDING IN TERMS OF  
17 EXPERTISE? AND IS THE NOTION THAT THEY WOULD -- HOW  
18 WOULD THE EXPERTISE IN THE WORKING GROUPS BE  
19 INCORPORATED OR NOT IN THIS? AND ARE THEY PROFESSIONAL  
20 FACILITATORS WHO WILL BE BRINGING EXPERTISE TO THIS  
21 PROCESS, OR ARE THEY THE EXPERTS THEMSELVES OR A  
22 COMBINATION?

23 DR. HALL: THEY ARE NOT THE EXPERTS  
24 THEMSELVES. WE AND THE PEOPLE WE TALK TO WILL BRING  
25 THE CONTENT. THEY HAVE SOME EXPERIENCE IN HOW TO



1 HANDLE PROJECTS OF THIS ORDER, BUT NONE OF THEM IS A  
2 STEM CELL SCIENTIST. AND WE MADE IT CLEAR FROM THE  
3 BEGINNING THAT WE WERE NOT HIRING THEM TO DO A  
4 STRATEGIC PLAN, BUT TO HELP US DEVELOP A DRAFT TO  
5 PRESENT TO THE BOARD. SO WE MADE THAT VERY CLEAR  
6 ACTUALLY TO BOTH FIRMS THAT WE TALKED TO, THAT WE WERE  
7 ASKING THEM TO AID US, NOT WE WERE GOING TO HAND IT  
8 OVER TO THEM. THAT'S NOT THE POINT AT ALL.

9 SO WE WILL WORK WITH THEM IN THAT REGARD. WE  
10 WILL CERTAINLY INVOLVE, AS I MENTIONED IN THE  
11 PRESIDENT'S REPORT, THAT WE WOULD INVOLVE THE GRANTS  
12 WORKING GROUP IN ONE OF THE SCIENTIFIC CONFERENCE --  
13 ONE OF THE SCIENTIFIC MEETINGS FOR CIRM MEMBERS. WE  
14 HOPE TO HAVE ONE OF THOSE IN MAY AND ONE IN JULY. AS I  
15 MENTIONED IN THAT REPORT, WE WOULD HOPE THAT YOU AND  
16 DR. ORKIN WOULD MEET WITH THE WORKING GROUP MEMBERS TO  
17 FOCUS THEIR INPUT AND MAYBE DISCUSS SPECIFIC ISSUES  
18 WITH THEM.

19 AND I JUST SAW THIS MORNING FOR THE FIRST  
20 TIME A WHITE PAPER THAT YOU HAD PRODUCED, WHICH I THINK  
21 WILL BE VERY HELPFUL TO US IN THAT.

22 MS. SAMUELSON: THE WHAT? SORRY I DIDN'T  
23 HEAR.

24 DR. HALL: WHITE PAPER THAT YOU PRODUCED. AT  
25 ANY RATE, AND WE ARE -- AS TO WHAT IS SPECIFIED, WE ARE

1 IN THE PROCESS OF DOING THAT NOW. OBVIOUSLY, WHEN WE  
2 NEGOTIATE THE PRICE, WHAT GOES ALONG WITH THAT IS WHAT  
3 THEY PROVIDE. SO WE MAY HAVE TO GO BACK AND FORTH ON  
4 THAT AND SAY WE DON'T WANT THIS, SO GIVE US A CHEAPER  
5 PRICE. OR THEY'LL SAY THAT'S ALL YOU CAN PAY, YOU  
6 DON'T GET THIS. AND SO WE'LL -- JUST NEGOTIATION,  
7 RIGHT, SO THAT'S WHAT WE WILL DO. AND WE WILL DO THE  
8 BEST WE CAN ON THAT, BUT THAT WILL SPECIFY EXACTLY WHAT  
9 WE EXPECT FROM THEM.

10 WE HAVE SKETCHED OUT IN BROAD TERMS, GENERAL  
11 TERMS, YOU'VE SEEN IN WALTER'S PRESENTATION WHAT THOSE  
12 ARE.

13 MS. SAMUELSON: PRESUMABLY THAT WOULD BE  
14 SUBJECT TO EVOLVING WITH THE PLANNING PROCESS, I GUESS.  
15 THERE'S NO HARD AND FAST LIST OF PEOPLE WHO WILL BE  
16 CONSULTED AND WHAT THE EXACT MEETINGS ARE?

17 DR. HALL: YES. I'M SORRY. MAYBE I COULD  
18 MEET WITH YOU AFTERWARDS BECAUSE WE WENT OVER THAT IN  
19 THE PRESIDENT'S REPORT, AND I THINK YOU WERE NOT HERE  
20 AT THAT TIME. IT'S IN ACTUALLY THE PLAN FOR A PLAN,  
21 THAT REVISED PLAN FOR A PLAN THAT'S NOW BEEN GIVEN OUT.

22 MS. FEIT: ZACH, I'M VERY SUPPORTIVE OF  
23 MOVING AHEAD TODAY, AND THIS IS JUST FEEDBACK FROM ME.  
24 I JUST SIGNED OFF A PROJECT OF A SIMILAR NATURE AND  
25 SIMILAR FINANCIAL SCOPE. AND TO TAG ONTO DR. KESSLER'S

1 COMMENTS, I BROKE IT DOWN IN THREE PHASES. THE FUNDING  
2 WAS ALLOCATED IN THREE PHASES, SO THAT AT THE END OF  
3 EACH PHASE, I COULD ASSESS THE DELIVERABLES. AND IT  
4 SORT OF PUT IN THE CONTROLS THAT MY BOARD WANTED TO SEE  
5 BECAUSE IT'S A LOT OF MONEY.

6 DR. HALL: I'LL BE ON THE PHONE WITH YOU  
7 SHORTLY.

8 MS. FEIT: WHEN YOU'RE WORKING WITH  
9 CONSULTANTS --

10 DR. HALL: I APPRECIATE YOUR ADVICE AND HELP  
11 WITH THAT. THANK YOU.

12 MS. LANSING: MORE BOARD COMMENT? YES,  
13 CLAIRE.

14 DR. POMEROY: I JUST WANT TO SPEAK IN FAVOR  
15 OF THE MOTION. AS A MEMBER OF THE GOVERNANCE  
16 COMMITTEE, I THINK WE ALL DID BALK A LITTLE BIT WHEN WE  
17 SAW THE TOTAL PROJECT COST. AND IT WAS A VERY  
18 EDUCATIONAL EXPERIENCE TO THINK THROUGH AND GO THROUGH  
19 THE THINKING PROCESS OF THIS IS THE TOTAL PROJECT COST,  
20 SO THE CONTRACT IS LESS THAN THAT, AND MUCH LESS THAN  
21 THE CONSULTANTS WISHED AND THOUGHT IT WOULD TAKE. AND  
22 IF YOU THOUGHT ABOUT HIRING THE PERSONNEL TO DO ALL OF  
23 THIS, IF YOU THINK ABOUT THE COSTS OF THE PUBLIC  
24 MEETINGS, IF YOU THINK ABOUT THE URGENCY THAT WE HAVE  
25 TO DO THIS, I THINK MY BOTTOM CONCLUSION IS THAT IT

1 WOULD BE IRRESPONSIBLE NOT TO DO THIS STARTING TODAY  
2 AND WITH EXCELLENT FACILITATION.

3 SO REMEMBER, THIS IS \$500,000 TO DECIDE FROM  
4 SCRATCH HOW WE'RE GOING TO SPEND \$3 BILLION. AND TO ME  
5 THAT'S AN APPROPRIATE INVESTMENT. SO I URGE THE ICOC  
6 TO SUPPORT THE MOTION.

7 MS. LANSING: THANK YOU, CLAIRE. THAT  
8 EXPRESSES ALL OF THE SENTIMENTS OF THE GOVERNANCE  
9 COMMITTEE.

10 DR. MEYER: SPEAKING AS SOMEONE FROM AN  
11 INSTITUTION WHERE CONSULTANTS ARE A WAY OF LIFE, I  
12 WOULD LIKE TO SAY JUST ONE SIMPLE THING. AND THAT IS  
13 THAT THIS SHOULD REALLY BE SUPPORTED BECAUSE WE DO NOT  
14 WANT TO SCREW THIS UP. AND HOMEGROWN IS GREAT, USUALLY  
15 IS MORE EXPENSIVE IN THE LONG RUN, BUT THIS WAY I THINK  
16 WE'LL GET IT RIGHT.

17 MS. LANSING: AGAIN, EVEN THOSE OF US THAT IN  
18 OUR OWN BUSINESSES PERHAPS LIKE HOMEGROWN MORE THAN YOU  
19 DID, WE DON'T HAVE HOMEGROWN STAFF. WE DON'T HAVE A  
20 CHOICE. DO YOU KNOW? SOME OF US HAD GOOD EXPERIENCE  
21 WITH HOMEGROWN, BUT WE DON'T HAVE THAT CHOICE. SO  
22 THAT'S, I THINK, VERY IMPORTANT TO KNOW.

23 MORE BOARD COMMENT, PLEASE. PUBLIC COMMENT.

24 MR. SIMPSON: JOHN SIMPSON FROM THE  
25 FOUNDATION FOR TAXPAYER AND CONSUMER RIGHTS. I AM ONE

1 OF THOSE WHO'S SKEPTICAL OF OUTSIDE CONSULTANTS.

2 FOR THE TRANSCRIBER, JOHN SIMPSON FROM THE  
3 FOUNDATION FOR TAXPAYER AND CONSUMER RIGHTS. I'M ONE  
4 OF THOSE WHO SHARES SKEPTICISM ABOUT CONSULTANTS, AND  
5 THAT COMES, IN FACT, AFTER TAKING A CLASS AT THE  
6 MASTER'S LEVEL IN STRATEGIC CONSULTING AND ALSO SOME  
7 BUSINESS IN PAST LIVES AS A JOURNALIST.

8 AND SO I COME AT THIS WITH SOME SKEPTICISM,  
9 BUT I GUESS I'M PERSUADED THAT, AS YOU'VE ALL SAID,  
10 THIS IS NECESSARY NOW. WHAT IS A LITTLE BIT TROUBLING  
11 AND LEAVES A LITTLE BIT OF UNEASE IS THE WAY IN WHICH  
12 THE CONSULTANT WAS SELECTED. IT JUST SEEMS TO ME IT  
13 WOULD HAVE BEEN BETTER HAD THERE BEEN MORE OF A PUBLIC  
14 ANNOUNCEMENT AND BIDDING PROCESS. AND THAT WOULD, I  
15 THINK, HAVE LEFT MANY PEOPLE MORE COMFORTABLE. THIS,  
16 IN FACT, IS YOUR \$3 BILLION ROAD MAP. IT'S WHAT'S  
17 GOING TO SPELL EVERYTHING OUT. YOU'VE GOT TO GET IT  
18 RIGHT. AND THOSE SORT OF UNEASY FEELINGS THAT I THINK  
19 SOME OF US HAVE ARE LARGELY MITIGATED BY THE VERY  
20 ENCOURAGING NECESSARY PUBLIC INVOLVEMENT THAT'S SPELLED  
21 OUT IN THE PLAN.

22 SO WHILE WE FEEL SOME UNEASE ABOUT THE  
23 CONSULTANTS AND THAT SORT OF THING, WE'RE GREATLY  
24 ENCOURAGED BY THE COMMITMENT TO THE PUBLIC PROCESS.  
25 AND I'LL GO HOME THINKING ABOUT THAT AS MUCH AS I CAN.

1 MS. LANSING: THANK YOU, JOHN. ANY MORE  
2 COMMENTS FROM THE PUBLIC? WALTER, IS THERE ANYTHING  
3 YOU WANT TO ADD TO THIS?

4 MR. BARNES: NO.

5 MS. LANSING: WITH THAT, I'VE HAD A MOTION;  
6 I'VE HAD A SECOND. ALL IN FAVOR. ANY OPPOSED? THE  
7 MOTION PASSES. AND THAT CONCLUDES OUR UPDATE FROM THE  
8 GOVERNANCE COMMITTEE. I WANT TO THANK -- I REALLY WANT  
9 TO THANK THE MEMBERS OF THE GOVERNANCE COMMITTEE WHO  
10 REALLY SPENT A GREAT DEAL OF TIME ON THIS. I WANT TO  
11 THANK THE BOARD FOR THEIR INCREDIBLE, THE FULL BOARD,  
12 THE ICOC, FOR THEIR INCREDIBLE, THOUGHTFUL THINKING ON  
13 THESE ISSUES, AND THE PUBLIC AS WELL FOR YOUR  
14 INCREDIBLE INPUT.

15 AND THEN FINALLY, JUST I WANT TO END THIS  
16 MEETING BY WISHING JOAN SAMUELSON A HAPPY BIRTHDAY.

17 (APPLAUSE.)

18 MS. SAMUELSON: AND MY COLLEAGUE MR.  
19 SERRANO-SEWELL.

20 MS. LANSING: WE DID THAT BEFORE YOU CAME.  
21 YESTERDAY AGAIN, I'LL SAY HAPPY BIRTHDAY TO DAVID.  
22 WITH THAT, I TURN IT BACK TO YOU, MR. CHAIRMAN.

23 CHAIRMAN KLEIN: I'D LIKE TO TURN IT OVER TO  
24 OUR VICE CHAIR WHO'S GOING TO GIVE US ALL A PASS.

25 DR. PENHOET: I HAVE NO IDEA WHAT YOU ARE

1 REFERRING TO, BUT I THINK WE'RE GOING TO HAVE A BREAK  
2 FOR A FEW MINUTES. THANK YOU.

3 CHAIRMAN KLEIN: IF WE CAN ALL RECONVENE  
4 AFTER ABOUT TEN MINUTES, WE CAN HAVE A PASS TO USE THE  
5 FACILITIES PROVIDED TO US.

6 (A RECESS WAS TAKEN.)

7 CHAIRMAN KLEIN: WE HAVE TO FORMALLY CONCLUDE  
8 THE SESSION TO BE ABLE TO ADJOURN FOR THE LUNCH BREAK.  
9 GIVEN THE LENGTH OF THE NEXT ITEM, I THINK INDIVIDUALS  
10 HAVE INDICATED TO THE BOARD THAT WE COULD HAVE A LUNCH  
11 BREAK. SO I THINK WE CAN FORMALLY RECONVENE. WE HAVE  
12 THE MEMBERS IN THE ROOM. WHAT WE'RE GOING TO DO IS  
13 MODIFY THIS SCHEDULE TO GO TO LUNCH NOW GIVEN THE  
14 LENGTH OF THE NEXT ITEM AND ITS IMPORTANCE. AND DR.  
15 HENDERSON, WE HAVE CLEARED THIS WITH YOUR STAFF. THE  
16 LUNCH ACTUALLY WILL BE READY IN ABOUT EIGHT MINUTES, SO  
17 IF MEMBERS COULD MAKE WHATEVER CALLS THEY NEED TO  
18 BEFORE LUNCH, WE'RE GOING TO GO INTO EXECUTIVE SESSION  
19 FOR THE LUNCH MEETING.

20 THE EXECUTIVE SESSION WILL CONSIDER PENDING  
21 LITIGATION, THE PEOPLE'S ADVOCATE VS. INDEPENDENT  
22 CITIZEN'S OVERSIGHT COMMITTEE AS WELL AS THE CALIFORNIA  
23 FAMILY BIOETHICS COUNCIL VS. CALIFORNIA INSTITUTE FOR  
24 REGENERATIVE MEDICINE, AND MARY SCOTT DOE VS. ROBERT  
25 KLEIN, ET AL., MEANING ALL OF US, IN U.S. DISTRICT

1 COURT. IT'S THE SAME CASES PREVIOUSLY UNDER  
2 DISCUSSION. WE WILL BE DISCUSSING THOSE IN EXECUTIVE  
3 SESSION. WE WILL REPORT OUT ANY ACTION TAKEN IN  
4 EXECUTIVE SESSION.

5 SO THE MEETING IS ADJOURNED. WE WILL ATTEMPT  
6 TO BE BACK IN SESSION IN ONE HOUR.

7 (LUNCH RECESS TAKEN.)

8 CHAIRMAN KLEIN: IF WE CAN RECONVENE. OKAY.  
9 IF THE REST OF THE BOARD COULD COME TO THE DAIS, I  
10 THINK WE'RE READY TO RECONVENE. WE ARE ON ITEM NO. 11,  
11 THE GRANTS ADMINISTRATION POLICY. AND DAVID  
12 SERRANO-SEWELL IS TAKING INFORMATION FROM THE PUBLIC,  
13 BUT IT WOULD BE BENEFICIAL IF STAFF AT THE BACK OF THE  
14 ROOM, AMY LEWIS AND AMY DUROSS. I WOULD LIKE TO START  
15 WITH DR. ARLENE CHIU FOR THE GRANTS ADMINISTRATION  
16 POLICY, A POLICY IN WHICH SHE HAS INVESTED A TREMENDOUS  
17 AMOUNT OF ENERGY, KNOWLEDGE, EXPERIENCE, AND DRIVE.  
18 DR. CHIU, IF YOU COULD BEGIN ITEM 11.

19 DR. CHIU: THANK YOU VERY MUCH, MR. CHAIRMAN.  
20 GOOD AFTERNOON. BEFORE I BEGIN, I WANT TO MAKE TWO  
21 POINTS. ONE IS THAT A LAST-MINUTE GUIDANCE SHEET WAS  
22 JUST SHARED WITH EVERYONE THAT WE PUT TOGETHER AT THE  
23 LAST MINUTE, I'M SORRY FOR THAT, WHICH SUMMARIZES THE  
24 RECOMMENDED EDITS FROM THE GRANTS WORKING GROUP IN THE  
25 PROPOSED DOCUMENT TODAY. IT'S ONLY ONE SHEET LONG.



1 THE OTHER SIDE JUST RECORDS THE VOTES FOR EACH MOTION  
2 FOR YOUR INFORMATION.

3 THE SECOND THING IS WE ARE GOING TO HAVE A  
4 NUMBER OF SLIDES, AND FOR BOARD MEMBERS SITTING UP  
5 THERE WITH THEIR BACKS TO THE SLIDES, YOU MAY BE MORE  
6 COMFORTABLE, IF YOU FEEL LIKE IT, TO MOVE SOMEWHERE  
7 WHERE YOU CAN SEE THE SLIDES BETTER, IF YOU SO WISH.  
8 JUST A WARNING.

9 SO LAST DECEMBER THE ICOC REVIEWED AND  
10 APPROVED THE INTERIM GRANTS ADMINISTRATION POLICY FOR  
11 TRAINING GRANTS, WHICH WE IN-HOUSE AFFECTIONATELY CALL  
12 THE BABY GAP. WITH THIS POLICY IN PLACE, THE CIRM IS  
13 NOW POISED TO AWARD TRAINING GRANTS THAT YOU APPROVED  
14 LAST YEAR ONCE BAN FUNDS BECOME AVAILABLE.

15 AS YOU KNOW, JUST A REMINDER, THE PURPOSE OF  
16 A GRANTS ADMINISTRATION POLICY IT TO SET OUT THE TERMS  
17 AND CONDITIONS OF GRANT AWARDS FROM THE CIRM AND TO  
18 TELL RECIPIENTS WHAT ARE THEIR RESPONSIBILITIES AS CIRM  
19 GRANTEES. THE INFORMATION IN THIS DOCUMENT IS DIRECTED  
20 AT RECIPIENT INSTITUTIONS AS WELL AS THE PRINCIPAL  
21 INVESTIGATORS OR PI'S. AND FINALLY, RECIPIENT  
22 INSTITUTIONS AND PI'S MUST AGREE TO COMPLY WITH OUR  
23 GUIDELINES AND PROCEDURES BEFORE THEY CAN ACTUALLY  
24 RECEIVE FUNDS FROM CIRM.

25 SO TODAY WE BRING TO YOUR ATTENTION THE

1 PROPOSED GRANTS ADMINISTRATION POLICY THAT WILL COVER  
2 ALL CIRM GRANT AWARDS TO ACADEMIC AND NONPROFIT  
3 INSTITUTIONS. WE CALL THIS THE BIG GAP TO DISTINGUISH  
4 IT FROM THE BABY GAP FOR TRAINING GRANTS. THE BIG GAP  
5 REPRESENTS THE ADMINISTRATIVE PROCESSES USED BY THE  
6 CIRM TO MANAGE GRANT APPLICATIONS. THESE, YOU MIGHT  
7 SAY, ARE OUR RULES OF OPERATION, NOT UNLIKE THE  
8 CALIFORNIA DRIVER'S HANDBOOK THAT EXPLAINS THE RULES OF  
9 THE ROAD, SUCH AS SPEED LIMITS, RIGHT OF WAY, NO  
10 PARKING ZONES, AND TRAFFIC FINES. AS YOU CAN SEE, IT'S  
11 VERY DIFFERENT FROM DECIDING WHERE TO BUILD A FREEWAY,  
12 WHICH IS MORE AKIN TO YOUR STRATEGIC PLAN.

13 SO AT THE LAST ICOC MEETING, WE PROVIDED THE  
14 BOARD WITH AN EARLIER DRAFT OF THIS DOCUMENT AS AN  
15 INFORMATIONAL ITEM SO THAT YOU WILL HAVE TWO MONTHS TO  
16 LOOK IT OVER. ON MARCH 14TH WE PRESENTED THAT SAME  
17 DRAFT TO THE SCIENTIFIC AND MEDICAL RESEARCH FUNDING  
18 WORKING GROUP, WHICH MET BY TELECONFERENCE TO DISCUSS  
19 THE DOCUMENT.

20 AND WE'RE VERY PLEASED TO REPORT THAT OF THE  
21 23 WORKING GROUP MEMBERS, 15 WERE ABLE TO ATTEND BY  
22 CALLING IN OR BY ATTENDING IN PERSON. ALTHOUGH 15 IS  
23 THE MINIMUM NUMBER FOR US TO GET A QUORUM, WE DID NOT  
24 ACTUALLY HAVE A QUORUM WHEN IT CAME TO VOTES BECAUSE  
25 DIFFERENT MEMBERS HAD TO LEAVE EARLY OR COULD ONLY JOIN

1 US WHEN THEY COULD. HOWEVER, I DO WANT TO SAY THAT NO  
2 LESS THAN 12 MEMBERS VOTED ON EACH MOTION THAT WAS  
3 BROUGHT UP FOR DISCUSSION, AND EACH DECISION THAT WAS  
4 MADE RECEIVED NO LESS THAN 12 CONSENSUS VOTES. AND THE  
5 VOTES ON EACH ARE ON THE BACK SHEET OF WHAT I CALL THE  
6 CHEAT SHEET THAT YOU JUST RECEIVED.

7 AND FOR THE MEMBERS OF THE PUBLIC, COPIES OF  
8 THIS SHEET, XEROXES HAVE BEEN MADE AND ARE PRESENT IN  
9 THE FRONT OF THE ROOM. AND I WANT TO PARTICULARLY  
10 THANK DIANE LAPA FOR LAST-MINUTE XEROXING OF THIS SHEET  
11 FOR ALL OF US.

12 SO AT THAT MEETING WE GOT A LOT OF COMMENTS  
13 FROM THE PUBLIC WHO ATTENDED, AND WE PAID PARTICULAR  
14 ATTENTION TO THEM. SO YOU WILL SEE THE RESULTS OF SOME  
15 OF OUR RESPONSES TO THE COMMENTS LATER AS WE GO OVER  
16 THE DOCUMENT.

17 THE WORKING GROUP REVIEWED THE DOCUMENT  
18 CHAPTER BY CHAPTER, AND FOLLOWING PUBLIC COMMENTS,  
19 SUGGESTED CHANGES WERE DISCUSSED AND A CONSENSUS  
20 OPINION EXPRESSED BY THE WHOLE WORKING GROUP ATTENDING.

21 I ALSO WANT TO MAKE THE POINT THAT TODAY, AS  
22 WE PRESENT THIS BIG GAP TO YOU, YOU, THE BOARD, FOR  
23 YOUR CONSIDERATION, THE DOCUMENT IN TAB 11, YOU WILL  
24 FIND THAT THIS DOCUMENT IS AN AMENDED DRAFT NOW BEARING  
25 CHANGES THAT WERE RECOMMENDED BY THE WORKING GROUP.

1 AND THE CHANGES GOING CHAPTER BY CHAPTER ARE FOUND  
2 EXPRESSED IN THE CHEAT SHEET THAT YOU JUST RECEIVED.

3 ALSO FOR THE PUBLIC, I WANT THEM TO KNOW THAT  
4 THIS AMENDED DOCUMENT THAT THE ICOC BOARD MEMBERS ARE  
5 REFERRING TO NOW HAS BEEN POSTED ON THE CIRM WEBSITE  
6 FOR A WEEK. SO IT HAS BEEN AVAILABLE TO THEM.

7 THIS COMPREHENSIVE DOCUMENT, WHEN APPROVED,  
8 WILL FORM THE BASIS FOR DEVELOPING GRANTS  
9 ADMINISTRATIVE REGULATIONS PURSUANT TO ADMINISTRATIVE  
10 PROCEDURES ACT. FOLLOWING APPROVAL BY YOU, THE BOARD,  
11 THIS POLICY WILL BE NOTICED AND THEN WILL BE OPEN TO  
12 FURTHER ADJUSTMENT DURING THE 45-DAY PERIOD OF PUBLIC  
13 COMMENT.

14 NOW, THE STAFF AT CIRM WHO HAVE BEEN WORKING  
15 ON THIS DOCUMENT FOR MONTHS NOW CONSISTS OF THE WHOLE  
16 SCIENCE TEAM, INCLUDING OUR PRESIDENT, ZACH HALL,  
17 MYSELF, MARY MAXON, AND GILBERTO SAMBRANO, AND WE ALSO  
18 HAVE THE HELP OF OUR LEGAL TEAM, WHICH CONSISTS OF DAN  
19 BEDFORD AND SCOTT TOCHER. AND WHEN WE'RE IN DOUBT, WE  
20 ALWAYS ASK JAMES HARRISON TO MAKE SURE WE'RE CONSISTENT  
21 WITH PROP 71.

22 AT THIS POINT I REALLY WANT TO TELL YOU,  
23 POINT OUT TO YOU THAT A GREAT DEAL OF CREDIT GOES TO  
24 DR. GILBERTO SAMBRANO, OUR SCIENTIFIC REVIEW OFFICER.  
25 AS I SAID, EVERYBODY IN THE STAFF JUGGLES MANY BALLS,

1 AND GIL TOOK ON THE ROLE OF PROJECT MANAGER FOR ALL THE  
2 MONTHS, KEPT US FOCUSED THROUGH MULTIPLE VERSIONS, AND  
3 A CONSTANT STREAM OF CHANGES. AND HE WAS THE ONE WHO  
4 CAME UP WITH THIS CHEAT SHEET THAT WILL HELP YOU TODAY.  
5 SO I WANT TO PERSONALLY THANK GIL A GREAT DEAL FOR HIS  
6 WORK.

7 (APPLAUSE.)

8 DR. CHIU: IN CARRYING OUT THIS TASK, WE ALSO  
9 TURNED TO A NUMBER OF CONSULTANTS FOR HELP, IN  
10 PARTICULAR DIANE WATSON, WHO WAS FORMER CHIEF OF GRANTS  
11 MANAGEMENT AT THE NIH, AND A COMPANY, LMI, WHO AT FIRST  
12 RESEARCHED AND COMPARED POLICIES OF NUMEROUS  
13 GOVERNMENTAL AND NONGOVERNMENTAL GRANT-MAKING AGENCIES  
14 SO THAT WE HAVE A BASIS FOR LOOKING AT POLICIES.

15 FOR BACKGROUND INFORMATION, WE REFERRED TO  
16 THE POLICIES THAT GUIDE A LONG LIST OF PUBLIC AND  
17 PRIVATE GRANTING-MAKING AGENCIES, SOME OF WHICH ARE  
18 LISTED HERE: THE JDRF, THE AMERICAN CANCER SOCIETY,  
19 THE CHRISTOPHER REEVE PARALYSIS FOUNDATION, THE  
20 AMERICAN HEART ASSOCIATION, THE HOWARD HUGHES MEDICAL  
21 INSTITUTE, ALL THE SPECIAL RESEARCH PROGRAMS IN  
22 CALIFORNIA, THE NEW JERSEY DEPARTMENT OF HEALTH, THE  
23 FLORIDA DEPARTMENT OF HEALTH, AND THE NIH.

24 SO THE GAP CONTAINS MATERIAL THAT HAS COME TO  
25 YOU ON DIFFERENT OCCASIONS, BUT RIGHT NOW THE DOCUMENT

1 THAT YOU ARE LOOKING AT IN TAB 11 IS ORGANIZED AS SIX  
2 CHAPTERS AND IS STRUCTURED AS A GUIDE TO GRANTEES BY  
3 FOLLOWING THE LIFE CYCLE OF A GRANT FROM APPLICATION  
4 THROUGH REVIEW, APPROVAL, FUNDING, TO THE FINAL  
5 CLOSEOUT PHASE OF A GRANT.

6 TO GUIDE OUR DISCUSSION TODAY, THE CHAPTERS  
7 HERE ARE ILLUSTRATED AS BLUE AND ORANGE BOXES. BLUE  
8 CHAPTERS ARE PRETTY STRAIGHTFORWARD WITH SOME MINOR  
9 CHANGES WHILE THE ORANGE CHAPTERS HAVE ITEMS THAT  
10 REQUIRE PERHAPS A BIT MORE DISCUSSION OR EXPLANATION.

11 THE BIG GAP NOW REFERS TO MATERIALS THAT HAVE  
12 BEEN REVIEWED BY YOU, INCLUDING THE TRAINING GRANT  
13 ADMINISTRATION POLICY, OR BABY GAP, AND NOW IT'S SORT  
14 OF ENCLOSED IN CHAPTER 6, THE INTERIM CRITERIA FOR  
15 REVIEW OF TRAINING GRANTS NOW ALSO IN CHAPTER 6, THE  
16 INTERIM CRITERIA FOR REVIEW OF RESEARCH GRANTS EXPANDED  
17 AS PER BOARD SUGGESTIONS NOW IN CHAPTER 2. THE CIRM  
18 MEDICAL AND ETHICAL STANDARDS, WHICH NOW FORMS APPENDIX  
19 A, WHICH YOU WILL NOT FIND IN THERE BECAUSE IT WAS  
20 BEING FINALIZED AS THIS DOCUMENT WAS BEING DONE, BUT  
21 THAT IS WHAT APPENDIX A WILL HOLD. AND FINALLY, LAST,  
22 BUT NOT LEAST, THE CIRM IP POLICY FOR NONPROFIT  
23 ORGANIZATIONS WILL FORM APPENDIX B. SO THE DOCUMENT  
24 WILL BE A COMPREHENSIVE ONE.

25 WHAT I'D LIKE TO DO TODAY IS TO PRESENT

1 CHAPTER BY CHAPTER CHANGES THAT CIRM STAFF HAS MADE  
2 AFTER THE GRANTS REVIEW WORKING GROUP MEETING ON MARCH  
3 14TH FOR YOUR CONSIDERATION, COMMENTS, AND APPROVAL.  
4 AND THE REASON IS THAT WE RECEIVED A LOT OF COMMENTS  
5 DURING AND AFTER THAT MEETING. AND AS A CONSEQUENCE,  
6 WE HAVE PROPOSED CHANGES IN RESPONSE TO THESE COMMENTS,  
7 AND WE WOULD LIKE THE BOARD TO CONSIDER THOSE CHANGES.

8 BEFORE I START DOING SO, I WANT TO POINT OUT  
9 THAT FOR CLARITY THE LANGUAGE IN RED IN YOUR COPIES ARE  
10 NEW CHANGES THAT ARE MADE BY CIRM STAFF IN RESPONSE TO  
11 PUBLIC COMMENT AFTER THE WORKING GROUP MEETING. AND TO  
12 AVOID MULTIPLE COLORS AND CONFUSION, THE CHANGES  
13 RECOMMENDED BY THE WORKING GROUP ARE ON YOUR CHEAT  
14 SHEET AND IDENTIFIED AS IDENTIFIED IN THE DOCUMENT.  
15 MOST YOU WILL NOTICE OF THESE CHANGES ARE CLARIFICATION  
16 OF TERMS. I WILL POINT TO THE SUBSTANTIVE ONES WHEN WE  
17 COME TO THE RELEVANT CHAPTER. I ALSO WANT TO SUGGEST  
18 THAT AS WE MOVE THROUGH CHAPTER BY CHAPTER, PLEASE STOP  
19 ME IF YOU WANT TO BRING UP ANY ITEM IN THAT CHAPTER  
20 THAT YOU FEEL NEEDS DISCUSSION. AND THAT WAY WE COULD  
21 PROCEED RATHER QUICKLY THROUGH THE SIX CHAPTERS.

22 SO THE FIRST CHANGE IS ON THE PREFACE ON PAGE  
23 1, AT THE BOTTOM OF PAGE 1, IN RED WHERE YOU NOTICE WE  
24 ADDED A SURVIVORSHIP CLAUSE THAT INDICATES, IN THE LAST  
25 PARAGRAPH, TO ENFORCE THE PROVISIONS OF THIS POLICY

1 BEYOND THE EXISTENCE OF CIRM AND TO ENSURE THAT THE  
2 RIGHTS MAY BE ENFORCED BY THE STATE OF CALIFORNIA.

3 NOW, MOVING ON TO CHAPTER 1. CHAPTER 1  
4 ENCOMPASSES PAGE 5 THROUGH 13. THE CHANGES ARE LISTED  
5 UP THERE IN PAGES 7 THROUGH 10. CHAPTER 1 CONTAINS  
6 GENERAL INFORMATION AND IS STRUCTURED IN SIX SECTIONS  
7 FROM A THROUGH F, INCLUDES ABBREVIATIONS, A GLOSSARY  
8 WITH DEFINITIONS, DESCRIPTION OF THE TYPES OF SUPPORT.  
9 MOST IMPORTANTLY, THIS CHAPTER DEFINES THE ROLES AND  
10 RESPONSIBILITIES OF CIRM STAFF AND OF THE STAFF AT  
11 GRANTEE ORGANIZATIONS.

12 THERE ARE A NUMBER OF CHANGES IN THE  
13 GLOSSARY. I POINT YOU TO NEW DEFINITIONS FOR DIRECT  
14 FACILITIES COSTS, DIRECT PROJECT COSTS, INDIRECT COSTS,  
15 AND TUITION AND FEES. THESE ARE MERELY DEFINITIONS. I  
16 WILL BE REFERRING BACK TO THOSE PARTICULAR ITEMS IN  
17 LATER CHAPTERS WHERE WE EXPLAIN HOW THEY WORK. SO IF  
18 THERE ARE NO COMMENTS -- YES, PLEASE.

19 DR. POMEROY: CAN YOU COMMENT A BIT ON THE  
20 USE OF THE TERM "DIRECT FACILITIES COSTS" BECAUSE IT  
21 SEEMS TO ME THAT SOME OF THE THINGS IN HERE, SUCH AS  
22 OPERATION AND MAINTENANCE EXPENSES, ARE OFTEN INCLUDED,  
23 AT LEAST IN MY INSTITUTION'S, INDIRECT COST RATE  
24 CALCULATION. AND IF THESE ARE COUNTED AS DIRECT COSTS  
25 ON THIS GRANT, HOW WILL THAT IMPACT AN INSTITUTIONAL



1 CALCULATION OF F & A RATES?

2 DR. CHIU: IF YOU DON'T MIND, COULD WE COME  
3 TO THAT IN A LATER CHAPTER WHEN I WILL TALK ABOUT IT IN  
4 GREAT LENGTH AND THEN BRING IT UP AGAIN? THANK YOU.  
5 IF THERE ARE NO OTHER POINTS, CAN WE MOVE ON?

6 CHAPTER 1, AS I SAID, CHAPTER 1, THE MAIN  
7 CHANGES ARE IN DEFINITIONS. THERE'S NO SLIDE FOR  
8 CHAPTER 2 MAINLY BECAUSE THERE ARE NO STAFF-INITIATED  
9 CHANGES IN CHAPTER 2. IT IS AS IT STANDS IN THIS  
10 DOCUMENT. IT CONTAINS THE GRANT APPLICATION AND REVIEW  
11 PROCESS STRUCTURED INTO NINE SECTIONS FROM A THROUGH I.  
12 I THINK THAT'S TEN SECTIONS. MAYBE I CAN'T COUNT. IT  
13 DESCRIBES ELIGIBILITY REQUIREMENTS. IN SECTION B, THE  
14 WORKING GROUP AT THE WORKING GROUP MEETING, WE REMOVED  
15 REFERENCES TO RFP'S, REQUESTS FOR PROPOSALS, TO  
16 DISTINGUISH THEM. THESE USUALLY DEAL WITH CONTRACTS,  
17 AND WE HAVE NOT SET UP POLICIES FOR DEALING WITH  
18 RESEARCH CONTRACTS. SO THIS CURRENT POLICY DEALS WITH  
19 RESEARCH GRANTS; AND, THEREFORE, WE HAVE DECIDED NOT TO  
20 BRING IN THAT NEW CONCEPT, SAVE IT FOR A DIFFERENT  
21 DOCUMENT.

22 SECTION D DEALS WITH THE REVIEW PROCESS.  
23 SECTION E WITH CRITERIA. AND HERE WE'VE ADDED IN  
24 CRITERIA THAT THE ICOC HAVE WANTED TO BE IN THERE, SUCH  
25 AS MENTION OF MILESTONES, OF IMPORTANCE OF

1 COLLABORATIONS, OF IMPORTANCE OF REFERRING TO HOW IT  
2 FITS THE PARTICULAR GOALS OF THE RFA, AND WE'VE ALSO  
3 INCLUDED LANGUAGE TO ENSURE THAT LANGUAGE IN PROP 71  
4 ARE REFLECTED IN THIS DOCUMENT. AND THEN THE OTHER  
5 SECTIONS DEAL WITH APPEALS OF SCIENTIFIC REVIEW AND  
6 APPROVAL FOR FUNDING BY THE ICOC AND POLICIES ON  
7 PERSONAL INFORMATION, PUBLIC ACCESS TO PUBLIC RECORDS,  
8 AND HOW THE CALIFORNIA PUBLIC RECORDS ACT APPLIES TO  
9 GRANT ACTIVITIES, AND THERE ARE NO CHANGES.

10 MOVING ON TO CHAPTER 3, CHAPTER 3 COVERS  
11 PAGES 19 THROUGH 26 AND DESCRIBES THE PRE-AWARD AND  
12 AWARD PROCESS, AND THERE ARE A NUMBER OF CHANGES HERE.  
13 THE CHAPTER IS STRUCTURED INTO FIVE SECTIONS A THROUGH  
14 E. ON PAGE 19 THROUGH 20 IS NEW LANGUAGE IN THE  
15 SECTION ON LIABILITY THAT'S SHOWN UP HERE ON THE  
16 SCREEN. THE WHOLE SECTION -- THE SENTENCE IN BLACK  
17 RIGHT BEFORE WHERE THIS SECTION STARTS, IF THE GRANTEE,  
18 THAT NOW IS LANGUAGE DIRECT FROM PROP 71. WE WANT TO  
19 BE FAITHFUL TO THE LANGUAGE, AND IT IS LANGUAGE THAT  
20 EVERYBODY, ALL THE GRANTEES, NEED TO BE AWARE OF AND TO  
21 AGREE TO. AND THEN WE USED LANGUAGE TO ELABORATE ON  
22 INSURANCE AND INDEMNIFICATION, HOW CIRM IS COVERED IF  
23 ANY PROBLEMS ARISE DUE TO ACTIVITIES AT THE GRANTEE  
24 SITE. SO THE LANGUAGE IS UP THERE. I WON'T BORE YOU  
25 BY READING THROUGH IT, BUT IT DESCRIBES WHAT WOULD BE

1       REQUIRED IF THE GRANTEE ORGANIZATION DECIDES TO INSURE.  
2               NEXT SLIDE, PAGE 21 DEALS WITH CONFLICT OF  
3       INTEREST. AND THE CHANGE HERE IS IN LANGUAGE. WE HAD  
4       PREVIOUSLY PUT IN THAT THE GRANTEES MUST ESTABLISH AND  
5       ENFORCE SAFEGUARDS. SOME OF THE GRANTEES FELT THAT  
6       THEY COULD ENFORCE ACTIVITY WITHIN THEIR OWN  
7       INSTITUTIONS, BUT IT'S HARDER FOR THEM TO ENSURE  
8       ACTIVITIES OUTSIDE OF THEIR INSTITUTIONS, PERHAPS AT  
9       COLLABORATORS. SO THEY WOULD CERTAINLY ESTABLISH  
10      SAFEGUARDS THERE, BUT THE ENFORCEMENT THEY WILL DO ONLY  
11      WITHIN THEIR OWN INSTITUTIONS. AND SO WE'VE ADDED  
12      LANGUAGE IN RED TO REFLECT THAT. THAT WAS THE BASIS OF  
13      THE CHANGE.

14             THIS IS A NEW SECTION WE ADDED IN ACTUALLY  
15      THAT WE MOVED FROM ANOTHER PART OF THE GAP. IT'S  
16      PREFERENCE FOR CALIFORNIA SUPPLIERS. AND THE LANGUAGE,  
17      THE INCREASED LANGUAGE HERE IS IN RESPONSE TO A PUBLIC  
18      COMMENT, THAT WE REFLECT, AGAIN, THE LANGUAGE EXACTLY  
19      AS IN PROP 71. SO IT IS A GOAL OF PROP 71 TO ENSURE  
20      THAT MORE THAN 50 PERCENT OF GOODS AND SERVICES USED IN  
21      CIRM-SUPPORTED RESEARCH IS PURCHASED FROM CALIFORNIA  
22      SUPPLIERS. AND WHAT WE DO IS THE GRANTEE -- WE ADDED  
23      IN THAT SECOND TO LAST SENTENCE UP THERE, THE GRANTEE  
24      MUST PROVIDE A CLEAR AND COMPELLING EXPLANATION IN ITS  
25      ANNUAL PROGRAMMATIC REPORT FOR NOT PURCHASING MORE THAN

1 50 PERCENT. SO WE CERTAINLY CAN UNDERSTAND WHEN IT'S  
2 UNREASONABLE TO ASK THIS OF THEM, BUT THEY HAVE TO  
3 JUSTIFY THIS. AND THAT'S THE INTENT OF THE LANGUAGE.

4 DR. MEYER: THIS SEEMS TO BE SOMETHING THAT  
5 COULD BECOME SOMEWHAT OF AN ACCOUNTING NIGHTMARE FOR  
6 INDIVIDUAL GROUPS AND LABORATORIES WHO ORDER MATERIALS  
7 FROM BIG SUPPLY COMPANIES, BAXTER OR THINGS LIKE THAT.  
8 HOW CAN ONE POSSIBLY KEEP TRACK OF THAT?

9 DR. CHIU: THAT IS A VERY GOOD QUESTION. WE  
10 WANT THEM TO DO THE BEST THEY CAN UNDER REASONABLE --  
11 MAKE REASONABLE EFFORTS; AND IF THEY CANNOT, THEY NEED  
12 TO REPORT TO US WHY IT IS DIFFICULT. ONE EXAMPLE IS  
13 EXACTLY WHAT YOU JUST EXPRESSED.

14 DR. MEYER: IN OTHER WORDS, IN MY LAB I WOULD  
15 HAVE TO SAY, EVEN IF IT COST 20 OR 25 PERCENT MORE,  
16 SPEND CIRM'S MONEY TO BUY A CALIFORNIA PRODUCT AT A  
17 HIGHER PRICE THAN FROM SOMEWHERE ELSE IN THE WORLD.

18 DR. HALL: DAVID, LET ME JUST POINT OUT, IT  
19 IS IN PROPOSITION 71, SO WE DON'T HAVE A CHOICE ABOUT  
20 THE POLICY. HOW TO BEST IMPLEMENT IT IS SOMETHING WE  
21 WILL ALL HAVE TO WORK WITH.

22 DR. PRICE: THIS REFERS TO CIRM IN AGGREGATE,  
23 DOESN'T IT? THE QUESTION IS DOES THIS PROVISION ABOUT  
24 THE 50 PERCENT OF GOODS AND SERVICES REFER TO THE  
25 AGGREGATE OF CIRM GRANT MONEY OR TO EACH INDIVIDUAL

1 GRANT?

2 DR. CHIU: THE AGGREGATE CIRM MONEY CAN ONLY  
3 BE TRACKED THROUGH INDIVIDUALS. SO WHEN WE DO THE  
4 REPORTING, WE WILL DO IT AN AGGREGATE REPORT, BUT WE  
5 NEED THE INFORMATION FROM THE INDIVIDUALS.

6 DR. PRICE: IT MAY BE THAT CERTAIN KINDS OF  
7 RESEARCH PROJECTS REQUIRE EQUIPMENT WHICH IS NOT  
8 AVAILABLE IN CALIFORNIA WHILE OTHERS DO NOT. AND SO  
9 THERE MIGHT BE QUITE SOME DIFFERENCE BETWEEN GRANTS.

10 DR. CHIU: I ABSOLUTELY AGREE WITH YOU, AND  
11 THAT IS REASONABLE CAUSE. THEN WHEN OTHERS DO AND THEY  
12 EXCEED THE 50, THEN WHEN WE DO OUR AGGREGATE REPORT, WE  
13 WILL HAVE A BASIS FOR UNDERSTANDING, BUT WE NEED THE  
14 INFORMATION FROM EACH OF THE GRANTEES.

15 CHAIRMAN KLEIN: I'D LIKE TO COMMENT ON THAT.  
16 IT'S NOT AN ABSOLUTE REQUIREMENT IN THE INITIATIVE. IT  
17 IS TO USE REASONABLE EFFORTS. SO EVERYONE NEEDS TO USE  
18 REASONABLE EFFORTS. SOME GRANTS WILL HAVE A  
19 PERCENTAGE, SOME A HIGH PERCENTAGE AGGREGATE ANALYSIS,  
20 BUT WE WANT EVERYONE TO MAKE THE EFFORT.

21 DR. CHIU: THANK YOU. NEXT SLIDE, PLEASE.

22 MS. SAMUELSON: WOULDN'T THE APA PERIOD BE AN  
23 APPROPRIATE EXPERIMENTAL TIME FRAME IN WHICH TO SEE IF  
24 THIS IS ONEROUS? GET THAT FEEDBACK AND THEN MAYBE  
25 ADJUST THE REQUIREMENT OR THE PROCEDURES.

1 DR. CHIU: ABSOLUTELY. THANK YOU FOR  
2 POINTING THAT OUT. WE HAVEN'T EVEN STARTED ON THAT,  
3 BUT THAT WOULD BE A PERFECT TIME FOR GETTING THE  
4 COMMENTS AND MAYBE MAKING ADJUSTMENTS TO THIS LANGUAGE,  
5 YES.

6 DR. PIZZO: I DON'T SEE IT HERE, AND MAYBE  
7 IT'S COVERED ELSEWHERE AND I'M JUST NOT FINDING IT NOW.  
8 THAT IS ABOUT THE SHARING OF REAGENTS OR MATERIALS THAT  
9 ARE DISCOVERED IN CALIFORNIA WITH INVESTIGATORS OUTSIDE  
10 OF CALIFORNIA. IS THAT COVERED?

11 DR. CHIU: THAT ACTUALLY IS PART OF THE IP  
12 POLICY, AND WE DIDN'T WANT TO BE REPEATING MATERIAL IN  
13 THERE.

14 DR. PIZZO: THAT'S WHAT'S COVERED IN NO. 9.

15 DR. CHIU: APPENDIX B, YES. THANK YOU.

16 PAGE 26, OTHER SUPPORT. WE ADDED THIS  
17 LANGUAGE. IT'S ACTUALLY NOT AN ADDITION, BUT WE  
18 NOTICED THAT IN THE GAP BUDGETARY OVERLAP WAS REFERRED  
19 TO IN TWO PLACES IN A SLIGHTLY DIFFERENT WAY, AND WE  
20 WANTED TO AVOID CONFUSION. SO WE PUT BOTH LANGUAGE  
21 TOGETHER, ONE DESCRIBING WHAT OCCURS WHEN OVERLAP TAKES  
22 PLACE, AND THE OTHER PART WHAT IS BUDGETARY OVERLAP AND  
23 HOW DOES IT OCCUR. THAT'S WHY WE'VE ADDED THIS  
24 LANGUAGE, TAKEN IT FROM ANOTHER PART OF THE CHAPTER AND  
25 JUST ADDED IT UP THERE AS YOU SEE IT. IT'S NOT NEW

1 LANGUAGE .

2 MOVING ON TO CHAPTER 4, NO SLIDE FOR CHAPTER  
3 4. CHAPTER 4 IS ONLY ONE PAGE LONG ON PAGE 27 AND  
4 DESCRIBES ACCEPTANCE OF THE AWARD. SO EVEN WHEN WE  
5 MAKE AN AWARD, THEY HAVE TO SIGN NOTICE OF GRANT AWARD  
6 AND RETURN IT TO US INDICATING THAT THEY'VE ACCEPTED  
7 ALL THE PROCEDURES, THE COSTS, ETC., AND WE NEED  
8 SIGNATURES FROM THE INSTITUTIONS. THIS IS OUR BINDING  
9 CONTRACT, IF YOU WOULD LIKE, SO IT JUST DESCRIBES THAT  
10 PROCEDURE.

11 MOVING ON TO CHAPTER 5 IN THE NEXT SLIDE.  
12 CHAPTER 5 EXPLAINS CIRM POLICY ON PAYMENT AND USE OF  
13 FUNDS, AND IT'S STRUCTURED INTO SECTIONS A THROUGH I.  
14 AND MOST OF THE NEW CHANGES, INCLUDING WHAT DR. POMEROY  
15 ASKED EARLIER, RESIDES IN THIS CHAPTER. FIRST OF ALL,  
16 I WANT TO JUST POINT OUT THE THREE CHANGES THAT THE  
17 WORKING GROUP RECOMMENDED THAT ARE NOT ILLUSTRATED  
18 HERE. THE FIRST IS THE ADDITION OF THE TERM "AND  
19 TUITION AND FEES" AS AN ALLOWABLE COST. AND WE REALIZE  
20 THAT WE HAD OMITTED THAT, THAT IT'S A CRITICAL  
21 COMPONENT FOR TRAINING AND FOR FUNDING WORK DONE WITHIN  
22 LABS, SO THAT WAS ADDED IN.

23 THE SECOND POINT IS THAT THEY VOTED  
24 UNANIMOUSLY OVERWHELMINGLY TO REMOVE A REQUIREMENT FOR  
25 AN INTERIM FINANCIAL REPORT. AND I WILL BE COMING BACK

1 TO THAT. I THINK THEY FELT IT WAS TOO MUCH REPORTING  
2 FOR INVESTIGATORS TO DO AN INTERIM FINANCIAL, AN ANNUAL  
3 FINAL FINANCIAL, PLUS A PROGRAMMATIC REPORT. SO THEY  
4 DELETED THE INTERIM.

5 AND THIRD, THEY REPLACED THE TERM "PI" WITH  
6 GRANTEE INSTEAD THROUGHOUT THE SECTION TO REFLECT THE  
7 FACT THAT THE RESPONSIBILITY FOR REPORTING RESIDES WITH  
8 THE INSTITUTION, THE GRANTEE INSTITUTION, NOT THE  
9 INDIVIDUAL INVESTIGATOR. SO WE REFLECTED THAT IN YOUR  
10 CURRENT AMENDED DRAFT.

11 AFTER THE MEETING, THE FOLLOWING CHANGES IN  
12 RED WERE ADDED FOLLOWING CONSULTATION WITH THE PUBLIC  
13 AND WITH MANY PUBLIC INSTITUTIONS. NEXT SLIDE, PLEASE.

14 ON PAGE 28 UNDER ALLOWABLE DIRECT FACILITIES  
15 COSTS, COMING BACK TO DR. POMEROY'S QUESTION, WE  
16 REALIZE THAT NOWHERE DO WE ADDRESS THE COST OF SPACE,  
17 SOME OF WHICH MAY BE SPECIFIC FOR A PROJECT, ESPECIALLY  
18 IF THE PROJECT DEALS WITH ACTIVITIES PROHIBITED BY THE  
19 NIH. AND SO WE RECEIVED A LOT OF COMMENTS FROM FOLKS  
20 THAT CAME TO THE MEETING AS WELL AS AFTERWARDS. SO  
21 REALIZING OUR MISTAKE, WE NOW ADDED TWO TYPES OF  
22 ALLOWABLE DIRECT COSTS. WE'VE IDENTIFIED THEM. DIRECT  
23 PROJECT COSTS WHICH WE NORMALLY TEND TO THINK OF AS  
24 DIRECT COST WHICH COVERS SUPPLIES, SALARIES, EQUIPMENT  
25 FOR DOING THE WORK PROPOSED. THE DIRECT FACILITIES



1 COST WILL BE TO COVER THE COST OF SPACE TO DO THE WORK,  
2 INCLUDING REALLY OFFICES, THINGS YOU DON'T THINK OF,  
3 BUT ACTUALLY COST MONEY LIKE CONFERENCE ROOMS, VIVARIUM  
4 COSTS, OPERATIONS AND MAINTENANCE, ETC.

5 SO NOW WE'VE PUT IN THE DIRECT COSTS TO FALL  
6 IN TWO CATEGORIES, AND THE NEW LANGUAGE AND THE NEW  
7 CONCEPT IS REFLECTED ON THE SCREEN ABOVE YOU. SO  
8 GRANTEES MAY NOW REQUEST TWO CATEGORIES OF DIRECT  
9 FACILITIES COSTS: COSTS BASED ON THE GRANTEE'S CURRENT  
10 FEDERALLY NEGOTIATED RATES FOR OPERATING AND  
11 MAINTENANCE EXPENSES AND FOR LIBRARY EXPENSES AND, B,  
12 AS A PROXY FOR A MARKET LEASE RATE, COST BASED ON THE  
13 GRANTEE'S CURRENT FEDERALLY NEGOTIATED RATES FOR  
14 DEPRECIATION, IMPROVEMENTS, AND USE ALLOWANCE AND FOR  
15 INTEREST; THAT IS, FOR BUILDINGS AND CAPITAL EQUIPMENT.

16 THE SUM OF THE RATES OF IN DIRECT FACILITIES  
17 CATEGORY A SHALL NOT EXCEED 20 PERCENT OF ALLOWABLE  
18 DIRECT COSTS, ETC., MINUS EQUIPMENT, TUITION AND FEES,  
19 AND SUBCONTRACT AMOUNTS IN EXCESS OF \$25,000, AND THAT  
20 IS JUST LIKE WHAT THE FEDERAL RATES ARE. AND THE SUM  
21 OF B ALSO SHALL NOT EXCEED 20 PERCENT.

22 SO WE'VE BROKEN IT INTO TWO CATEGORIES, AND  
23 THE REASON WILL COME AFTERWARDS. SO, FIRST, I'D LIKE  
24 TO ASK ARE THERE ANY QUESTIONS ABOUT WHY WE HAVE NOW  
25 CRAFTED DIRECT FACILITIES COSTS?

1 DR. POMEROY: I'M STILL CONFUSED. I'M SORRY,  
2 ARLENE. SO WE SAY THAT THE SUM OF THE RATES INDIRECT  
3 FOR FACILITIES CATEGORY A? I THOUGHT THIS WAS  
4 REFERRING TO DIRECT FACILITIES CATEGORY.

5 DR. CHIU: IN DIRECT.

6 DR. HALL: IT'S A MISPRINT THERE. IT SHOULD  
7 BE A SPACE.

8 DR. CHIU: IN SPACE DIRECT. IT'S MY TYPING  
9 ERROR.

10 DR. HALL: SOME OF THE RATES IN DIRECT  
11 FACILITIES CATEGORY.

12 DR. CHIU: I APOLOGIZE GREATLY. MY MISTAKE.  
13 BAD ONE.

14 DR. POMEROY: WHEN YOU SAY DIRECT FACILITIES  
15 COSTS COVER OPERATING EXPENSES THAT ARE NOT IDENTIFIED  
16 SPECIFICALLY WITH A PROJECT, IF THEY'RE NOT IDENTIFIED  
17 SPECIFICALLY WITH A PROJECT, HOW CAN THEY BE A DIRECT  
18 COST?

19 DR. HALL: CAN I ADDRESS THAT? LET ME JUST  
20 SAY BECAUSE WE HAVE TO DO A TRANSLATION HERE BECAUSE  
21 MOST OF US ARE USED TO DEALING WITH THE FEDERAL SYSTEM  
22 IN WHICH THERE ARE TWO COMPONENTS, AN F AND AN A,  
23 FACILITIES AND ADMINISTRATIVE. PROPOSITION 71  
24 SPECIFIES THAT THE INDIRECT COSTS, WHICH ARLENE WILL  
25 COME TO ON NO. 4, CORRESPONDS ROUGHLY TO WHAT THE

1 ADMINISTRATIVE COSTS ARE UNDER THE FEDERAL SYSTEM. AND  
2 THE FACILITIES PART OF THE FEDERAL INDIRECT COST HERE  
3 IS INCORPORATED INTO THE DIRECT COST OF THE GRANT.

4 SO WHAT YOU THINK OF AS F AND A IN THE  
5 FEDERAL SYSTEM IS NOW SPLIT BETWEEN THE DIRECT  
6 FACILITIES COSTS, THAT IS, PART OF IT IS INCLUDED IN  
7 THE DIRECT COST, AND THE INDIRECT COSTS. SO YOU JUST  
8 HAVE TO DO A LITTLE TRANSLATION THERE.

9 DR. POMEROY: SO THAT HELPS ME UNDERSTAND  
10 THAT YOU'RE SPLITTING F FROM A. I'VE GOT THAT. IN  
11 B-2, THE FIRST SENTENCE, WOULDN'T THE DIRECT FACILITIES  
12 COSTS JUST BE THE ONES THAT YOU COULD, IN FACT, LINK TO  
13 A PARTICULAR CIRM-FUNDED PROJECT? IF THEY'RE NOT  
14 IDENTIFIED WITH A CIRM-FUNDED PROJECT, WHY WOULD THEY  
15 BE A DIRECT COST? I'M TALKING ABOUT THE FIRST SENTENCE  
16 IN B-2.

17 DR. CHIU: I'M SORRY. ARE WE TALKING ABOUT  
18 PAGE 28?

19 DR. HALL: I THINK WE JUST HAVE TO ACCEPT  
20 THAT UNDER PROPOSITION 71 THESE ARE INCLUDED AS DIRECT  
21 COSTS. AND LET'S --

22 DR. POMEROY: ONLY THE ONES THAT ARE DIRECTLY  
23 RELATED TO A CIRM PROJECT, THAT YOU CAN LINK TO A CIRM  
24 PROJECT, RIGHT?

25 DR. CHIU: THAT IS TIED TO THE COST OF THE

1 RESEARCH. AS YOU CAN SEE, IT'S TIED TO --

2 DR. POMEROY: MY PROBLEM IS NOT WITH THE

3 CONCEPT. MY PROBLEM IS WITH THE FIRST SENTENCE IN B-2.

4 HOW CAN WE HAVE FACILITIES COSTS THAT AREN'T IDENTIFIED

5 WITH A PARTICULAR CIRM-FUNDED PROJECT, WHICH IS WHAT

6 YOU ARE TALKING ABOUT HERE? HOW CAN THEY BE COSTS THAT

7 YOU CHARGE? THEY'RE NOT LINKED --

8 DR. HALL: THEY'RE CHARGED TO THE FEDERAL

9 GOVERNMENT. IT'S JUST DONE IN A DIFFERENT WAY UNDER A

10 DIFFERENT NAME.

11 CHAIRMAN KLEIN: THEY ARE LINKED.

12 DR. CHIU: SHALL I CHANGE THE FIRST SENTENCE?

13 PERHAPS IT WASN'T WORDED CORRECTLY. I SHOULD JUST END

14 IT AFTER GENERAL OPERATING COSTS, PERIOD.

15 DR. HALL: I THINK THE POINT IS --

16 DR. HENDERSON: YES. I THINK THAT WOULD

17 CLARIFY IT IF YOU JUST ENDED IT RIGHT THERE.

18 DR. HALL: WOULD THAT DO IT?

19 DR. CHIU: I AGREE.

20 DR. HENDERSON: JUST END IT AT GENERAL

21 OPERATING COST, PERIOD.

22 DR. HALL: IT'S NOT MEANT TO BE A SPECIFIC

23 LABORATORY, BUT IT'S MEANT TO BE THE GRANTEE

24 INSTITUTION'S COSTS FOR THAT PROJECT.

25 DR. CHIU: YES.

1 DR. HENDERSON: BUT IT IS LINKED. THERE'S NO  
2 WAY IT'S NOT LINKED. IT HAS TO BE LINKED.

3 CHAIRMAN KLEIN: THAT'S EXACTLY RIGHT.

4 DR. HALL: EXACTLY RIGHT.

5 CHAIRMAN KLEIN: IT IS DIRECTLY LINKED. YOU  
6 CAN CONTAIN IN THAT A VIVARIUM THAT IS USED IN  
7 CONJUNCTION WITH THE RESEARCH, BUT THEY'RE ALL LINKED  
8 COMPONENTS.

9 DR. CHIU: I THINK IT WOULD BE MUCH CLEARER  
10 IF I ENDED RIGHT AT THE END OF COSTS, AND I WILL DO SO  
11 WITH THE PERMISSION OF THE BOARD.

12 ARE THERE ANY QUESTIONS ABOUT THESE TWO  
13 CATEGORIES BECAUSE WE'LL LEAD TO WHY WE BROKE THEM UP  
14 INTO TWO CATEGORIES.

15 CHAIRMAN KLEIN: I THINK IT WILL BE TO  
16 REALIZE THAT THIS STRUCTURE AS WRITTEN WAS INTENDED TO  
17 FOLLOW MORE THE HOWARD HUGHES APPROACH THAN THE NIH  
18 APPROACH. SO ADMINISTRATIVE IS BROKEN OUT SEPARATELY;  
19 BUT, IN FACT, THE LINKED COSTS ARE IN THE DIRECT COST,  
20 AND SO THAT IS THE APPROACH. IN THE NEXT SECTION,  
21 WHICH I'D LIKE TO WAIT UNTIL ARLENE HAS GONE THROUGH  
22 IT, YOU WILL SEE A REFERENCE TO COMMERCIAL LEASE RATES.  
23 IN FACT, THE INITIATIVE IS QUITE CLEAR WITH IT'S PLAIN  
24 LANGUAGE IN AUTHORIZING A REIMBURSEMENT BASED UPON A  
25 MARKET LEASE RATE. AND THE REASON FOR THAT WAS IN

1 ORDER TO PERMIT A MARKET LEASE RATE THAT WOULD ENABLE  
2 INSTITUTIONS TO DO GUT REHABS AND AFFORD THE COST OF  
3 CONSTRUCTION AND HAVE A FINANCEABLE PROJECT AS WELL AS  
4 NEW CONSTRUCTION AND BE ABLE TO HAVE A MARKET INDEX OF  
5 WHAT WAS APPROPRIATE REIMBURSEMENT RATES TO FINANCE  
6 THAT NEW CONSTRUCTION.

7 SO OFTENTIMES DEPRECIATION ALLOWANCES ON  
8 HISTORICAL BASIS DON'T RELATE TO THE COST OF NEW  
9 CONSTRUCTION AND THE EXIGENCIES AND REQUIREMENTS OF  
10 UNDERWRITING. I THINK WE NEED TO GO THROUGH SOME  
11 MODIFICATIONS ON THE NEXT SECTION, BUT IT'S IMPORTANT  
12 FOR ARLENE TO SET IT IN CONTEXT. ARLENE WAS TRYING TO  
13 MELD TWO SYSTEMS, NIH SYSTEMS AND PROP 71. AND I THINK  
14 THERE ARE SOME COMMENTS THAT MAY SHORTEN THIS SECTION  
15 AS A BASIS FOR THE ADMINISTRATIVE PROCEDURES ACT  
16 COMMENTS AND ALLOW PEOPLE TO HAVE A CLEAR INSIGHT INTO  
17 THEIR ABILITY TO USE COMMERCIAL LEASE RATES TO PLEDGE  
18 FOR UNDERWRITING PURPOSES IN A FINANCING.

19 DR. JENNINGS: ONE CLARIFICATION ON THIS  
20 FIRST SENTENCE, NOT DEALING SO MUCH WITH HHMI AND NIH,  
21 AS I HAVE NOT BEEN. I'M NOT SURE WHETHER YOU MEAN EACH  
22 OF THESE TWO CATEGORIES MAY BE REQUESTED OR ONE OR THE  
23 OTHER OF THESE TWO CATEGORIES.

24 DR. CHIU: BOTH.

25 DR. JENNINGS: BOTH. EACH ONE IS CAPPED AT

1 20, AND THE SUM IS CAPPED AT 25 LATER SOMEWHERE ELSE IN  
2 THE DOCUMENT?

3 DR. CHIU: NO. THAT IS INDIRECT. THESE ARE  
4 DIRECT COSTS. AND YOU WILL SEE THAT THESE ARE DIRECT  
5 FACILITIES COSTS, AND THERE IS THE DIRECT PROJECT COST.  
6 AND DIRECT FACILITIES PLUS DIRECT PROJECT INDICATES  
7 TOTAL DIRECT COST AND MINUS THE EQUIPMENT, ETC. THAT  
8 SUM IS WHAT YOU CALCULATE YOUR INDIRECT OFF OF.

9 DR. JENNINGS: IF YOU ADD, DEPENDING ON THE  
10 SITUATION, YOU COULD HAVE 40 PERCENT THEN?

11 DR. CHIU: YES, APPROXIMATELY. NOT  
12 APPROXIMATELY. EXACTLY.

13 CHAIRMAN KLEIN: THAT IS SEPARATE FROM THE  
14 ADMINISTRATIVE COST CATEGORY.

15 DR. CHIU: RIGHT. I'D LIKE TO MOVE ON TO THE  
16 NEXT SLIDE, AND THAT IS ON PAGE 29, CONTINUING WITH THE  
17 DIRECT FACILITIES COSTS, ESPECIALLY CATEGORY B, AS THE  
18 CHAIRMAN HAS ALREADY POINTED OUT.

19 NOW, IF A GRANTEE'S ACTUAL COSTS FOR A LEASE  
20 EXCEED THE AMOUNT AUTHORIZED UNDER DIRECT CATEGORY B,  
21 DIRECT FACILITIES CATEGORY B ABOVE, WHICH WE JUST  
22 DISCUSSED, THE GRANTEE MAY PETITION CIRM TO REIMBURSE  
23 THE GRANTEE THE DIFFERENCE BETWEEN THE AMOUNT ALLOWABLE  
24 UNDER DIRECT FACILITIES CATEGORY B AND THE ACTUAL  
25 MARKET LEASE RATE FOR THE FACILITY IF THEY RUN OUT AND

1 LEASE THE FACILITY. NOW, SUCH A LEASING ALLOWANCE WILL  
2 BE PROVIDED FOR CONDUCTING APPROVED PROJECT-RELATED  
3 ACTIVITIES THAT ARE CURRENTLY PROHIBITED UNDER NIH  
4 FUNDING.

5 THE AMOUNT OF REIMBURSEMENT BY CIRM WILL BE  
6 BASED ON AND LIMITED TO THE ACTUAL OUT-OF-POCKET LEASE  
7 COST TO THE GRANTEE, AND THIS MUST BE REPORTED IN THE  
8 ANNUAL FINANCIAL REPORT, AS YOU WILL SEE LATER. SO  
9 THAT WAY THERE IS AN OPPORTUNITY TO MOVE BEYOND THE 20  
10 PERCENT IF NEW SPACE IS CREATED TO DO THE PROJECT.

11 CHAIRMAN KLEIN: IT'S IMPORTANT HERE TO  
12 UNDERSTAND THAT IN ORDER TO HAVE A FINANCING VEHICLE,  
13 WE NEED TO RECOGNIZE THE NIH ACTUALLY HASN'T PROHIBITED  
14 CATEGORY FUNDING. AND SOME OF THE CATEGORIES WE FUND;  
15 FOR EXAMPLE, ADULT STEM CELL RESEARCH AND CORD BLOOD OR  
16 FETAL THAT ARE VITAL RESEARCH OPPORTUNITIES, ARE  
17 CERTAINLY NOT PROHIBITED. THAT'S WHY THE INITIATIVE  
18 GOES INTO THE LANGUAGE, SAYING THAT IF THERE'S  
19 INSUFFICIENT FEDERAL FUNDING, IF IT'S NOT TIMELY,  
20 ENCUMBERED WITH RESTRICTIONS THAT CREATE A PROBLEM IN  
21 EFFECTIVELY CARRYING OUT THE RESEARCH, THAT WE CAN FUND  
22 THESE CATEGORIES.

23 SO I THINK THAT THE INTENT HERE IS WE'RE  
24 TRYING TO BUILD FACILITIES THAT DEAL WITH THE NEED TO  
25 ISOLATE OUR RESEARCH FROM NIH FUNDING, BUT OUR GOAL IS



1 BROADER THAN THAT BECAUSE INSTITUTIONS ARE TRYING TO  
2 CREATE THE COLLABORATIVE AND SYNERGISTIC BENEFITS OF  
3 BRINGING TOGETHER ALL OF THEIR RESEARCH IN THE STEM  
4 CELL AREA. SO THE INITIATIVE DOES NOT LIMIT US FROM  
5 FUNDING RESEARCH FACILITIES THAT INCLUDE OTHER  
6 COMPONENTS OF RESEARCH THAT MAY BE FUNDED BY THE NIH,  
7 BUT DON'T REQUIRE THE SAME ISOLATION. SO THERE'S A  
8 COUPLE OF GOALS BEING ACCOMPLISHED IN THE FACILITIES  
9 DEVELOPMENT HERE, AND THOSE GOALS GO BEYOND MERELY THE  
10 EMBRYONIC STEM CELL RESEARCH BECAUSE WE DON'T WANT THE  
11 PLURIPOTENT RESEARCHERS ISOLATED IN A BUILDING APART  
12 FROM THE REST OF THE RESEARCHERS THAT THEY RELATE TO  
13 COLLABORATIVELY.

14 THE OTHER CONCEPT HERE IS THAT THIS LANGUAGE  
15 TALKS ABOUT ACTUAL COST, IN FACT, PROBABLY GETTING INTO  
16 THE PROJECTED COSTS. AND IF THE PROJECTED COSTS EXCEED  
17 THE AMOUNT AUTHORIZED UNDER THE PRIOR CATEGORY, THE  
18 INSTITUTIONS NEED TO AND, IN FACT, ARE DIRECTLY  
19 ENTITLED BY THE INITIATIVE TO SEEK THE MARKET LEASE  
20 RATE REIMBURSEMENT. IN FACT, THAT IS THE SOLUTION IN  
21 THE INITIATIVE. IT TALKS DIRECTLY ABOUT MARKET LEASE  
22 RATE. THAT GIVES COMFORT TO THE PUBLIC THAT IT IS, IN  
23 FACT, A LEASE RATE THAT THE PUBLIC WOULD OTHERWISE PAY;  
24 BUT, SECONDLY, IT GIVES AN ABILITY TO UNDERWRITE  
25 CONSTRUCTION OR GUT REHAB AND KNOW PREDICTABLY WHAT

1 YOUR SOURCE OF REVENUE IS SO THAT YOU CAN BOND AGAINST  
2 IT AND BUILD FACILITIES OR DO THE GUT REHAB AND FINANCE  
3 IT.

4 SO IN THIS REGARD, FOR DISCUSSION PURPOSES  
5 ONLY, HERE I WOULD SUGGEST THAT WE WANT TO TALK ABOUT A  
6 GRANTEE'S PROJECTED COSTS, REALIZING THAT ANY  
7 FACILITIES GRANT IS GOING TO COME BACK TO THIS BOARD  
8 WITH A RECOMMENDATION FROM THE FACILITIES COMMITTEE  
9 THAT'S GOING TO LOOK AT THE REASONABLENESS OF THOSE  
10 COSTS AND BRING A WHOLE SET OF CRITERIA ON THE COST  
11 UNDERWRITING OF ANY FACILITIES GRANT THAT'S APPROVED.  
12 BUT IN TERMS OF EXISTING RESEARCH GRANTS ON AN  
13 ALTERNATIVE BASIS WHERE THEY ARE LEASING EXISTING  
14 SPACE, THERE THEY CAN BRING IN THE ACTUAL COST OF THE  
15 LEASE. SO IF IT'S A SHORT-TERM LEASE FOR EXPANSION  
16 SPACE, YOU CAN BRING IN THE ACTUAL COST OF THIS MARKET  
17 RATE LEASE, BUT WE HAVE TWO DIFFERENT CONCEPTS HERE.

18 AND I THINK THAT A NUMBER OF BOARD MEMBERS  
19 HAVE LOOKED AT THIS QUESTION BECAUSE I'VE GOTTEN SOME  
20 CALLS, SO IT WAS BEST MAYBE WITH THAT INTRODUCTION TO  
21 GET OTHER COMMENTS.

22 DR. HALL: COULD I MAKE JUST A POINT, BOB?  
23 IF I UNDERSTAND YOU HERE, THIS GAP IS FOR RESEARCH  
24 GRANTS AND NOT FOR FACILITIES GRANTS. WE WILL HAVE TO  
25 WRITE A SEPARATE PORTION OF IT FOR FACILITIES GRANTS.

1                   CHAIRMAN KLEIN: THE PROBLEM IS THAT THE  
2 RESEARCH GRANTS ARE THE REVENUE STREAM. THERE'S TWO  
3 PORTIONS TO OUR FACILITIES SUPPORT. ONE PORTION IS A  
4 FACILITIES GRANT PROCESS. THAT'S NOT WHAT WE'RE  
5 TALKING ABOUT. SEPARATE FROM THE FACILITIES GRANT  
6 PROCESS, THE INSTITUTION IS LIKELY TO HAVE A PORTION OF  
7 THE COSTS THEY HAVE TO FINANCE BASED UPON THEIR  
8 EXPECTED REVENUE STREAM ON A COMPETITIVE BASIS. WHAT  
9 AMOUNT OF GRANTS CAN THEY CONSERVATIVELY EXPECT TO GET?  
10 AND BASED UPON THEIR CHIEF FINANCIAL OFFICER'S  
11 INTERPLAY WITH THEIR EXECUTIVE LEADERSHIP OF THE  
12 ORGANIZATION, THEY WILL CREATE A BUSINESS PLAN. AND  
13 BASED UPON THE BUSINESS PLAN, THEY'LL UNDERWRITE A  
14 PORTION OF THE COST OF THEIR FACILITIES THAT THEY CAN  
15 BORROW AGAINST. IN DECIDING WHAT THEY CAN BORROW  
16 AGAINST, THEY WILL HAVE TO IMPUTE WHAT THE INCOME IS AS  
17 THE FACILITIES REIMBURSEMENT ON THOSE RESEARCH GRANTS.

18                   REALIZE, JUST FOR EXAMPLE, THAT IF YOU HAD A  
19 \$75 MILLION FACILITY AND WE GAVE \$25 MILLION OF A  
20 FACILITIES GRANT FOR THAT, WE WOULD HAVE PAID FOR A  
21 THIRD. SO IF THEY HAD \$12 MILLION OF RESEARCH GRANTS,  
22 WE WOULD NOT GIVE THEM A REIMBURSEMENT ON A THIRD OF  
23 THE RESEARCH GRANTS FOR FACILITIES, BUT ON THE  
24 TWO-THIRDS WE WOULD GIVE THEM A REIMBURSEMENT. THAT'S  
25 A SIMPLIFIED EXAMPLE, BUT WE WILL NOT BE PAYING TWICE

1 FOR ANY SPACE; BUT THROUGH THE RESEARCH GRANT FUNDING,  
2 WE WILL HAVE RESEARCH FACILITY REIMBURSEMENT THAT  
3 RELATES TO THAT PORTION OF THE FACILITY WE HAVE NOT  
4 PAID FOR.

5 REMEMBER, THEY WILL HAVE A FACILITY THEY HAVE  
6 TO AMORTIZE OVER 30 YEARS. WE ARE GOING TO BE GIVING  
7 THEM GRANTS FOR PERHAPS 12 OR 13 YEARS, SO WE HAVE TO  
8 BE CAREFUL BECAUSE THEIR UNDERWRITING WILL BE RIGOROUS,  
9 AND WE HAVE TO MAKE SURE THAT WE FOLLOW THROUGH ON THE  
10 INITIATIVE'S WILLINGNESS AND THE PUBLIC'S APPROVAL OF  
11 GIVING THEM A COMMERCIAL LEASE RATE REIMBURSEMENT.

12 DR. KESSLER: SO, BOB, CAN WE CODIFY JUST  
13 WHAT YOU SAID?

14 CHAIRMAN KLEIN: I THINK IN TERMS OF WHAT WAS  
15 DONE IN THE IP TASK FORCE UNDER DR. PENHOET'S  
16 LEADERSHIP WITH MARY MAXON'S TREMENDOUS RIGOR, WE CAN  
17 POTENTIALLY AT THIS MOMENT PICK UP THE FACT THAT WE  
18 NEED TO DELETE THE SENTENCE THAT RELATES TO THE  
19 PROHIBITION -- ONLY FUNDING THOSE CATEGORIES WHERE  
20 THERE'S AN NIH FUNDING PROHIBITED, WHICH IS THE NEXT TO  
21 THE LAST -- IT'S THREE SENTENCES FROM THE END OF THAT  
22 PARAGRAPH AT THE TOP OF PAGE 29. THE FOLLOWING  
23 SENTENCE, THE AMOUNT OF REIMBURSEMENT WILL BE BASED ON  
24 AND LIMITED TO THE ACTUAL OUT OF POCKET, AS WE SAY IN  
25 MANY OF THESE CASES, WE'RE GOING TO DEAL WITH

1 PROJECTED. SO I THINK WE NEED TO GET RID OF THAT  
2 SENTENCE.

3 BUT WE CAN, WITH ARLENE'S HELP AND DR. HALL'S  
4 HELP, TAKE THE CONTEXT POTENTIALLY OF WHAT I REPORTED,  
5 FIND OUT IF THE OTHER BOARD MEMBERS APPROVE OF THAT  
6 PERSPECTIVE; AND IF THEY DO, THEY COULD TAKE THOSE  
7 NOTES AND INTEGRATE THEM IN THE FINAL DRAFT, DELEGATING  
8 THAT ACTIVITY TO THEM AND TO COUNSEL.

9 DR. HALL: LET ME JUST SUGGEST THAT WE WILL  
10 HAVE A -- IF WE NOTICE THIS, WE WILL HAVE A 45-DAY  
11 PERIOD IN WHICH WE CAN WORK ON JUST THAT ITEM. BUT I  
12 THINK, BOB, CORRECT ME IF I'M WRONG, I THINK WE'RE  
13 DEALING WITH TWO SEPARATE SITUATIONS. ONE IS ONE  
14 THAT'S APT TO HAPPEN IMMEDIATELY; AND THAT IS, OR  
15 FAIRLY SOON, LET'S SAY WE HOPE WITHIN THE NEXT YEAR, WE  
16 GET AN APPLICATION FROM A GRANTEE, AND IT TURNS OUT  
17 THAT PART OF THEIR SPACE IS NOT INCLUDED IN THE REGULAR  
18 UNIVERSITY SPACE, BUT HAS BEEN LEASED OFF CAMPUS FROM  
19 SOMEWHERE ELSE. SO I THINK THIS IS MEANT TO ADDRESS  
20 THAT SITUATION, WHICH SAYS SIMPLY THAT, IN ADDITION TO  
21 YOUR USUAL UNIVERSITY SPACE FOR WHICH YOU HAVE A  
22 WELL-CALCULATED DIRECT COST RATE, YOU HAVE THIS EXTRA  
23 SPACE, AND THE ACTUAL COST OF THAT SPACE COULD BE PAID  
24 FOR AS PART OF THE DIRECT COST.

25 BOB RAISES A SECOND AND MORE COMPLICATED

1 QUESTION WHICH DEALS WITH WHAT HAPPENS WHEN WE START  
2 BUILDING BUILDINGS, AND THEN YOU NEED TO CALCULATE WHAT  
3 IT IS. AND THAT IS -- SO MY SUGGESTION, BOB, IS THAT  
4 THESE ARE TWO SEPARATE THINGS, AND I THINK WE CAN LEAVE  
5 THIS ONE IN FOR THE CASES IN WHICH PEOPLE DO LEASE AN  
6 EXTRA SPACE SO THEY CAN GET REIMBURSED, AND THEN WE CAN  
7 PUT THE OTHER IN FOR CALCULATING AGAINST FUTURE COSTS  
8 IN A FACILITY.

9 CHAIRMAN KLEIN: TWO THINGS, DR. HALL. ONE  
10 IS THAT EVEN FOR -- IF WE GET INNOVATION GRANT  
11 PROPOSALS THAT DEAL WITH FETAL CELLS AND THEY'RE  
12 CONSIDERED A VITAL RESEARCH OPPORTUNITY AND WE FUND  
13 THAT, THERE IS NO INTENT IN THE INITIATIVE TO STOP  
14 LEASING SPACE FOR THAT RESEARCH.

15 DR. HALL: I AGREE WITH TAKING OUT THE  
16 SENTENCE ABOUT NIH FUNDING. THAT'S FINE WITH ME.  
17 HOWEVER, I'M JUST SUGGESTING THAT WE STILL MIGHT WISH  
18 TO LEAVE A PROVISION FOR REIMBURSEMENT FOR  
19 OUT-OF-POCKET COSTS FOR A LEASE WHERE PEOPLE DO HAVE TO  
20 GO OFF CAMPUS FOR WHATEVER REASON. IT MAY BE THAT THEY  
21 JUST RUN OUT OF THE SPACE.

22 CHAIRMAN KLEIN: I THINK WE CAN LEAVE THAT  
23 PROVISION, BUT WE SHOULD ADD ANOTHER SENTENCE THAT SAYS  
24 FOR MAJOR REHAB AND NEW CONSTRUCTION, WE WILL DEAL WITH  
25 PROJECTED COSTS BECAUSE WE NEED TO REALIZE THAT, AS WE

1 SIT HERE TODAY, IN VARIOUS INSTITUTIONS THROUGHOUT THE  
2 STATE, CHIEF FINANCIAL OFFICERS ARE TRYING TO FIGURE  
3 OUT HOW THEY FINANCE THESE FACILITIES. AND THAT HAS TO  
4 BE FIGURED OUT BEFORE THEY CAN DO THEIR SCHEMATIC  
5 DRAWINGS OR CONCURRENT WITH THEIR SCHEMATIC DRAWINGS OR  
6 THEIR DOWNSTREAM IN FIGURING OUT WHAT THEY NEED TO CUT  
7 OUT OF PROJECTS. AND UNLESS THEY CAN IMPLY WHERE WE'RE  
8 GOING THROUGH THE DRAFT WE RELEASE, THEY DON'T HAVE  
9 ENOUGH DIRECTION. AND SO IT'S IMPORTANT FOR US TO  
10 ANTICIPATE THEIR NEED AND GIVE THEM THAT SENSE OF  
11 DIRECTION.

12 DR. KESSLER: BOB, HOW WOULD THAT SENTENCE  
13 READ?

14 CHAIRMAN KLEIN: WELL, WHAT WE COULD DO IS  
15 ACTUALLY, FOLLOWING DR. HALL'S SUGGESTION PERHAPS, IS  
16 THAT WE COULD SAY THAT WE CAN REPEAT THE PARAGRAPH AND  
17 SAY IN THE CASE OF A LEASE OF EXISTING SPACE, AND THEN  
18 GO THROUGH THE PARAGRAPH WITHOUT THE NIH REFERENCE THAT  
19 WE HAVE HERE.

20 DR. KESSLER: LEASE OF EXISTING OR NEW.

21 CHAIRMAN KLEIN: JUST EXISTING AND THEN  
22 REPEAT THE PARAGRAPH, AND THEN SAY IN THIS CASE OF NEW  
23 CONSTRUCTION OR MAJOR RECONSTRUCTION OF SPACE, WE WOULD  
24 USE PROJECTED NUMBERS, REALIZING THAT WHEN WE GET THE  
25 RECOMMENDATIONS FROM THE FACILITIES COMMITTEE, WE WILL

1 HAVE AN UNDERWRITING ANALYSIS THAT WILL GIVE US THE  
2 INPUT ON THE REASONABLENESS OF THOSE PROJECTED NUMBERS.  
3 DOES THAT MAKE SENSE?

4 DR. KESSLER: THAT ACTUALLY MAKES A LOT OF  
5 SENSE. SO AS I UNDERSTAND THIS, BOB, IN ESSENCE, IF  
6 CIRM DOES NOT PAY UNDER A FACILITIES GRANT, AND YET AN  
7 INSTITUTION HAS UNDERTAKEN NEW CONSTRUCTION OR A MAJOR  
8 RENOVATION, THEN UNDER THIS MECHANISM THERE IS A WAY  
9 FOR THE INSTITUTION TO, IN ESSENCE, RECOVER THE  
10 EQUIVALENT OF THAT VALUE, THAT LEASE.

11 CHAIRMAN KLEIN: THAT'S CORRECT. AND, AGAIN,  
12 IF CIRM HAS PAID FOR A PORTION OF IT, WHICH WOULD BE AN  
13 UNEXPECTED CASE BECAUSE I DOUBT -- THE BOARD IS GOING  
14 TO DECIDE, BUT I DOUBT THE FACILITIES COMMITTEE OR THE  
15 BOARD WILL PROCEED WHERE WE'RE PAYING A HUNDRED PERCENT  
16 OF COSTS UNLESS THERE'S EXTRAORDINARY CIRCUMSTANCES.  
17 IF WE PAY A THIRD, THERE'S A THIRD OF THE SPACE WE WILL  
18 NOT BE DOING A FACILITIES REIMBURSEMENT ON, BUT WE WILL  
19 BE DOING IT ON THE TWO-THIRDS OF THE SPACE. WE WILL BE  
20 IN ALL CASES DOING A MAINTENANCE AND OPERATIONS  
21 REIMBURSEMENT, BUT FOR FACILITIES HARD COST, WE WILL  
22 ONLY DO A REIMBURSEMENT ON THAT PORTION OF THE SPACE WE  
23 HAVEN'T ALREADY PAID FOR.

24 DR. PIZZO: MAYBE THIS IS CAPTURED IN YOUR  
25 LAST COMMENTS, BUT A NUMBER OF OUR INSTITUTIONS, I'M



1 SURE, ARE CURRENTLY INVOLVED IN EITHER LEASING OR  
2 RENOVATING OR CONSTRUCTING SPACE NOW. AND SO WHAT  
3 ABOUT THE SCENARIO WHERE ONE IS LEASING SPACE CURRENTLY  
4 AND THE UP-FRONT COSTS FOR THE LEASE ARE BEING BORNE BY  
5 THE INSTITUTION ALONG WITH THE RENOVATIONS RELATED TO  
6 IT THAT IS REALLY BEING ESTABLISHED FOR CONDUCTING THIS  
7 RESEARCH. AND TWO YEARS FROM NOW OR A YEAR FROM NOW OR  
8 WHENEVER FUNDS ARE AVAILABLE, ONE APPLIES FOR THOSE,  
9 CAN THOSE FUNDS BE APPLIED RETROACTIVELY? OR, TO BE  
10 MOST SUCCINCT, IS RENOVATION OR CONSTRUCTION THAT WE'RE  
11 DOING TODAY TO GET READY FOR STEM CELL RESEARCH NOT  
12 REFUNDABLE THROUGH CIRM?

13 CHAIRMAN KLEIN: THE FACILITIES COMMITTEE  
14 NEEDS TO COME TO THE BOARD WITH A RECOMMENDATION. THE  
15 BOARD NEEDS TO CONSIDER THAT. IT'S NOT A QUESTION  
16 THAT'S COME BEFORE US AT THIS POINT.

17 THE FACILITIES COMMITTEE WOULD PROBABLY  
18 PROFIT BY INSTITUTIONS OUTSIDE OF THIS BOARD AND ON  
19 THIS BOARD AND INSTITUTIONS THROUGHOUT THE STATE  
20 PROVIDING INPUT TO THE FACILITIES COMMITTEE.

21 DR. PIZZO: I WOULD RECOMMEND THAT WE BE SURE  
22 TO HAVE THE FACILITIES COMMITTEE LOOK AT THAT BECAUSE I  
23 THINK THAT'S A REAL-LIFE SCENARIO RIGHT NOW OR WILL BE  
24 IN THE NEXT YEAR.

25 CHAIRMAN KLEIN: CERTAINLY ON THE INTERIM

1 BASIS, IF THERE'S A GRANT FROM CIRM, THAT COMMERCIAL  
2 LEASE SPACE WILL BE PICKED UP UNDER THIS REIMBURSEMENT  
3 FORMULA.

4 DR. HALL: CAN I MAKE THE SUGGESTION THAT FOR  
5 THE MOMENT, RATHER THAN TRY TO WORDSMITH THAT SECOND  
6 PARAGRAPH, THAT WE AGREE TO LEAVE THE FIRST ONE IN FOR  
7 THE CASE WHERE YOU HAVE PAID OUT OF POCKET TO LEASE  
8 SOME SPACE, AND THAT WE WORK TO PUT THIS SECOND  
9 PARAGRAPH IN THAT ADDRESSES THE PROBLEM THAT BOB HAS  
10 RAISED. RATHER THAN TRY TO DO IT HERE, THAT WE JUST DO  
11 THAT OFFLINE LATER, UNDERSTANDING THE INTENT OF THE  
12 GROUP HERE.

13 DR. FONTANA: I'M JUST WONDERING. DOES THIS  
14 POLICY ADDRESS ALL POTENTIAL GRANTEES? MY THOUGHTS ARE  
15 WHAT IF THERE IS A GROUP OF PEOPLE THAT GET TOGETHER  
16 AND ARE NOT AFFILIATED WITH A UNIVERSITY OR ACADEMIC  
17 INSTITUTION AND/OR EVEN A FOR-PROFIT BIOTECH INDUSTRY,  
18 MAYBE SOME GRAD STUDENTS, AND THEY GO OFF AND FORM A  
19 LAB AND THEY NEED TO LEASE SOME SPACE, BUT THEIR LEASE  
20 RATE IS REALLY HIGH, MUCH HIGHER THAN IT WOULD BE FROM  
21 THE SUBSIDIZED STATE FACILITIES. HOW DO WE ACCOMMODATE  
22 THE POTENTIAL THAT THEY MAY COME UP WITH A GREAT  
23 RESEARCH PROPOSAL, BUT THAT THEIR COSTS ARE SO  
24 EXPENSIVE? DO WE ADDRESS THAT AT ALL?

25 CHAIRMAN KLEIN: I WOULD EXPECT -- YES, IT IS

1     ADDRESSED; BUT, NO. 2, I WOULD EXPECT THE FACILITIES  
2     COMMITTEE TO COME BACK AND SAY FOR CLASS A LAB SPACE IN  
3     THIS AREA, THIS IS THE COMMERCIAL LEASE RATE, AND THEY  
4     CAN INTERFACE WITH THE BROKERAGE COMMUNITIES TO GET  
5     COMPUTER-FED DATA VERY QUICKLY TO TELL YOU WHAT THAT  
6     IS. BUT VERY BASICALLY, IN OUR FACILITIES GRANTS, THEY  
7     CAN ONLY BE TO NONPROFIT ENTITIES; BUT FOR RESEARCH  
8     ITSELF, COMMERCIAL LEASE RATES SHOULD GIVE THEM A  
9     MARKET REIMBURSEMENT REGARDLESS OF WHAT THE ENTITY IS  
10    AS LONG AS THIS BOARD APPROVES THE RESEARCH GRANT.

11             DR. HALL: LET ME JUST SAY A WORD TO THAT,  
12    JEANNIE. I THINK AS PART OF THIS POLICY, WE WOULD  
13    ALWAYS HAVE TO GRANT THROUGH AN INSTITUTION BECAUSE OF  
14    ALL THE INSTITUTIONAL REGULATIONS, THE PROTECTIONS, ALL  
15    OF THAT HAS TO BE DONE. SO IF SUCH A GROUP OF STUDENTS  
16    COULD CONVINCED THE BURNHAM OR SOMEBODY ELSE THAT THIS  
17    WAS A GREAT PROJECT AND THAT BURNHAM WOULD TAKE  
18    RESPONSIBILITY FOR IT, THEN IT WOULD BE FINE.

19             DR. FONTANA: I'M CURRENTLY READING THE STORY  
20    OF THE HISTORY OF GOOGLE AND HOW THEY LEFT STANFORD'S  
21    INSTITUTION AND STARTED ON THEIR OWN. AND I WONDER HOW  
22    MANY OF US WOULD HAVE BOUGHT INTO THEIR ENTERPRISE AT  
23    THAT TIME THERE IN A GARAGE.

24             CHAIRMAN KLEIN: AN INNOVATION PLATFORM,  
25    SOMEONE CAN CREATE AN INSTITUTION BEING A PRIVATE OR

1 PUBLIC ENTITY QUITE CHEAPLY. IF YOU INCORPORATE IN THE  
2 STATE OF CALIFORNIA AS A NONPROFIT ENTITY OR AS A  
3 FOR-PROFIT ENTITY, AS LONG AS YOU'RE NOT TRYING TO GET  
4 A FEDERAL TAX EXEMPTION, YOU CAN QUITE EASILY WITH FULL  
5 DISCLOSURE TO THE STATE AND THE PUBLIC GET A NONPROFIT  
6 ENTITY STATUS. SO YOU CAN CREATE A CORPORATE ENTITY  
7 FOR PURPOSES OF APPLICATION. YOU MAY NOT HAVE THE SAME  
8 COMPETITIVE ADVANTAGES WITH THE UNIVERSITY BECAUSE  
9 YOU'VE GOT TO SHOW YOU HAVE THE CREDENTIALS, BUT IT'S  
10 QUITE POSSIBLE THAT A NUMBER OF DISTINGUISHED  
11 SCIENTISTS COULD GET TOGETHER AND FORM AN ENTITY WITH  
12 FULL DISCLOSURE OF WHO THAT ENTITY IS AND BE AN  
13 APPLICANT.

14 DR. FONTANA: I'M JUST HOPING THAT WE CAST  
15 THE NET WIDE AND THAT WE ALWAYS FOCUS ON SCIENTIFIC  
16 EXCELLENCE, NOT NECESSARILY ON DEGREES AND WHERE THEY  
17 COME FROM AND WHO THEY'RE ASSOCIATED WITH, BUT REALLY  
18 THE MERITS OF THEIR SCIENTIFIC PROPOSALS.

19 DR. CHIU: IF THERE ARE NO OTHER COMMENTS, WE  
20 MOVE ON TO WHAT'S ON THE SCREEN NOW, WHICH IS A  
21 CONTINUATION OF DIRECT FACILITIES COSTS. AND THAT IS  
22 THE NEW ADDED STATEMENT, COSTS ALREADY PROVIDED FOR IN  
23 PART OR IN WHOLE BY A FACILITIES OR INFRASTRUCTURE  
24 GRANT FROM ANY SOURCE ARE NOT ALLOWABLE DIRECT  
25 FACILITIES COSTS IN A CIRM GRANT, TO CAPTURE WHAT BOB

1 HAS BEEN SAYING A LITTLE WHILE AGO.

2 DR. JENNINGS: HAVE A QUESTION ON THAT. DO  
3 YOU MEAN ANY GOVERNMENTAL SOURCE, OR DOES THIS RULE OUT  
4 PRIVATE DONORS OR OTHER FOUNDATIONS GIVING YOU A  
5 BUILDING?

6 DR. CHIU: THINKING OF A GRANT, BUT FROM ANY  
7 SOURCE.

8 DR. JENNINGS: SO YOU DISTINGUISH IT BY THE  
9 WORD "GRANT" FROM OTHER KINDS OF DONATIONS.

10 DR. CHIU: THAT IS CORRECT. NOT A DONATION,  
11 BUT A GRANT; THAT IS, YOU WRITE FOR IT, YOU APPLY FOR  
12 IT, AND YOU GET THIS GRANT FOR A CENTER OR A FACILITY  
13 OR A CORE.

14 DR. JENNINGS: BUT KRESGE FOUNDATION WILL  
15 SUPPORT SUCH GRANTS. DOES THAT RULE THAT OUT?

16 DR. CHIU: THAT'S A GOOD QUESTION, AND IT'S  
17 FOR THE BOARD TO DECIDE.

18 DR. HALL: LET US TAKE A LOOK AT THAT. I  
19 THINK THAT'S APPROPRIATE FOR THE 45-DAY PERIOD. THAT'S  
20 EXACTLY THE KIND OF QUESTION WE WILL JUST NEED TO  
21 EXAMINE.

22 DR. CHIU: NEXT SLIDE.

23 DR. KESSLER: AGAIN, JUST GO BACK AND HELP ME  
24 UNDERSTAND WHAT SOURCE MEANS.

25 DR. CHIU: FROM ANY SOURCE, FUNDING SOURCE.

1 DR. KESSLER: IS THAT A PHILANTHROPIC SOURCE?

2 DR. CHIU: YES.

3 DR. KESSLER: ANY GIFT?

4 DR. CHIU: A GRANT AS A FUNDING SOURCE.

5 PERHAPS I SHOULD PUT IN FOUNDATION FUNDING SOURCE. WE  
6 JUST WANTED TO STEP AWAY FROM DOUBLE-DIPPING.

7 DR. KESSLER: BUT THERE ARE -- IF YOU HAVE A  
8 GIFT --

9 DR. PIZZO: BUT I HAVE A CONCERN ABOUT THAT  
10 BECAUSE FROM AN INSTITUTIONAL POINT OF VIEW, IF YOU  
11 HAVE A GIFT, IT DOESN'T COVER THE NEEDS FOR FUNDING THE  
12 RESEARCH SPACE. REALITY IS GIFTS DON'T CARRY WITH IT  
13 THE INDIRECT COSTS THAT ARE ASSOCIATED WITH THE  
14 INSTITUTIONS WHO ARE ALL MAKING UP IN OUR INSTITUTIONS  
15 FOR THINGS THAT DON'T CARRY OVERHEAD. IF SOMETHING  
16 LIKE THIS WAS LEVIED, I THINK WE'D BE HIT DOUBLY.

17 CHAIRMAN KLEIN: I DON'T UNDERSTAND -- I  
18 DON'T BELIEVE THAT ARLENE IS SUGGESTING THAT YOUR  
19 OVERHEAD IS CUT OUT OR YOUR OPERATING MAINTENANCE IS  
20 CUT OUT.

21 DR. CHIU: NO. NO. NO. THIS IS THE  
22 ALLOWANCE.

23 CHAIRMAN KLEIN: THE QUESTION IS DO YOU GET  
24 FUNDS AVAILABLE AS A FACILITIES REIMBURSEMENT TO COVER  
25 YOUR DEBT SERVICE? SO SHE'S ONLY DEALING WITH THAT

1 PORTION OF THE REIMBURSEMENT THAT WOULD BE CAPITAL COST  
2 THAT THE GIFT COVERED, BUT YOU WOULD STILL QUALIFY FOR  
3 THE INDIRECT COSTS.

4 DR. PIZZO: IT DEPENDS ON THE SOURCE OF THE  
5 GRANT THAT YOU HAVE. IF YOU'VE GOT A FEDERAL GRANT,  
6 EVEN WITH FEDERAL GRANTS WITH FULL INSTITUTIONAL  
7 OVERHEAD, AT LEAST IN OUR INSTITUTION, IT COSTS US  
8 NEARLY 29 CENTS ON THE DOLLAR TO MAKE OUR INSTITUTION  
9 WHOLE. IF MANY GRANTS THAT WE GET ARE 10, 15, 20  
10 PERCENT FROM OTHER FOUNDATIONS, WE HAVE TO MAKE UP THAT  
11 DIFFERENCE FROM OTHER SOURCES. THERE'S NO -- THERE'S  
12 NO WAY THAT WE CAN RUN OUR OPERATION.

13 CHAIRMAN KLEIN: LET ME ASK ARLENE A  
14 QUESTION. THIS SAYS THAT YOU CAN'T COVER THE SAME  
15 COSTS THAT THE GRANT COVERED, BUT OTHER COSTS THAT ARE  
16 NOT COVERED WOULD QUALIFY.

17 DR. CHIU: I'M SORRY IF THERE IS CONFUSION.  
18 THIS REFERS TO THAT SPECIAL ALLOWANCE. IT DOES NOT  
19 AFFECT THE FEDERALLY NEGOTIATED RATES IN CATEGORY B.

20 DR. HALL: IF YOU HAD LEASED SPACE OFF  
21 CAMPUS, I THINK, IS THE POINT; IS THAT RIGHT? AND YOU  
22 HAD GOTTEN A GRANT FROM KRESGE OR SOMEBODY ELSE TO DO  
23 THAT, THAT WE SHOULD PAY ALSO, THAT'S THE INTENT, BUT  
24 WE OBVIOUSLY HAVE NOT WRITTEN IT CLEARLY ENOUGH. WE  
25 CAN DO THAT.

1 DR. PIZZO: LET'S ALSO REMEMBER THAT AT LEAST  
2 FOR THE FORESEEABLE FUTURE, WE'RE NOT GOING TO BE LUCKY  
3 ENOUGH TO HAVE A FEDERAL OVERHEAD RATE FOR STEM CELL  
4 RESEARCH UNTIL THE POLICIES CHANGE IN WASHINGTON. SO  
5 WE'RE GOING TO BE DEALING WITH LOW OVERHEAD RATES TO  
6 CARRY OUT THIS RESEARCH, WHETHER IT'S GIFT FUNDS OR  
7 FOUNDATION FUNDS OR WHATEVER. AND SO IT'S A REAL BIG  
8 INSTITUTIONAL CHALLENGE BECAUSE, YOU KNOW, CERTAINLY IN  
9 OUR INSTITUTION, IT COSTS US A LOT OF ADDITIONAL  
10 DOLLARS IN ORDER TO SUPPORT OUR RESEARCH ENTERPRISE  
11 WHICH WE HAVE TO RAISE FROM OTHER SOURCES IN ORDER TO  
12 TAKE IN GRANTS THAT HAVE LESS THAN THE FEDERAL  
13 OVERHEAD. EVEN WITH THE FEDERAL OVERHEAD, WHICH IS 90  
14 PERCENT OF OUR GRANTS, WE'RE STILL COVERING A LOT OF  
15 THE ADDITIONAL COSTS THAT ARE NOT CAPTURED BY THE  
16 CURRENT OVERHEAD RATES.

17 CHAIRMAN KLEIN: DR. PIZZO --

18 DR. HENDERSON: COULD I JUST SUGGEST MAYBE  
19 THIS IS AN ISSUE OF DOUBLE-DIPPING IS THE QUESTION.  
20 AND I WONDER IF IT WOULDN'T JUST BE CLEARER TO SAY  
21 COSTS ALREADY PROVIDED FOR, DROP THE IN PART OR WHOLE,  
22 ARE NOT ALLOWABLE, AND LEAVE THE ROOM TO DECIDE WHAT'S  
23 REALLY PROVIDED FOR AND WHAT ISN'T. THAT LEAVES SOME  
24 LEEWAY IN DEFINING WHAT'S ACTUALLY PROVIDED FOR BY THE  
25 NEGOTIATION BETWEEN YOU AND THE INSTITUTION.



1           CHAIRMAN KLEIN: I THINK THAT'S AN EXCELLENT  
2 COMMENT. I HAD UNDERSTOOD, PERHAPS, ARLENE, YOU CAN  
3 CLARIFY, THAT IF YOU HAD A \$100,000 COST AND YOU HAD A  
4 GRANT FOR 20,000, THE OTHER 80,000 WOULD QUALIFY FOR  
5 OUR REIMBURSEMENT. SO --

6           DR. CHIU: THAT WILL BE ADDRESSED IN A LATER  
7 SECTION.

8           CHAIRMAN KLEIN: DR. KESSLER.

9           DR. KESSLER: THE ONLY PROBLEM WITH THAT IS  
10 I'M NOT SURE PROVIDED FOR BY WHOM.

11           CHAIRMAN KLEIN: IT WOULD BE QUALIFIED FOR  
12 REIMBURSEMENT UNDER OUR GRANT AND NOT CONSIDERED TO BE  
13 DOUBLE-DIPPING. YOU'RE ONLY COVERING THE PORTION OF  
14 COST NOT OTHERWISE COVERED.

15           DR. KESSLER: OKAY.

16           CHAIRMAN KLEIN: IS THAT THE CORRECT  
17 UNDERSTANDING?

18           DR. CHIU: WE WILL TRY AND WORK OUT LANGUAGE.  
19 I'M NOT REFLECTING THE INDIRECT COST PART, WHICH WE'RE  
20 COMING TO IN JUST A BIT, BUT TRYING TO WORK IN LANGUAGE  
21 TO MAKE THIS EITHER MORE CLEAR OR TO ALLOW FOR MORE  
22 FLEXIBILITY IN INTERPRETATION.

23           DR. PENHOET: I THINK HIS SUGGESTION WAS A  
24 GOOD ONE, TO DELETE "IN PART OR IN WHOLE."

25           CHAIRMAN KLEIN: DR. PENHOET -- ARLENE, IF

1 YOU COULD REPEAT FOR THE REPORTER DR. PENHOET'S COMMENT  
2 SO THAT SHE CAN PICK IT UP.

3 DR. CHIU: DR. PENHOET SAYS, I'M SUMMARIZING,  
4 ALL I NEED TO DO IS TO TAKE OUT THE PROVIDED IN PART OR  
5 IN WHOLE. JUST THOSE FEW WORDS AND THEN THE REST WILL  
6 STAND, WHICH WOULD NOT REQUIRE ANY FURTHER  
7 WORDSMITHING. THANK YOU.

8 WE MOVE ON, IF THERE ARE NO FURTHER COMMENTS,  
9 TO THE NEXT SLIDE, WHICH NOW DEALS WITH INDIRECT COSTS  
10 AS DESCRIBED IN PROP 71. AND I READ -- WE WANTED TO BE  
11 FAITHFUL TO PROP 71, AND THEN THERE'S A SECOND  
12 PARAGRAPH THAT DESCRIBES SOMETHING THAT WAS NOT  
13 EXPRESSED IN AN EARLIER VERSION. SO IN ACCORDANCE WITH  
14 PROP 71, INDIRECT COST WILL BE LIMITED TO 25 PERCENT OF  
15 ALLOWABLE DIRECT COSTS; I.E., DIRECT PROJECT COSTS AND  
16 DIRECT FACILITIES COSTS EXCLUSIVE OF THE COST OF  
17 EQUIPMENT, TUITION AND FEES, AND SUBCONTRACT AMOUNTS IN  
18 EXCESS OF \$25,000.

19 NEXT PARAGRAPH, IF THE GRANTEE ORGANIZATION  
20 PROVIDES MATCHING FUNDS, I.E., FUNDS FROM PRIVATE  
21 SOURCES OR DONATIONS, THAT DO NOT CARRY OVERHEAD COSTS  
22 SPECIFICALLY FOR THE APPROVED PROJECT THAT IS IN EXCESS  
23 OF 20 PERCENT OF THE TOTAL GRANT AMOUNT, I.E., SUM OF  
24 DIRECT AND INDIRECT COSTS, THEN AN ADDITIONAL INDIRECT  
25 COST ALLOWANCE EQUAL TO THE EXCESS AMOUNT MAY BE

1 REQUESTED. THE PROVISION OF MATCHING FUNDS MUST BE  
2 DESCRIBED IN THE GRANT APPLICATION AND INCLUDED IN THE  
3 SUBMITTED BUDGET.

4 CHAIRMAN KLEIN: ARLENE, QUESTION. WHAT DO  
5 YOU MEAN WHEN YOU SAY DO NOT CARRY OVERHEAD COSTS  
6 BECAUSE THERE COULD BE A GRANT FROM A PRIVATE FIRM THAT  
7 HAS SOME OVERHEAD, BUT IT IS LESS THAN THE TOTAL COST  
8 OF DOING THE PROJECT?

9 DR. CHIU: THAT WOULD BE BUDGETARY OVERLAP.  
10 IF THERE'S A GRANT FROM ANOTHER PLACE JUST FOR THIS  
11 SPECIFIC APPROVED PROJECT, THEN THAT WOULD BE AND HAS  
12 BEEN DESCRIBED AS BUDGETARY OVERLAP. AND SO IT'S NOT  
13 PERMITTED.

14 CHAIRMAN KLEIN: IN THE APPLICATION OF THE  
15 FUNDS, YOU LIMITED THE TOTAL OVERHEAD IN ANY CASE.

16 DR. CHIU: I'M AFRAID INSTITUTIONS HAVE TO  
17 DEAL WITH THAT A LOT. MANY PRIVATE FOUNDATIONS, AS DR.  
18 PIZZO KNOWS WELL, SOMETIMES DO NOT PROVIDE ADDITIONAL  
19 OVERHEAD. AND I GUESS THIS SOUNDS LIKE WE'RE  
20 SUGGESTING WE COVER OVERHEAD FOR SOME OTHER GRANT.

21 CHAIRMAN KLEIN: THIS ONLY APPLIES IN THE  
22 SITUATION WHERE THE INSTITUTION HAS RAISED FROM OTHER  
23 SOURCES ADDITIONAL FUNDS RELATED TO OUR GRANTS.

24 DR. CHIU: THAT'S THE QUESTION. IF IT'S FROM  
25 A PRIVATE FUNDING FOUNDATION FOR A PROJECT THAT IS

1 IDENTICAL TO A GRANT APPLICATION PROPOSED TO US, THAT  
2 IS DEFINED AS BUDGETARY OVERLAP, AND NO INSTITUTION  
3 PERMITS THAT, AS I THINK MOST WOULD AGREE.

4 CHAIRMAN KLEIN: IF OUR GRANT WERE 500,000,  
5 AND IF WE WERE ONLY REQUIRED TO PUT UP 300,000 AND  
6 ANOTHER INSTITUTION PUT UP 200,000 OF THE MONEY, THERE  
7 WOULD ONLY BE 500,000 OF THE TOTAL COST BEING COVERED,  
8 SO THERE WOULDN'T BE ANY DUPLICATION OR DOUBLE-DIPPING.  
9 I'M TRYING TO ADDRESS THE SITUATION WHERE, IN FACT, WE  
10 DON'T HAVE TO PAY THE FULL COST OF THE GRANT BECAUSE WE  
11 HAVE A COMPLEMENTARY GRANTING SOURCE.

12 DR. CHIU: I THINK I NEED THE ADVICE OF THE  
13 BOARD IN SUCH INSTANCES BECAUSE MOST -- MANY PLACES  
14 WOULD CONSIDER THAT BUDGETARY OVERLAP. WHAT THEY WOULD  
15 DO IS SEGREGATE OUT THE PROJECT INTO SPECIFIC AIMS THAT  
16 ARE NOT OVERLAPPING. THE FIRST PROJECT WOULD FUND  
17 SPECIFIC AIM A AND WE WOULD FUND SPECIFIC AIMS B AND C.

18 CHAIRMAN KLEIN: I SUGGEST THAT THE  
19 INITIATIVE IS SPECIFICALLY WRITTEN TO, IN FACT,  
20 ENCOURAGE THAT, IF POSSIBLE, BECAUSE NOT TO HAVE DOUBLE  
21 PAYMENT, BUT TO HAVE COMPLEMENTARY FUNDING SOURCES IF  
22 THEY'RE AVAILABLE.

23 DR. KESSLER: I THINK THAT'S GOING TO BE  
24 SOMETHING THAT'S GOING TO BE THE REALITY. IN ORDER TO  
25 ACHIEVE WHAT WE WANT TO ACHIEVE, WE'RE GOING TO HAVE TO

1 USE MULTIPLE SOURCES IN ORDER TO DO THIS. AND BECAUSE  
2 THIS IS MORE OF A HUGHES-TYPE MODEL, THE FACT IS YOU  
3 MAY BE PAYING FOR RESEARCH GRANTS, BUT YOU ARE NOT  
4 PAYING FOR THE FACILITY, AND THE FACILITIES ARE GOING  
5 TO BE PUT TOGETHER BY A COMBINATION OF DIFFERENT  
6 PIECES. AND SO WHAT WE'RE SORT OF STUCK WITH, NOT  
7 OVERLAP, BUT A RECOGNITION THAT THEY ARE COMPLEMENTARY  
8 PIECES HERE.

9 CHAIRMAN KLEIN: RIGHT.

10 DR. PIZZO: WE DO THIS. THE FACT IS IN SOME  
11 WAY OR ANOTHER WE DO THIS NOW. I THINK WE HAVE TO BE  
12 VERY CAREFUL, AS I THINK ARLENE IS SAYING, ABOUT  
13 VIOLATING SORT OF STANDARD RULES THAT WILL GET US INTO  
14 DIFFICULTY. NONE OF OUR OR VIRTUALLY NONE OF OUR  
15 GRANTS WE TAKE A LOW OVERHEAD GRANT. WE HAVE TO COME  
16 UP WITH YOU MIGHT CALL MATCHING SUPPORT, BUT IT COMES  
17 FROM -- IT DOESN'T COME FROM ANOTHER FOUNDATION. IT  
18 COMES FROM SOME DISCRETIONARY DOLLARS THAT WE HAVE  
19 ACCESS TO.

20 I THINK ONE OF THE THINGS THAT TO ME IS GOING  
21 TO BE VERY IMPORTANT, IN READING THIS NOW AGAIN, IS I  
22 THINK ZACH'S COMMENT AND ARLENE'S COMMENT ABOUT THE  
23 COMMENT PERIOD IS GOING TO BE CRITICALLY IMPORTANT. WE  
24 NEED TO GET SOME ADDITIONAL WISDOM FROM PEOPLE WHO ARE  
25 HANDLING THIS EVERY DAY. THE REALITY IS MANY OF US RUN

1 LARGE RESEARCH ENTERPRISES, BUT I WOULDN'T TRUST ANY OF  
2 US TO TELL YOU THAT WE UNDERSTAND ALL THE NUANCES THAT  
3 OUR RESEARCH MANAGEMENT GROUP TRULY DOES. SO I THINK  
4 WE NEED TO GET THEIR INPUT INTO THIS.

5 DR. HALL: I MIGHT JUST SAY FOR THE BENEFIT  
6 OF THE BOARD, WE RECENTLY HAVE BEEN OFFERED SOME PRO  
7 BONO SERVICES BY A CONSULTANT FOR KPMG, WHO CONSULTS ON  
8 INDIRECT COSTS APPARENTLY FOR BOTH THE GOVERNMENT AND  
9 FOR INSTITUTIONS IN THE SIX WESTERN STATES OR SOMETHING  
10 LIKE THAT. HE'S AGREED TO COME GO OVER THESE ISSUES  
11 WITH US, AND I THINK THAT WOULD BE TREMENDOUSLY  
12 HELPFUL. IT THINK IT MIGHT BE USEFUL TO GET  
13 REPRESENTATIVES FROM SOME OF YOUR INSTITUTIONS THERE AS  
14 WELL. THESE ARE VERY COMPLICATED AND DIFFICULT ISSUES.  
15 AND IT IS, AS YOU KNOW, YOUR INSTITUTIONS HAVE WHOLE  
16 TEAMS THAT DEAL WITH THE FEDERAL GOVERNMENT ON THESE  
17 ISSUES.

18 DR. HENDERSON: IT THINK IT MIGHT BE WORTH  
19 THINKING IT THROUGH EVEN A LITTLE BIT MORE, ZACH. I  
20 LIKE HAVING AN OUTSIDE INDEPENDENT PERSON COME IN SO  
21 THERE'S NO PERCEPTION THAT WE'RE WORDSMITHING THIS TO  
22 FIT OUR PARTICULAR PECULIARITIES OR PLANS. IF WE'RE  
23 GOING TO EMPLOY PEOPLE FROM INSTITUTIONS, I THINK  
24 INSTITUTIONS THAT CAN'T BE INVOLVED LIKE ARE OUTSIDE OF  
25 THE STATE OR SOMETHING MIGHT BE WORTH TALKING TO.

1 DR. HALL: SO THAT IS ACTUALLY QUITE A GOOD  
2 SUGGESTION. LET ME REPHRASE IT AND SEE IF IT WORKS.  
3 IF WE COULD CHARGE SPECIFICALLY THIS FELLOW, WHOSE NAME  
4 I'M FORGETTING RIGHT NOW, MICHAEL KORIG (PHONETIC), I  
5 THINK HIS NAME IS, BUT WAS RECOMMENDED BY A COUPLE OF  
6 PEOPLE, HE HAS AGREED TO DO PRO BONO WORK. AND WE  
7 MIGHT ASK HIM ACTUALLY TO CONSULT WITH WHOEVER HE WANTS  
8 TO AND TO COME UP WITH A RECOMMENDATION FOR THIS AND  
9 ALSO DO A LITTLE BIT MORE DUE DILIGENCE FOR HIM. THAT  
10 IS, WE COULD MAKE WHAT IS AN INFORMAL COME BY AND HAVE  
11 A CHAT WITH US INTO SOMETHING A BIT MORE FORMAL. I  
12 THINK YOUR POINT IS A VERY GOOD ONE.

13 I THINK WE'RE ON VERY THIN GROUND HERE AS THE  
14 REPRESENTATIVES OF THE VARIOUS INSTITUTIONS FOR WHOM  
15 ALL OF THIS MEANS DOLLARS AND CENTS DECIDE THE POLICIES  
16 BY WHICH THE INSTITUTIONS WILL BE REIMBURSED. AND SO I  
17 THINK SOME EXPERT ADVICE EVEN DONE IN A VERY FORMAL WAY  
18 WITH THE PUBLIC, WITH A REPORT, IF HE'D BE WILLING TO  
19 DO IT, I THINK THAT'S ACTUALLY A WONDERFUL SUGGESTION.

20 DR. PIZZO: I AGREE WITH BRIAN, BUT I ALSO  
21 THINK THAT WE CERTAINLY WANT TO ENGAGE OUR INSTITUTIONS  
22 FOR ANOTHER REASON, WHICH IS THE REASON I'VE BEEN SORT  
23 OF PROBING A LITTLE BIT OF THIS, IS I THINK WE CAN  
24 ANTICIPATE IN ONE WAY OR ANOTHER THAT THERE ARE GOING  
25 TO BE AUDITS OF WHATEVER WE'RE DOING. AND THOSE AUDITS

1 MAY WELL BE FEDERALLY DIRECTED. WE HAVE A LOT AT STAKE  
2 IN THIS AREA; AND IF WE DON'T HAVE EVERYTHING AS WELL  
3 REGULATED AS WE CAN, ONE OR ANOTHER OF US IS GOING TO  
4 GET INTO SOME DIFFICULTY.

5 I WAS ACTUALLY NOT ONLY THINKING OF IT FROM  
6 THE POINT OF VIEW OF WHAT WE RECEIVE IN DOLLARS, BUT  
7 HOW THESE RULES, IF YOU WILL, OR REGULATIONS OR  
8 GUIDELINES ARE GOING TO BE IMPLEMENTED IN WAYS THAT  
9 ASSURE THAT ONE OF US DOESN'T FALL OUT OF COMPLIANCE.

10 DR. HALL: I THINK GETTING SOMEBODY OF THIS  
11 CALIBER, WHETHER IT'S THIS PERSON OR NOT, WE HAVE  
12 CONSULTED WITH INSTITUTIONS. AND THE REASON IS SO THAT  
13 WE'RE NOT EXPERTS IN THIS AREA, WE DO NOT WISH TO DO  
14 SOMETHING THAT HAS UNINTENDED CONSEQUENCES. OFTEN WE  
15 DON'T UNDERSTAND HOW IT REVERBERATES IN THE  
16 INSTITUTION, BUT I THINK THE IDEA OF HAVING SOMEBODY  
17 THAT IS QUITE SEPARATE MAKE A FORMAL RECOMMENDATION FOR  
18 HOW WE COULD HANDLE THESE ISSUES. WE HAVE STRUGGLED  
19 WITH IT, AND WE DON'T UNDERSTAND IT.

20 BOB IS TREMENDOUSLY EXPERT WITH FINANCIAL  
21 ISSUES; BUT WITH ALL DUE RESPECT, BOB, YOUR EXPERIENCE  
22 IN THAT COMPLICATED WORLD OF UNIVERSITIES AND RESEARCH  
23 INSTITUTIONS AND INDIRECT COST IS REMARKABLE GIVEN YOUR  
24 PAST, BUT IS ALSO NOT YOUR EVERYDAY BUSINESS. SO I  
25 THINK ITS BEEN A BIT TRICKY FOR US TO TRY TO GET THIS



1 RIGHT. AND I THINK IF WE COULD ASK FOR AT LEAST SOME  
2 FORMAL EXPRESSION FROM THE BOARD OF WHETHER YOU THINK  
3 THIS IS A GOOD IDEA OR NOT, I THINK THAT WOULD BE A  
4 GREAT THING.

5 CHAIRMAN KLEIN: I DO THINK THE FACILITIES  
6 COMMITTEE WILL BRING US A LOT OF EXPERTISE ON THE  
7 FACILITIES END OF IT. AND IT'S AN INDEPENDENT GROUP  
8 WITH INDEPENDENTLY APPROVED EXPERTISE. AND THERE ARE  
9 NONE OF THE INSTITUTIONS ON THIS BOARD ON THAT  
10 FACILITIES COMMITTEE. WE ALL DRAW FROM OUR PAST LIVES.  
11 I WILL TELL YOU THAT THE REAL ESTATE PEOPLE ON THE  
12 FACILITIES COMMITTEE HAVE EXPERIENCE IN BUILDING MAJOR  
13 RESEARCH HOSPITALS OR PUBLIC HOSPITALS. IT IS NOT THE  
14 SAME, BUT THE FACILITIES COMMITTEE CAN PROVIDE A LEVEL  
15 OF INDEPENDENCE AND INSULATION. BUT I THINK IT'S AN  
16 EXCELLENT IDEA TO GO INTO THIS OTHER AREA WHERE WE'RE  
17 DEALING WITH THE RESEARCH REIMBURSEMENTS THEMSELVES AND  
18 GET ANOTHER AREA OF EXPERTISE.

19 IN A PAST LIFE I WAS THE INVESTMENT BANKER  
20 FOR CLARK COUNTY HOSPITAL WHEN THEIR MERGER WITH THE  
21 UNIVERSITY SYSTEM FOR THE BURN CENTER AND THE  
22 REBUILDING OF THEIR HOSPITAL, BUT I RECOGNIZE THAT WE  
23 HAVE A BREADTH OF EXPERIENCE HERE THAT WE NEED TO BRING  
24 TOGETHER EXPERTISE FROM RESEARCH HOSPITALS, RESEARCH  
25 INSTITUTIONS, UNIVERSITIES, AND PRIVATE SECTORS, ALL OF

1 WHOM WORK OFF OF DIFFERENT FINANCIAL GROUND.

2 DR. PIZZO: YOUR PAST LIVES CONSTANTLY AMAZE  
3 ALL OF US, BOB, BUT I THINK THAT MAYBE YOU'VE JUST  
4 STATED IT, BUT COMING FROM AN INSTITUTION WHERE THE  
5 WORD, VERY WORD "INDIRECT COSTS" CONJURES UP ALL KINDS  
6 OF ISSUES. FOR THOSE WHO WILL REMEMBER, STANFORD HAD A  
7 TREMENDOUS CHALLENGE AROUND INDIRECT COSTS IN THE EARLY  
8 1990S, SO ANY WORD ABOUT THAT IS LIKE AN ATOMISTIC  
9 RESPONSE. THEY ARE VERY VIGILANT ABOUT THIS. I THINK  
10 IT'S ONE OF THE REASONS WHY I THINK, AS GOOD AS THE  
11 FACILITIES COMMITTEE IS, IT DOESN'T HAVE THE EXPERTISE  
12 IN SOME OF THESE AREAS, SO WE NEED TO COMPLEMENT THAT  
13 EXPERTISE WITH EITHER CENTERS OR INDIVIDUALS WHO REALLY  
14 DO UNDERSTAND THIS SO WE CAN GET IT AS RIGHT AS  
15 POSSIBLE BECAUSE, AS SURE AS WE'RE SITTING HERE, ONE OR  
16 ANOTHER OF US OR ALL OF US ARE GOING TO BE CHALLENGED  
17 ON THIS WHEN WE GET GOING, DEPENDING UPON WHERE WE ARE  
18 AT THE GOING TIME. WE JUST WANT TO BE SURE THAT WE  
19 DON'T HAVE AN INDIRECT COST CHALLENGE.

20 DR. HENDERSON: I THINK WE'VE FACED THE  
21 REALITY THAT WE'RE GOING TO BE AUDITED ALONGSIDE OF  
22 FEDERAL -- BY FEDERAL AUDITORS TOO. AND SO MAKING SURE  
23 WE'VE GOT AS MUCH OUTSIDE HELP AS POSSIBLE ON THIS  
24 WOULD REASSURE ME ANYWAY.

25 CHAIRMAN KLEIN: DR. KESSLER.

1 DR. KESSLER: SO I GUESS WHAT'S ACTUALLY,  
2 ALONG THOSE LINES, THE PROCESS? PERHAPS WHAT WE NEED  
3 IS A PUBLIC SESSION WITH THE EXPERTS FROM BOTH THE  
4 FACILITIES COMMITTEE AND FROM PEOPLE WHO ARE EXPERT IN  
5 THIS AND BE ABLE TO DISCUSS THESE THINGS OUT IN THE  
6 OPEN.

7 DR. HALL: LET ME MAKE A SUGGESTION. WE  
8 HAVE, WITH EVERYTHING ELSE GOING ON, WE HAVE NOT BEEN  
9 AS PROACTIVE AS WE MIGHT HAVE BEEN IN DEALING WITH THIS  
10 COMPLICATED ISSUE. I SEE THERE ARE TWO ISSUES. ONE IS  
11 JUST IN THE IMMEDIATE FUTURE, AS WE BEGIN TO FUND  
12 GRANTS, HOW TO HANDLE THE DIRECT FACILITIES COSTS AND  
13 THE INDIRECT COSTS. AND THEN WE HAVE ANOTHER ISSUE  
14 WHICH IS HOW WE'RE GOING TO HANDLE FACILITIES. I THINK  
15 ACTUALLY THE FACILITIES WORKING GROUP WILL HAVE ITS  
16 HANDS FULL AND HAVE A HUGE JOB WITH THAT SECOND TASK.  
17 AND I THINK IT WILL TAKE SOME TIME. THEY'RE ALL SMART  
18 PEOPLE, BUT WHAT I GUESS I'M TRYING TO SAY IS IT SEEMS  
19 TO ME THAT THE INDIRECT COST ISSUE IS SO TECHNICAL,  
20 THAT MY SUGGESTION WOULD BE TO HAVE A MEETING WE COULD  
21 INVITE THOSE PEOPLES; BUT IF WE DEPEND ON RUNNING IT  
22 THROUGH THE FACILITIES WORKING GROUP, WHICH HAS MET  
23 ONLY ONCE AND REALLY ISN'T UP AND RUNNING, WE DON'T  
24 HAVE A STAFF PERSON, IT WILL, I'M AFRAID, DELAY IT.  
25 AND THEIR REAL BUSINESS, I SEE, IS THE NEW FACILITIES,

1 AND THAT WE FOCUS ON THIS QUESTION OF INDIRECT COSTS  
2 BECAUSE WE NEED TO GET THAT RIGHT BEFORE WE PUT ANY  
3 REAL RESEARCH GRANTS OUT THERE.

4 DR. KESSLER: I GUESS THE QUESTION IS JUST GO  
5 OVER THE PROCESS AGAIN. AFTER TODAY THESE GO WHERE,  
6 THESE REGS?

7 DR. HALL: THEY WILL BE PUT INTO REGULATORY  
8 LANGUAGE. THEY WILL BE, JAMES, YOU CORRECT MY  
9 TERMINOLOGY HERE, WHICH MAY NOT BE CORRECT, THEY WILL  
10 BE POSTED BY THE OFFICE OF ADMINISTRATIVE LAW IN  
11 SACRAMENTO. AND THEN THERE FOLLOW A 45-DAY FORMAL  
12 PERIOD FOR PUBLIC COMMENT. AND DURING THAT TIME IT'S  
13 POSSIBLE TO HEAR FROM THE PUBLIC AND ALSO TO MAKE  
14 MODIFICATION. THEN THAT WILL BE PRESUMABLY  
15 RECONSIDERED BY THE ICOC. AFTER THAT PERIOD OF TIME,  
16 THE ICOC THEN MAKES WHATEVER CHANGES IT WANTS TO. THIS  
17 THEN GOES TO THE OFFICE OF ADMINISTRATIVE LAW, WHICH  
18 EITHER ACCEPTS THE CHANGES OR SAYS YOU NEED TO HAVE  
19 ANOTHER PERIOD.

20 DR. KESSLER: RECOGNIZING THAT YOU DON'T FEEL  
21 THAT WE HAVE ALL THE EXPERTISE THAT WE NEED YET ON  
22 THESE, WHEN WOULD YOU LIKE TO HAVE THAT KIND OF INPUT  
23 FROM BOTH EXPERTS OUTSIDE AS WELL AS EXPERTS WHO ARE  
24 FROM INSTITUTIONS IN THE STATE?

25 DR. HALL: I WOULD HOPE TO DO IT WITHIN THAT

1 45-DAY PERIOD AND TO HAVE SORT OF SOMETHING HERE THAT  
2 WE CAN USE AS AN INTERIM POLICY. I DON'T THINK IT'S  
3 GOING TO BE A BIG ISSUE THEN, BUT WE WANT TO BE READY  
4 IF WE GO OUT.

5 DR. KESSLER: OF WHAT COMES OUT TODAY?

6 DR. HALL: YES, WOULD BE AN INTERIM POLICY.  
7 THE DEALING WITH NEW FACILITIES IS NOT GOING TO BE --  
8 THAT WE WILL DEAL WITH SEPARATELY. WE'LL HAVE A  
9 SEPARATE GRANTS ADMINISTRATION POLICY FOR THAT, AND  
10 THAT'S WHERE A LOT OF THESE OTHER ISSUES, I THINK, WILL  
11 GET ADDRESSED. THAT WILL BE TUCKED INTO HERE, AS I  
12 UNDERSTAND IT, IF I'M CORRECT, ARLENE. BUT THE ISSUE  
13 WE NEED TO JUST SORT OUT IS THE INDIRECT COST ISSUE AND  
14 THE DIRECT FACILITIES COST ISSUE.

15 AND I THINK THE KEY ELEMENTS THERE ARE, TO  
16 BACK UP A LITTLE BIT, THE ALLOWABLE DIRECT FACILITIES  
17 COST, ITEM NO. 2, THE FIRST PARAGRAPH AND THE SECOND  
18 PARAGRAPH, AND THEN TO MAKE SURE WE GET THE LEASE  
19 REIMBURSEMENT. I THINK THAT'S IMPORTANT. THE ISSUE  
20 ABOUT DOUBLE-DIPPING WE WILL NEED TO LOOK AT VERY  
21 CAREFULLY.

22 AND THEN I THINK THE OTHER ISSUE THAT I SEE  
23 AS PROBLEMATIC OR I DON'T UNDERSTAND WELL ENOUGH TO  
24 DEAL WITH IT IS UNDER 4, THAT SECOND PARAGRAPH ON  
25 GRANTEE ORGANIZATIONS. THE ONE THAT'S JUST UP HERE

1 NOW, THE SECOND ONE THERE. I THINK WE NEED TO REALLY  
2 THINK ABOUT WHAT THAT MEANS, AND I WOULD LIKE TO HAVE  
3 AN EXPERT TALK TO US ABOUT HOW THAT ACTUALLY WILL WORK  
4 IN YOUR INSTITUTIONS AND HELP US STATE IT IN A MORE  
5 PRECISE WAY PERHAPS.

6 THIS, BY THE WAY, IS I DON'T THINK QUITE WORD  
7 FOR WORD, BUT IT IS, IN ESSENCE, OUT OF PROPOSITION 71,  
8 THIS PARAGRAPH HERE.

9 CHAIRMAN KLEIN: THE SECOND PARAGRAPH, THE  
10 PARENTHETICAL PHRASE IS NOT OUT OF PROPOSITION 71.

11 DR. HALL: THAT'S JUST MEANT TO CLARIFY IN  
12 EACH CASE. WE'RE TRYING TO CLARIFY WHAT'S MEANT, BUT  
13 THE BODY OF IT, THE SUBSTANCE OF IT IS PROPOSITION 71.  
14 AND SO THEN OUR CHALLENGE IS TO MAKE THAT WORK FOR THE  
15 INSTITUTIONS AND TO MAKE IT WORK FOR OUR PROJECTS, AND  
16 I THINK WE NEED HELP ON THAT.

17 NOW, LET ME JUST SAY AGAIN THAT I WANT TO BE  
18 VERY CLEAR THAT I THINK WE HAVE A BIG CHALLENGE WITH  
19 RESPECT TO FACILITIES. AND, AGAIN, WE ARE FACED WITH  
20 THESE PROBLEMS OF BANDWIDTH. WE HAVE JUST SO MANY  
21 PEOPLE THAT WE CAN DEVOTE TO THESE PROBLEMS, BUT THAT  
22 IS ONE THAT FOR ALL OF THE INSTITUTIONS THAT ARE  
23 THINKING ABOUT WHAT THEY MIGHT BE DOING WITH  
24 CONSTRUCTION, YOU NEED CLARITY FROM US ABOUT HOW WE'RE  
25 GOING TO HANDLE THESE. AND THAT MEANS WE NEED TO GET

1 OUR FACILITIES WORKING GROUP TOGETHER. I THINK WE NEED  
2 TO BRING THEM UP TO SPEED ON HOW OUR INSTITUTIONS WORK,  
3 AND I THINK WE SHOULD HAVE A PUBLIC SESSION ON THAT.

4 BUT I SEE THAT AS A LITTLE BIT LONGER-TERM  
5 PROJECT THAT WILL BE A DIFFERENT KIND OF PROJECT, AND I  
6 SEE THIS SESSION TODAY HAS, FOR ME AT LEAST,  
7 HIGHLIGHTED SEVERAL PLACES HERE THAT WE DON'T QUITE YET  
8 UNDERSTAND. I WOULD SAY WE NEED AN EXPERT AND PERHAPS  
9 A MORE FOCAL APPLICATION, A HIGHLY FOCUSED QUESTION TO  
10 ADDRESS SOMETHING THAT WILL LET US GET THROUGH THIS  
11 PART OF THE GRANTS ADMINISTRATION POLICY AND DO IT IN A  
12 WAY, AS DR. HENDERSON SAID AND I THINK SOMEBODY ELSE  
13 ECHOED, THAT IS CLEAR, THAT IT IS SOMEBODY FROM THE  
14 OUTSIDE, AND IT'S NOT, THAT IS, HOW TO PUT IT,  
15 IRREPROACHABLE IN TERMS OF THE WAY WE DO IT AS WELL AS  
16 WHAT WE COME OUT WITH.

17 CHAIRMAN KLEIN: DR. HALL, IF I UNDERSTAND  
18 YOUR COMMENTS, WE CAN STILL MAKE THE PARAGRAPH CHANGE  
19 WE DID UP ABOVE WHERE WE HAVE THE SEPARATE PARAGRAPH  
20 SAY FOR NEW CONSTRUCTION OR MAJOR REHAB?

21 DR. HALL: YES.

22 CHAIRMAN KLEIN: WE CAN DO THAT SO THAT THE  
23 FACILITIES PEOPLE UNDERSTAND THE BASIC MARKET LEASE  
24 STANDARD THEY'LL BE UNDER FOR NEW CONSTRUCTION OR MAJOR  
25 REHAB. BUT WHAT YOU'RE TALKING ABOUT ARE THE

1 REFINEMENTS OF THIS. AND WHEN THIS MEETING IS OVER,  
2 BEFORE IT'S POSTED FOR THE ADMINISTRATIVE PROCEDURES  
3 ACT, DR. HALL AND DR. CHIU WITH COUNSEL AND STAFF CAN  
4 DO REFINEMENTS TO THE EXTENT THAT THEY CAN FOCUS ON  
5 IMPROVEMENTS IN THE LANGUAGE FROM THIS DISCUSSION,  
6 REALIZING THERE'S STILL A BIG JOB TO BE DONE, AS DR.  
7 HALL HAS COMMENTED.

8 DR. HALL: SO THE ONE PIECE I WOULD LIKE  
9 TO -- I GUESS WHAT I'M DRIVING AT HERE IS THAT WE WILL  
10 BE DEALING WITH FACILITIES SEPARATELY, AND I WOULD NOT  
11 LIKE TO HAVE THIS DOCUMENT HELD UP UNTIL WE CAN GET  
12 EVERYTHING THROUGH THE FACILITIES WORKING GROUP AND GET  
13 THEM UP TO SPEED. I DON'T THINK WE CAN DO THAT IN 45  
14 DAYS WITHOUT A HUGE EFFORT JUST AT A TIME WHEN WE'RE  
15 TRYING TO GET OUR STRATEGIC PLAN STARTED, TRYING TO  
16 FOLLOW THROUGH ON ALL THESE OTHER ISSUES. SO IF WE  
17 COULD AGREE THAT A FOCAL EFFORT ON THESE ISSUES TO GET  
18 A POLICY THROUGH, AND THEN WE CAN -- ACTUALLY, IF I  
19 UNDERSTAND IT, WE CAN COME BACK LATER WITH OUR GRANTS  
20 ADMINISTRATION POLICY FOR FACILITIES AND WRITE THAT IN  
21 SUCH A WAY THAT IT SUPERSEDES OR SUPPLEMENTS ANY  
22 SECTION IN HERE THAT MIGHT DEAL WITH THAT; IS THAT  
23 CORRECT, JAMES?

24 WELL, AT ANY RATE, THAT WOULD BE MY  
25 SUGGESTION, TO SEPARATE THEM SO WE DON'T MAKE THE



1 GRANTS ADMINISTRATION POLICY DEPENDENT ON SORTING OUT  
2 OUR FACILITIES POLICY, WHICH I THINK IS GOING TO BE A  
3 BIG JOB.

4 MS. SAMUELSON: QUESTION, ZACH. MIGHT THE  
5 RESEARCH FUNDING WORKING GROUP NOT MAYBE BE THE PLACE  
6 IT COULD BE REFERRED TO BECAUSE THEY'VE GOT THE  
7 EXPERTISE, BUT NOT THE CONFLICT?

8 DR. HALL: NO. I DON'T THINK THEY HAVE THE  
9 EXPERTISE. IF THEY'VE GOT ANY LEFT-OVER ENERGY, WE  
10 WANT TO GET THEM ON THE STRATEGIC PLAN, NOT ON THE  
11 FACILITIES.

12 MS. SAMUELSON: BECAUSE IT SEEMS THAT THEY'RE  
13 IN AN EQUIVALENT POSITION, MANY OF THE SCIENTISTS TO  
14 THIS BOARD, BUT LACKING THE CONFLICT.

15 CHAIRMAN KLEIN: THEIR ISSUE IS THAT THEIR  
16 KNOWLEDGE IS SCIENTIFIC OR MEDICAL. THIS IS  
17 ACCOUNTING, LEGAL, AND ADMINISTRATIVE.

18 DR. HENDERSON: IS IT FAIR TO STATE THAT THE  
19 PURPOSE OR INTENT OF THE OVERALL APPROACH UNDER B IS TO  
20 NOT HAVE THE SUM OF 1, 2, 3, AND 4 EXCEED THE USUAL NIH  
21 INDIRECT COST RATE AT AN INSTITUTION?

22 DR. HALL: WELL, ONE OPTION WOULD BE JUST  
23 TO --

24 DR. HENDERSON: I'M JUST ASKING IF THE INTENT  
25 IS TO GET IT TO TRY TO ADD UP TO THAT, BUT NOT GO OVER

1 IT?

2 DR. HALL: SO ONE OPTION IS TO TAKE THE  
3 ALLOWABLE DIRECT FACILITIES COSTS, THE FIRST PARAGRAPH  
4 UNDER 2, OKAY, AND IF YOU TAKE THE CAPS OFF, AND THEN  
5 WE COULD GIVE INSTITUTIONS EXACTLY WHAT THEY GET FROM  
6 NIH AT THAT RATE. AND THE FELLOW WHO I MENTIONED  
7 BEFORE FROM KPMG IS THE ONE WHO SAID HE THOUGHT THAT  
8 WAS QUITE A GOOD PROXY FOR THE MARKET LEASE RATE, WHICH  
9 IS THE REASON FOR THAT PHRASE IN HERE. SO THAT WOULD  
10 BE ONE OPTION THAT THE WORKING GROUP WOULD HAVE, AND IT  
11 WOULD CERTAINLY BE ONE ISSUE THAT WE WOULD LOOK AT IN  
12 UPCOMING -- DURING THE 45-DAY, IF YOU WANT -- HOWEVER  
13 YOU WANT TO HANDLE IT, WE COULD LOOK AT IT THEN OR YOU  
14 COULD MAKE A SUGGESTION NOW.

15 THAT'S ONE QUESTION WHICH WOULD COME UP WITH  
16 WHAT YOU HAVE SUGGESTED. THESE OTHER ISSUES, THOUGH,  
17 WE DO HAVE TO DEAL WITH; AND THAT IS, THE  
18 DOUBLE-DIPPING ISSUE AND THEN ALSO THE MATCHING FUNDS  
19 ISSUE. THOSE WE WILL NEED TO DEAL WITH.

20 DR. HENDERSON: JUST AS A TRANSPARENT  
21 STATEMENT OF INTENT, IF IT WERE PART OF THE FIRST  
22 SENTENCE OR FOLLOWING THE FIRST SENTENCE IN THAT  
23 OPENING LITTLE PARAGRAPH TO THE WHOLE SECTION, IT WOULD  
24 BE CLEAR TO EVERYBODY WHAT WE'RE TRYING TO ACCOMPLISH.

25 DR. HALL: MY SUGGESTION WOULD BE SIMPLY

1 TO -- I DON'T KNOW -- WELL, WE CAN THINK ABOUT WHETHER  
2 THAT SHOULD BE PART OF IT OR NOT. MY SUGGESTION,  
3 HOWEVER, WOULD BE THAT, AS IT'S WRITTEN RIGHT NOW, IF  
4 YOU TAKE OFF THE CAPS AND THE FACT THAT THERE'S A  
5 25-PERCENT ADMINISTRATIVE COST, THEN THAT GIVES  
6 ESSENTIALLY THE FEDERAL RATE. AND THAT WOULD DO IT;  
7 BUT IF YOU WANT TO HAVE THE CAPS, THAT'S A SEPARATE  
8 ISSUE. I THINK THOSE ARE THE TWO ISSUES TO THINK  
9 ABOUT.

10 CHAIRMAN KLEIN: THE ISSUE HERE LEGALLY IS  
11 THAT THE INITIATIVE SPECIFICALLY SAYS YOUR FACILITIES  
12 REIMBURSEMENT RATE IS MARKET LEASE RATES. AND SO THE  
13 DEPRECIATION SCHEDULES AND THE INTEREST SCHEDULES UNDER  
14 THE NIH FORMULA ARE NOT RELATED TO OUR LEGAL FOUNDATION  
15 ON WHICH WE CAN PAY FOR FACILITIES COST. SO AS NOT TO  
16 OPEN A DOOR FOR ANOTHER HUGE LEGAL CHALLENGE, WE NEED  
17 TO FOLLOW A FORMULA THAT TRACKS THE INITIATIVE.

18 DR. PENHOET: I THINK WE'RE GETTING IN  
19 TROUBLE BY TRYING TO APPORTION THIS AND WORRYING ABOUT  
20 WHO PAID FOR WHAT. IT SEEMS TO ME THAT IF WE PAY FAIR  
21 MARKET VALUE FOR THE SPACE WHICH IS ACTUALLY BEING  
22 UTILIZED, WE'RE GETTING THE BENEFIT OF THE BARGAIN. WE  
23 SHOULDN'T CARE WHO PAID FOR IT EXCEPT IF WE PAID FOR  
24 IT, WHICH COMES UNDER THE FACILITIES GRANT. IF A DONOR  
25 PAID FOR IT, ANOTHER GRANTEE PAID FOR IT, A FOUNDATION

1 PAID FOR IT, BECAUSE AN UNINTENDED CONSEQUENCE OF THIS  
2 WILL BE TO FORCE PEOPLE TO ACTUALLY GO OFF CAMPUS AND  
3 LEASE SPACE RATHER THAN USE SPACE PAID FOR BY SOMEBODY  
4 ELSE IN ORDER TO CAPTURE THAT PART OF THE OVERHEAD.  
5 AND IT ALSO MIGHT DISCOURAGE PEOPLE FROM ACTUALLY  
6 CONTRIBUTING IF THEY SAY, WELL, IF I CONTRIBUTE THE  
7 MONEY, THEN YOU DON'T GET PAID FOR IT LATER.

8 SO IF YOU REMOVED ALL THE LANGUAGE ABOUT  
9 PROPORTIONAL PARTS AND WHO PAID FOR WHAT AND THE REST  
10 OF THAT SORT OF COLORS ALL THESE THINGS AND YOU SIMPLY  
11 REIMBURSED INSTITUTIONS FOR THE USE OF THEIR SPACE,  
12 HOWEVER THEY PAID FOR IT --

13 CHAIRMAN KLEIN: OTHER THAN IF WE PAY FOR IT.

14 DR. PENHOET: OTHER THAN IF WE PAID FOR IT,  
15 BUT WE HAVEN'T PAID FOR ANYTHING YET. WE'VE GOTTEN THE  
16 BENEFIT OF THE BARGAIN, AND IT INCENTS THEM TO ACTUALLY  
17 GO FIND OTHER DONORS, OTHER SOURCES OF FUNDS TO  
18 ACTUALLY PAY FOR THE SPACE. AND THE SPACE HAS THE SAME  
19 VALUE TO US IRRESPECTIVE OF WHO PAID FOR IT. AND IT  
20 ALSO MIGHT ENCOURAGE PEOPLE TO WASTE MONEY IF WE SAID  
21 WE'LL ONLY PAY FOR SPACE, NEW OR REMODELED SPACE, THE  
22 VARIOUS LANGUAGE THAT WE'VE TALKED ABOUT HERE, TO BUILD  
23 NEW SPACE INSTEAD OF USING EXISTING SPACE AND REHABBING  
24 IT.

25 I'M NOT SURE WE'RE NOT BUILDING IN SOME

1 PERVERSE INCENTIVES IN THIS THAT ARE UNINTENDED, AND A  
2 SIMPLIFYING CONCEPT WOULD SIMPLY BE SIMILAR TO HOWARD  
3 HUGHES. IF WE USE SPACE, WE PAY FOR IT, BUT WE DON'T  
4 PAY MORE THAN FAIR MARKET VALUE, SO SOMEBODY WILL HAVE  
5 TO PROVIDE AN ANALYSIS OF WHAT THE MARKET LEASE RATE IS  
6 IN THE COMMUNITY. THEN YOU WOULDN'T WORRY SO MUCH  
7 ABOUT WHO PAID FOR WHAT AND WHERE THE FUNDS CAME FROM.

8 DR. HALL: I WOULD SAY THERE ARE TWO  
9 PROBLEMS. I'M NOT SURE. I QUITE AGREE. I DON'T HAVE  
10 ANY OBJECTION AT ALL TO THE ISSUE OF THE MATCHING  
11 FUNDS. I THINK WE JUST HAVE TO BE CLEAR ABOUT WHAT WE  
12 WANT AND SORT THAT OUT. I DON'T DISAGREE WITH YOU  
13 ABOUT THAT AT ALL.

14 THE OTHER ISSUE IS IF WE SAY WE WILL PAY FOR  
15 HOW MUCH SPACE WE USE JUST ON MARKET RATES, THEN WE  
16 HAVE TWO ISSUES. ONE IS WE HAVE TO FIGURE OUT --  
17 BASICALLY WE HAVE TO NEGOTIATE WITH EACH INSTITUTION  
18 HOW ALL THAT'S GOING TO HAPPEN. AND WE HAVE TO ALSO GO  
19 THROUGH THE FACILITIES WORKING GROUP TO CARRY OUT THESE  
20 ANALYSES AND RATES. I THINK THAT'S GOING TO BE VERY,  
21 VERY CUMBERSOME FOR US FOR GRANTS. AND SO, IN ESSENCE,  
22 WHAT WE'RE SUGGESTING HERE IS THAT THIS IDEA OF USING  
23 THE NIH RATE AS A PROXY, IF YOU WILL, FOR THE MARKET  
24 LEASE RATE, ENORMOUS NEGOTIATIONS HAVE GONE INTO THE  
25 INDIRECT COST RATES THAT EACH OF THESE INSTITUTIONS

1 HAVE, OR THE FACILITIES RATES THAT EACH OF THESE  
2 INSTITUTIONS HAVE.

3 AND FROM MY POINT OF VIEW, THE EASIEST OF ALL  
4 WOULD BE SIMPLY TO ACCEPT THAT FIGURE AND SAY SOMEBODY  
5 ELSE HAS DONE THE WORK. THIS IS A PROXY FOR THE  
6 EXISTING MARKET RATE. AND WE'LL PAY FOR IT, AND WE  
7 INDEX IT NOT BY SQUARE FEET, BUT BY GRANT AMOUNT. I  
8 THINK THAT WOULD BE FINE. AND THAT WOULD BE SOMETHING  
9 WE CAN LIVE WITH, AND I THINK WE CAN GO AHEAD AND DO  
10 IT.

11 IF WE HAVE TO GO THROUGH A SEPARATE  
12 NEGOTIATION AND DETERMINATION OF ALL THESE FOR EACH  
13 INSTITUTION, EACH REGION, THAT'S A HUGE AMOUNT OF WORK.  
14 I THINK INSTITUTIONS WANT CERTAINTY IN ALL THIS.  
15 THAT'S WHAT WE HEAR FROM YOUR FINANCIAL OFFICERS. THEY  
16 WANT TO KNOW HOW IS THIS GOING TO WORK. IF WE SAY,  
17 WELL, WE DON'T KNOW. IT WILL HAVE TO BE A MARKET RATE  
18 THAT WILL BE DETERMINED AND SO FORTH AND SO FORTH, THEN  
19 WE HAVE TO FIGURE OUT HOW YOU'RE GOING TO DO YOUR  
20 SQUARE FEET. I THINK IT'S VERY CONFUSING FOR  
21 EVERYBODY.

22 I THINK CERTAINLY FOR THE SHORT TERM, MAYBE  
23 WHEN WE HAVE A LARGER STAFF IN ADDITION TO SOME OF THE  
24 OTHER FUNCTIONS THAT WE TALKED ABOUT THIS MORNING, WE  
25 HAVE ROOM FOR MAYBE A GROUP, AN EXPANDED FACILITIES

1 GROUP, THAT WE CAN DEAL WITH THESE IN A MORE  
2 SOPHISTICATED WAY, BUT I THINK FOR THE MOMENT THAT WHAT  
3 WE REALLY NEED TO DO TO PROVIDE CERTAINTY TO THE  
4 INSTITUTIONS, TO PROVIDE A FAIR RETURN, AS ED  
5 INDICATED, AND ALSO TO BE ABLE TO GO ABOUT OUR  
6 BUSINESS, I THINK WE SHOULD USE THESE FEDERALLY  
7 NEGOTIATED RATES, WHICH ARE ALREADY IN EXISTENCE,  
8 EVERYBODY UNDERSTANDS -- I WON'T SAY UNDERSTANDS THEM;  
9 EVERYBODY KNOWS WHAT THEY ARE, AT ANY RATE, AND WE CAN  
10 SIMPLY USE THOSE. AND WE WILL THEN GIVE WHAT IS  
11 ROUGHLY EQUIVALENT. WE WILL ACCOMPLISH WHAT BRIAN  
12 HENDERSON SUGGESTED.

13 CHAIRMAN KLEIN: WE CAN HAVE -- THE  
14 FACILITIES GROUP CAN GO TO THE COMMERCIAL BROKERAGES IN  
15 EVERY AREA IN SAN DIEGO AND SAY THIS IS A CLASS A NEW  
16 CONSTRUCTION, THIS IS THE CLASS A RATE FOR EXISTING.  
17 THEY CAN GO IN SAN FRANCISCO AND SAY THIS IS A CLASS A  
18 NEW CONSTRUCTION, THIS IS A CLASS A EXISTING. WE DON'T  
19 HAVE TO NEGOTIATE WITH EVERY INSTITUTION TO DO THAT.  
20 WE CAN CREATE PREDICTABILITY. THAT INFORMATION IS  
21 AVAILABLE.

22 MOST IMPORTANTLY, THAT'S WHAT THE INITIATIVE  
23 SAID; SO IF WE WANT TO LIVE WITHIN THE LAW, WE HAVE TO  
24 FOLLOW THE LAW. IF WE ARE GOING TO TAKE THE RISK OF  
25 GETTING OUTSIDE THE LAW, THAT'S SOMETHING THIS BOARD

1       COULD DO.  IT WOULDN'T BE WHAT I WOULD RECOMMEND, BUT  
2       WE HAVE SPENT SUCH INCREDIBLE EFFORTS STAYING EXACTLY  
3       WITHIN THE LAW WITH THIS DISCIPLINE, THAT WE HAVE A  
4       VERY SPECIFIC FORMULA FOR APPROACHING THIS ISSUE IN THE  
5       INITIATIVE.  WE NEED TO LIVE WITHIN THE LAW AS IT'S  
6       WRITTEN.

7                 DR. FRIEDMAN:  MR. CHAIRMAN, JUST TO CLARIFY.  
8       NOBODY IS GOING OUTSIDE THE LAW.  SOMEONE IS GOING TO  
9       READ THIS LATER AND SAY WHAT.

10                CHAIRMAN KLEIN:  NO ONE HAS MADE A  
11       DECISION --

12                DR. FRIEDMAN:  TO QUOTE SOME FAMOUS PEOPLE,  
13       THAT WOULD BE WRONG.

14                CHAIRMAN KLEIN:  -- TO DO ANYTHING THAT IS  
15       OUTSIDE THIS INITIATIVE.  WE'RE ALL TRYING TO STAY  
16       WITHIN THE INITIATIVE.  WE'RE ALL TRYING TO STAY AS  
17       CLOSE AS POSSIBLE TO THE PLAIN LANGUAGE, WHICH IS THE  
18       SPECIFIC GOAL HERE.  AND I AM JUST TRYING TO HAVE A  
19       STATEMENT THAT WE SHOULD BE CONSERVATIVE IN DETERMINING  
20       WHAT THE PLAIN LANGUAGE IS TO STAY CLEARLY, ABSOLUTELY  
21       AND TOTALLY WITHIN THE LAW.  THANK YOU, DR. FRIEDMAN.

22                DR. HALL:  BOB, CAN I ASK A QUESTION?  IF WE  
23       DO IT THAT WAY, IF WE DO IT BY MARKET LEASE RATE, THEN  
24       WE HAVE TO DO IT PER SQUARE FOOT; IS THAT NOT RIGHT?  
25       IF WE DON'T DO THAT, THE OTHER WAY TO DO IT IS TO TAKE



1 THE AGGREGATE, WHICH IS WHAT THE NIH DOES, THE  
2 AGGREGATE GRANT MONEY THAT AN INSTITUTION HAS, THE  
3 AGGREGATE SPACE, AND THEN WE ARE ABLE TO MAKE A  
4 CALCULATION FOR THAT INSTITUTION. AND THAT INVOLVES A  
5 NEGOTIATION, A SOPHISTICATED ONE. IF WE DO IT PER  
6 SQUARE FOOT, THEN THE ISSUE IS WE HAVE TO SAY FOR EACH  
7 RESEARCH GRANT THAT COMES IN, THEY HAVE TO SAY HOW MANY  
8 SQUARE FEET THEY USE.

9 CHAIRMAN KLEIN: EACH RESEARCH GRANT WOULD  
10 HAVE TO SAY HOW MANY SQUARE FEET THEY'RE USING IN THE  
11 RESEARCH LAB AND IN ATTRIBUTED FACILITIES, VIVARIUM AND  
12 OTHER FACILITIES. THEY'D HAVE A CHART AND THEY'D LIST  
13 THEM, AND THE FACILITIES COMMITTEE AND THE BOARD WOULD  
14 HAVE TO DECIDE THESE ARE THE SAFE HARBORS. IF YOU  
15 APPROACHED IT IN THIS WAY, GO DOWN THE SPEC LIST,  
16 YOU'VE MET OUR STANDARDS.

17 DR. HALL: THE INSTITUTIONS DON'T CURRENTLY  
18 DO IT THAT WAY, AND SO IT WILL MEAN AN ADDITIONAL  
19 ADMINISTRATIVE BURDEN FOR THEM. THAT'S BEEN THE BASIS  
20 OF MY DISCUSSION WITH THE INSTITUTIONS.

21 DR. POMEROY: WELL, I CERTAINLY UNDERSTAND  
22 THE DESIRE TO FINALIZE THESE PROCEDURES. MY TAKE AWAY  
23 FROM THIS DISCUSSION IS THAT THERE IS -- WE ARE NOT  
24 EVEN CLOSE TO A CONSENSUS ON HOW THIS SECTION SHOULD  
25 READ. I DON'T THINK -- I PERSONALLY DON'T FEEL

1 COMFORTABLE VOTING ON IT AT THIS POINT. AND I THINK  
2 THAT MY APPROACH AT THIS POINT IS TO SAY THAT I THINK  
3 IT HAS TO GO BACK FOR MORE EXPERT OPINION EVEN THOUGH I  
4 UNDERSTAND THAT THAT WILL MAKE IT A LONGER TIME PERIOD  
5 BEFORE RESEARCH GRANTS CAN BE RELEASED.

6 CHAIRMAN KLEIN: DR. POMEROY, DR. HALL HAS  
7 SUGGESTED THAT AS INTERIM, BY MOVING THE INTERIM  
8 PROCESS FORWARD, WE GET THE ADVANTAGE OF PUBLIC INPUT.

9 DR. POMEROY: BUT WE ARE GOING TO THEN BE  
10 GETTING PUBLIC INPUT ON SOMETHING THAT IS, IN MY  
11 OPINION, NOT UNDERSTANDABLE, NOT DEFINED, AND  
12 INCREDIBLY CONTROVERSIAL.

13 MS. SAMUELSON: DIDN'T WE ALREADY -- WASN'T  
14 THE CONSENSUS THAT THIS LANGUAGE IS GOING TO GO TO SOME  
15 GROUP, PEOPLE WHO ARE BOTH EXPERT AND NOT PROSPECTIVE  
16 GRANTEES?

17 CHAIRMAN KLEIN: DR. HALL WAS SUGGESTING THAT  
18 HE REACH OUT FOR THAT EXPERTISE WITHIN THE NEXT 45 DAYS  
19 DURING THE APA PROCESS SO THE BOARD, BEFORE IT VOTED ON  
20 IT AS A FINAL, WOULD HAVE THE BENEFIT OF THAT INPUT.

21 DR. HALL: WAIT A MINUTE. WE HAVE TWO ISSUES  
22 THAT ARE GETTING CONFUSED HERE. ORIGINALLY WHAT WE  
23 TALKED ABOUT WAS RELATIVELY SMALL CHANGES TO THE  
24 DOCUMENT YOU SEE BEFORE YOU IN TERMS OF HOW WE WILL DO  
25 THIS. THAT IS, BASICALLY USING THE FEDERALLY APPROVED

1 RATES AS A PROXY FOR EXISTING MARKET RATES EITHER WITH  
2 OR WITHOUT A CAP. THAT'S A DECISION, AND THAT'S FAIRLY  
3 STRAIGHTFORWARD TO DO.

4 WHAT'S BEEN RAISED NOW IS YET A SECOND  
5 ALTERNATIVE THAT'S A WHOLE DIFFERENT WAY OF DOING IT,  
6 WHICH IS TO DO BY EXISTING MARKET RATE AND BY SQUARE  
7 FOOT. THAT IS SOMETHING -- CLAIRE IS RIGHT. IF WE DO  
8 THAT, WE ARE IN THE WILDERNESS, AND I THINK WE NEED TO  
9 PUT THE WHOLE THING ON ICE AND FIGURE THAT OUT. IF, ON  
10 THE OTHER HAND, WE WANT TO GO AHEAD WITH A VARIATION,  
11 AND THERE STILL NEEDS TO BE SOME WORK DONE, I  
12 UNDERSTAND THAT, BUT I THINK WITH WHAT'S IN THE  
13 DOCUMENT NOW, IF WE WANT TO USE THE FEDERALLY APPROVED  
14 RATES AS A PROXY FOR THE CURRENT MARKET RATE, THEN WE  
15 HAVE A PATHWAY THAT WILL LET US MOVE AHEAD, WE CAN MAKE  
16 SOME ADJUSTMENTS, AND WE CAN DEAL WITH THE FACILITIES  
17 LATER. BUT IF WE WANT TO DO IT IN THE OTHER WAY, THEN  
18 I THINK WE DO NEED TO BACK UP AND START ALL OVER  
19 BECAUSE I THINK THAT IS NOT A PROCESS THAT'S VERY WELL  
20 UNDERSTOOD BY ME CERTAINLY.

21 DR. PENHOET: ZACH, CAN YOU CLARIFY EXACTLY  
22 HOW YOU WOULD USE THE FEDERALLY APPROVED RATE? ARE YOU  
23 JUST GOING TO USE THE TOP NUMBER?

24 DR. HALL: NO. NO. NO. NO. EACH  
25 INSTITUTION HAS NEGOTIATED. LOOK AT NO. 2, ALLOWABLE

1 DIRECT FACILITIES COST. GRANTEES MAY REQUEST TWO  
2 CATEGORIES OF DIRECT FACILITIES COSTS. COSTS BASED ON  
3 THE GRANTEE'S CURRENT FEDERALLY NEGOTIATED RATES FOR  
4 OPERATION AND MAINTENANCE EXPENSES. WE CAN GET THAT  
5 FROM EVERY INSTITUTION THAT WE NEED TO. THAT IS A LINE  
6 ITEM IN THEIR INDIRECT COST NEGOTIATION WITH THE  
7 FEDERAL GOVERNMENT. FOR LIBRARY EXPENSES, THAT ALSO IS  
8 A LINE ITEM.

9 AS A PROXY FOR MARKET LEASE RATE, COSTS BASED  
10 ON THE GRANTEE'S CURRENT FEDERALLY NEGOTIATED RATES FOR  
11 DEPRECIATION, LINE ITEM; IMPROVEMENTS IN USE  
12 ALLOWANCES, LINE ITEM; AND INTEREST, LINE ITEM. EVERY  
13 INSTITUTION CAN GO HOME FROM THIS MEETING AND CALCULATE  
14 IN A FEW MINUTES ON A \$100,000 GRANT FOR DIRECT PROJECT  
15 COST WHAT THEIR DIRECT FACILITIES COST WOULD BE AND  
16 WHAT THEIR INDIRECT COSTS WOULD BE. THAT CAN BE DONE  
17 TODAY.

18 IF WE DO IT IN THE OTHER WAY, THEN I THINK WE  
19 DON'T YET KNOW HOW IT WOULD BE DONE. AS I SAID, WE  
20 HAVE TO THINK ABOUT DO WE WANT TO DO IT PER SQUARE  
21 FOOT? DO WE WANT TO DO IT PER INSTITUTION? HOW ARE WE  
22 GOING TO GO ABOUT IT? AND WE NEED TO ALSO THEN -- I  
23 WOULD ARGUE THAT THERE'S A LONGER PERIOD OF UNCERTAINTY  
24 FOR THE INSTITUTIONS AND FOR OURSELVES ABOUT HOW TO DO  
25 THAT AND FIGURE IT OUT. IT IS, ONCE AGAIN, BREAKING

1 NEW GROUND TO DO IT THAT WAY. AND IF IT'S A DECISION  
2 OF THE BOARD THAT THAT'S THE AREA IN WHICH WE WANT TO  
3 BREAK NEW GROUND, THEN WE'LL DO THE BEST WE CAN, BUT I  
4 JUST WANT TO POINT OUT THOSE TWO DIFFERENT WAYS OF  
5 DOING IT.

6 DR. PRICE: COULD SOMEBODY EXPLAIN THE  
7 BENEFIT OF NOT DOING IT BY THE FEDERALLY -- BY THE  
8 METHODS YOU JUST DESCRIBED? WHAT IS THE BENEFIT OF --  
9 WHY WOULD THAT BE SUPERIOR?

10 DR. HALL: WELL, IT'S A QUESTION OF, I  
11 THINK -- AND I'M PUTTING WORDS IN THE CHAIRMAN'S MOUTH.  
12 I THINK HE SHOULD BE THE PERSON TO ANSWER THIS. I  
13 THINK BOB'S DESIRE IS TO FOLLOW PROPOSITION 71 AS  
14 CLOSELY AS POSSIBLE. AND THE QUESTION OF WHETHER THE  
15 FEDERAL RATES ARE A PROXY FOR THE MARKET LEASE RATE IS  
16 REALLY THE QUESTION, HOW YOU FEEL ABOUT THAT. A  
17 CURSORY AND INFORMAL OPINION ON MY PART SAYS THAT BY  
18 CONSULTING AN EXPERT INFORMALLY AND IN A CURSORY WAY  
19 SAID YES. I WOULD SUGGEST THAT WE COULD LOOK AT THAT  
20 MORE CAREFULLY, BUT THAT -- BOB, YOU MAY WISH TO ANSWER  
21 THAT IN MORE DETAIL YOURSELF.

22 CHAIRMAN KLEIN: THE ACTUAL PROCESS THAT  
23 ARLENE HAS CRAFTED IS AN INTERESTING POINT IN LOGIC IN  
24 THAT IT HAS THE BENEFIT THAT -- THE WAY SHE SET IT UP  
25 IS THAT IF YOU CAN GO TO THE COMMERCIAL LEASE RATE, IF

1 YOU GO TO THE MASTER LEASE RATE AS AN ALTERNATIVE AS AN  
2 INSTITUTION BECAUSE IT'S ABOVE THE CAP, THEN THE  
3 IMPLICATION IS THAT THE AMOUNT THAT'S WITHIN THE CAP IS  
4 BELOW THE COMMERCIAL LEASE RATE. SO YOU HAVE THE  
5 ABILITY AS AN INSTITUTION TO GET WHAT THE INITIATIVE  
6 PROMISED YOU, WHICH IS THE COMMERCIAL LEASE RATE.  
7 FOLLOW ME? SO TO THE EXTENT IT'S NOT A PROXY. THE  
8 INSTITUTIONS HAVE THE ABILITY TO GET THE COMMERCIAL  
9 LEASE RATE. AND TO THE EXTENT THEY DECIDE TO GIVE UP  
10 PART OF THAT, THEN THAT'S NOT AN ISSUE BECAUSE THEY HAD  
11 THE OPPORTUNITY TO GET WHAT THE INITIATIVE SPECIFICALLY  
12 OUTLINED.

13 DR. KESSLER: JIM, IS THERE ANY OPTION HERE  
14 TO GO OUT WITH, THE TERM IS, AN ADVANCE NOTICE OF  
15 RULEMAKING SO THAT WITH THIS BEING A LITTLE MORE --  
16 WHAT'S THE WAY RIGHT WAY TO SAY IT? -- MORE ISSUES THAN  
17 MAYBE YOU WOULD WANT, JUST A PROPOSED RULE THAT IS  
18 STILL ON THE TABLE? YOU COULD START A PROCESS AND DO  
19 AN ADVANCED NOTICE OF PROPOSED RULEMAKING, GET THAT  
20 OUT, GET COMMENTS, AND THEN GO OUT WITH YOUR PROPOSED  
21 RULE, SO YOU'RE ACKNOWLEDGING DR. POMEROY'S POINT, THAT  
22 WE ARE IN AN EARLY STAGE OF THESE.

23 CHAIRMAN KLEIN: AND I THINK WE'RE GOING TO  
24 DO DR. PIZZO AND THEN DR. CHIU.

25 MR. HARRISON: I THINK IN A SENSE THAT'S

1       PRECISELY WHAT HAS OCCURRED THUS FAR.  IF YOU WANTED  
2       TO, YOU COULD CONTINUE THAT PROCESS BEFORE FORMALLY  
3       NOTICING THE POLICY AS REGULATIONS AND OPENING IT UP TO  
4       PUBLIC COMMENT.  IN OTHER WORDS, YOU HAVE INCLUDED  
5       PUBLIC PARTICIPATION IN THE DRAFTING OF THESE  
6       PROVISIONS THUS FAR.  YOU COULD CONTINUE THAT PROCESS  
7       BEFORE BEGINNING THE FORMAL RULEMAKING PROCESS.  IT'S  
8       REALLY A QUESTION OF TIMING AND WHETHER YOU ANTICIPATE  
9       THAT YOU WILL BE ISSUING RESEARCH GRANTS IN SUCH TIME  
10      THAT YOU'LL NEED THIS POLICY IN PLACE IN ORDER TO  
11      PROCEED.

12                 DR. PIZZO:  JIM JUST ADDRESSED THE QUESTION  
13      THAT I HAD AS WELL.

14                 DR. CHIU:  I JUST WANTED TO REVEAL A LITTLE  
15      BIT OF BACKGROUND, AND THAT IS IN AN EARLIER DRAFT,  
16      THIS WAS NOT ADDRESSED AT THE STAGE IT IS NOW.  WE  
17      RECEIVED A LOT OF PUSHBACK FROM GRANTS MANAGEMENT FROM  
18      ALL OVER THE PLACE.  AFTER WE HAD WRITTEN THIS AND WE  
19      ADVISED THEM TO LOOK IT OVER BEFORE THE MEETING TODAY  
20      AND TO PROVIDE COMMENTS, THE ONLY COMMENTS THAT I  
21      REALLY RECEIVED WERE FROM INSTITUTIONS WHERE THE  
22      20-PERCENT CAP DISADVANTAGED THEM, THAT THEY HAD GONE  
23      ABOVE THE 20-PERCENT CAP.  AND THEIR REQUEST WAS WHY  
24      DON'T YOU JUST REMOVE THE CAP, BUT KEEP THE REST OF THE  
25      LANGUAGE, OFFERING THE OPTION, AS THE CHAIRMAN HAS

1 SAID, OF USING THE FEDERAL RATES AS A PROXY WHEN THAT'S  
2 ALL THEY HAVE TO WORK WITH; BUT WHEN THEY HAVE ACTUAL  
3 NUMBERS OR BETTER NUMBERS, THEY COULD PETITION FOR  
4 SOMETHING ABOVE THE FEDERAL RATES.

5 SO THERE IS THIS FLEXIBILITY BUILT IN THE  
6 CURRENT LANGUAGE EXCEPT FOR THE 20-PERCENT CAPS ON EACH  
7 OF THOSE. THOSE WERE THE AREAS THAT WE RECEIVED THE  
8 MOST COMMENTS ON JUST, FOR YOUR INFORMATION.

9 CHAIRMAN KLEIN: I'D LIKE TO JUST PUT THE  
10 TIME IN CONTEXT HERE. WE HAVE A VERY IMPORTANT  
11 LEGISLATIVE INITIATIVE THAT'S SENATE BILL 401 THAT WE  
12 HAVE TO GET TO WITH A QUORUM, AND WE ALSO HAVE ITEM 16,  
13 CONSIDERATION OF ADDITIONAL INTERIM CIRM MEDICAL AND  
14 ETHICAL STANDARD ITEM, AND AN IP TASK FORCE REPORT. IN  
15 CONTEXT, WOULD THE BOARD MEMBERS WANT TO TAKE A  
16 FIVE-MINUTE BREAK AT THIS POINT, OR DO YOU WANT TO GO  
17 FORWARD AT THIS POINT? GO FORWARD. ALL RIGHT.

18 MS. KING: WE ARE GOING TO NEED TO TAKE A  
19 FIVE-MINUTE BREAK, THANK YOU, FOR A TECHNICAL REASON.

20 CHAIRMAN KLEIN: FOR A TECHNICAL REASON.  
21 THAT'S A DIFFERENT POINT.

22 DR. PENHOET: ASIDE FROM NOT SENDING A CLEAR  
23 SIGNAL TO THE GRANTEE INSTITUTIONS ABOUT HOW WE'LL DEAL  
24 WITH THE ISSUE OF DIRECT COST ASSOCIATED WITH SPACE,  
25 WHAT'S THE OTHER DISADVANTAGE OF FOLLOWING CLAIRE'S



1 RECOMMENDATION AND PUTTING THIS OFF, DOING MORE  
2 HOMEWORK BETWEEN NOW AND THE NEXT BOARD MEETING?

3 DR. HALL: I THINK, AS JAMES SAID, IT ALL  
4 DEPENDS ON WHEN WE ANTICIPATE WE MIGHT BE ISSUING OTHER  
5 GRANTS. IF WE WERE TO RAISE OUR 50 MILLION IN BAN'S  
6 WITHIN THE NEXT MONTH, AND WE DECIDED WE WANTED TO PUT  
7 OUT AN INNOVATIONS OR AN RFA, THEN WE WOULD NEED TO  
8 SPECIFY IN THAT HOW THAT -- WHAT INSTITUTIONS MIGHT  
9 EXPECT IN TERMS OF DIRECT AND INDIRECT COST AND HOW  
10 THEY WERE TO CALCULATE THEIR BUDGETS. AND THOSE  
11 INSTRUCTIONS HAVE TO BE INCLUDED. I THINK WE WOULD NOT  
12 BE ABLE TO PUT OUT AN RFA UNTIL WE COULD GIVE THAT  
13 INFORMATION.

14 CHAIRMAN KLEIN: WON'T WE, DR. HALL, BE  
15 COMING BACK TO THE BOARD TO APPROVE AN RFA BEFORE IT  
16 GOES OUT?

17 DR. HALL: YES, BUT WE'RE NOT -- IF WE -- I  
18 DON'T THINK WE'RE GOING TO SOLVE THIS IN THE NEXT --  
19 I'M NOT SURE. DEPENDS ON WHAT YOU WISH TO DO. DEPENDS  
20 ON WHICH SOLUTION YOU CHOOSE, BUT I'M NOT SURE WE WILL  
21 HAVE THIS DONE BY, LET'S SAY, THE NEXT BOARD MEETING IN  
22 JUNE IF YOU WANT TO HAVE A RADICAL -- CONSIDER A  
23 RADICAL REVISION OF ALL THIS AND HAVE PUBLIC MEETINGS.  
24 DON'T FORGET WE'RE ALSO GOING TO HAVE MEETINGS IN  
25 CONNECTION WITH THE STRATEGIC PLAN. AND I THINK IT'S

1 JUST A QUESTION OF TO THE EXTENT THAT THE BOARD WISHES  
2 TO SORT OF EXAMINE THIS THOROUGHLY AND TAKE THE PROPER  
3 TIME TO DO IT, EXAMINE THE ALTERNATIVES, AND I'M NOT  
4 SURE HOW DRASTICALLY YOU WANT TO DO THAT, THEN IT WILL  
5 TAKE TIME. THERE IS NO QUESTION ABOUT IT. WE ARE  
6 ALREADY, I'VE SAID THIS SEVERAL TIMES TODAY, STRETCHED  
7 TO THE LIMIT IN TERMS OF PERSONNEL. AND JUST OUR  
8 ABILITY TO HANDLE ALL THESE THINGS ON A RAPID TIME  
9 SCALE IS JUST VERY LIMITED.

10 CHAIRMAN KLEIN: WE'LL TAKE A VERY QUICK  
11 BREAK RIGHT NOW.

12 (A RECESS WAS TAKEN.)

13 CHAIRMAN KLEIN: IF WE COULD RECONVENE,  
14 PLEASE. WHAT IS THE WILL OF THE COMMITTEE HERE? WE  
15 HAVE SEVERAL OTHER ITEMS TO GO THROUGH. DOES THE  
16 COMMITTEE WANT TO DEFER ACTION ON THIS ITEM?

17 MS. SAMUELSON: THAT'S MY PREFERENCE, MR.  
18 CHAIRMAN.

19 CHAIRMAN KLEIN: IS THAT A MOTION?

20 MS. SAMUELSON: YES, IT IS. SO MOVED.

21 CHAIRMAN KLEIN: IS THERE A SECOND?

22 MS. SAMUELSON: UNTIL THE NEXT ICOC MEETING.

23 DR. THAL: COULD WE MAKE JUST A SUGGESTION  
24 THAT WE LOOK INTO A FEW COMPETING MODELS, THE MODEL  
25 THAT WOULD BE SIMPLEST FOR THE UNIVERSITIES, IF IT IS

1 LEGALLY CONSISTENT, WOULD BE THAT THE FEDERAL AND  
2 DIRECT RATE BE USED. THAT WOULD SIMPLIFY THINGS  
3 ENORMOUSLY AND WOULD ALLOW CIRM TO MOVE FORWARD AS  
4 QUICKLY AS POSSIBLE, ASSUMING THAT IS LEGAL AND  
5 ACCEPTABLE TO THE INSTITUTIONS. THE ALTERNATIVE IS TO  
6 USE THE MARKET RATE, WHICH IS GOING TO BE A MUCH MORE  
7 COMPLEX CALCULATION. WE NEED BOTH MODELED OUT, SOME  
8 CONTACT WITH THE GRANTS OFFICES TO SEE IF THEY CAN LIVE  
9 WITH EITHER/OR MODEL, AND GUIDANCE FROM LEGAL COUNSEL.

10 DR. PIZZO: I WAS GOING TO UNDERSCORE THE  
11 IMPORTANCE OF GATHERING DATA FROM OUR GRANTS OFFICES.  
12 I THINK THAT THIS IS AN ESSENTIAL PIECE OF INFORMATION  
13 YOU HAVE. ALSO, I THINK THAT THERE SHOULD BE SOME  
14 CLARITY ABOUT WHAT THE ORIGIN OF THE, QUOTE, 20-PERCENT  
15 CAP IS AND WHETHER OR NOT THAT'S SOMETHING THAT IS  
16 BUILT INTO THE SYSTEM THAT WE HAVE TO LIVE WITH. IF  
17 THAT'S SOMETHING THAT WE'VE HEARD WE DON'T NEED TO LIVE  
18 WITH AND IT WOULD MAKE THIS PROCESS GO BETTER, MAYBE WE  
19 CAN IN THE MODELING ELIMINATE THAT AS WELL.

20 DR. HALL: IS THERE --

21 CHAIRMAN KLEIN: THERE'S A MOTION, DR. THAL.  
22 WERE YOU MAKING A SECOND WITH A REQUEST THAT, DURING  
23 THIS TIME PERIOD, WE LOOK AT COMPETING MODELS?

24 DR. THAL: YES.

25 DR. HALL: OKAY.

1                   CHAIRMAN KLEIN:   OKAY.

2                   MS. SAMUELSON:   WITH INPUT FROM EXPERTS WHO  
3                   ARE PROSPECTIVE GRANTEES.

4                   CHAIRMAN KLEIN:   THAT WAS, I THINK, WELL  
5                   ESTABLISHED IN THE DIALOGUE.   THE PRESIDENT HAS THE  
6                   ABILITY TO TAKE THAT INTO CONSIDERATION.   AND THE MIXED  
7                   MODEL IS ALSO ON THE TABLE BECAUSE I THINK DR. ARLENE  
8                   CHIU HAD SHOWN US HOW WE COULD ACCOMPLISH BOTH THE  
9                   INITIATIVE'S INTENT OF PROVIDING THAT AS AN OPTION  
10                  WHILE HAVING AN EXISTING OPTION OF INSTITUTIONS TO TAKE  
11                  WHAT IS PERHAPS A LOWER RATE UNDER THE STRUCTURE THAT  
12                  SHE PROPOSED.

13                  DR. HALL:   LET ME JUST BE CLEAR HERE BECAUSE  
14                  I'VE HEARD TWO THINGS.   ONE IS THAT WE SHOULD SEEK TWO  
15                  KINDS OF INPUT.   ONE IS FROM OUTSIDE PEOPLE WHO HAVE NO  
16                  CONNECTION TO THE INSTITUTIONS AND ONE THAT WE SHOULD  
17                  ALSO SEEK INPUT FROM THE INSTITUTIONS THAT MIGHT BE  
18                  AFFECTED TO SEE WHAT IMPACT THE DIFFERENT POLICIES  
19                  WOULD HAVE ON THEM; IS THAT CORRECT?

20                  DR. CHIU:   THANK YOU.

21                  CHAIRMAN KLEIN:   OKAY.   IS THERE PUBLIC  
22                  COMMENT ON THIS MOTION?   ANY BOARD DISCUSSION?

23                  DR. PENHOET:   JUST MAKE ONE FINAL COMMENT,  
24                  WHATEVER WE END UP WITH WILL BE AN ESTIMATE UNLESS THE  
25                  FACILITY IS STAND-ALONE FACILITY USED FOR NOTHING

1 EXCEPT CIRM GRANTS. SO WE'RE NOT GOING TO HAVE A  
2 PERFECT ANSWER TO THIS QUESTION IRRESPECTIVE OF WHETHER  
3 WE USE THE FEDERAL RATE, THE SQUARE FOOT RATE, OR ANY  
4 OTHER RATE. IT WILL BE AN ESTIMATE. AND SO WE'RE NOT  
5 GOING TO GET PERFECTION IN TERMS OF EXACTLY HOW YOU  
6 APPORTION THESE THINGS IN MIXED-USE SPACE.

7 CHAIRMAN KLEIN: OKAY. ANY OTHER BOARD  
8 DISCUSSION? ALL IN FAVOR. OPPOSED? NONE OPPOSED.

9 I'D LIKE TO CONSIDER -- WE HAVE AN ITEM OF  
10 LEGISLATION THAT IS IMMEDIATELY UPON US THAT WE NEED TO  
11 DISCUSS.

12 MR. KLEINSCHMIDT: IN YOUR PACKET, ITEM NO.  
13 12, YOU HAVE MORE DETAILED INFORMATION ON A NUMBER OF  
14 BILLS THAT WE'RE GOING TO DISCUSS. AS SOON AS WE HAVE  
15 THIS ON THE SCREEN, YOU WILL SEE PRIMARILY THREE THAT  
16 WE'RE ATTACKING. AB 2721, WHICH WILL ESTABLISH AN  
17 OFFICE OF INTELLECTUAL PROPERTY, AS WELL AS MAKE  
18 CERTAIN REQUIREMENTS ON FUTURE IP POLICIES FOR  
19 STATE-FUNDED RESEARCH. HOWEVER, CIRM IP IS  
20 SPECIFICALLY EXEMPT FROM THAT BILL.

21 ANOTHER PIECE THAT WE'RE CLOSELY TRACKING IS  
22 SB 1260, ORTIZ AND RUNNER, BASICALLY THE CHILD OF SB 18  
23 FROM LAST YEAR. THIS HAS INFORMATION ON CONSENT  
24 PROCEDURES FOR OOCYTE DONORS FOR RESEARCH. WE EXPECT  
25 THAT BILL TO BE AMENDED SIGNIFICANTLY, AND IT'S

1 TENTATIVELY SCHEDULED FOR A COMMITTEE HEARING ON APRIL  
2 19TH IN THE SENATE HEALTH COMMITTEE. SO THOSE TWO ARE  
3 JUST MORE INFORMATIONAL FOR YOU.

4 THE ONE I WANTED TO BRING YOUR TO ATTENTION  
5 AND HAVE SOME DISCUSSION ON IS SB 401, SENATORS ORTIZ  
6 AND RUNNER. THIS IS A MEASURE THAT WOULD MODIFY, IN  
7 SOME CASES SIGNIFICANTLY, THE ICOC POLICIES ON PUBLIC  
8 MEETINGS, CONFLICT OF INTEREST, AND INTELLECTUAL  
9 PROPERTY, AND WOULD ALSO BE TAKEN TO THE NEXT STATEWIDE  
10 BALLOT FOR A VOTE OF THE VOTERS.

11 THIS MEASURE SB 401 WAS INTRODUCED IN ITS  
12 CURRENT FORM ON MARCH 7TH IN A PROCEDURE CALLED A GUT  
13 AND AMEND WHERE A BILL THAT HAD ALREADY PASSED THE  
14 SENATE AND WAS IN ASSEMBLY, THE CONTENTS OF THAT WERE  
15 TAKEN OUT AND REPLACED WITH ADDITIONAL LANGUAGE. IT'S  
16 THE LANGUAGE YOU HAVE AGAIN AS PART OF YOUR PACKET.  
17 THIS BILL WAS ORIGINALLY SCHEDULED FOR A HEARING ON  
18 APRIL 4TH, THIS PAST TUESDAY; HENCE, THE REASON WE'RE  
19 BRINGING IT FORWARD TODAY.

20 NOW, THE HEARING IS GOING TO BE APRIL 18TH IN  
21 THE ASSEMBLY HEALTH COMMITTEE. JUST FOR THE RECORD,  
22 OUR LEGISLATIVE SUBCOMMITTEE IS SCHEDULED TO MEET ON  
23 MAY 16TH TO AT THAT TIME LOOK IN MORE DETAIL AT ALL  
24 THESE MEASURES, AS WELL AS THE FEDERAL LEGISLATION THAT  
25 WE'RE LOOKING AT. BUT BECAUSE THIS OTHER BILL, SB 401,

1 MAY BE HEARD IN THE NEXT COUPLE WEEKS, WE NEED YOUR  
2 ATTENTION TO THIS MATTER.

3 AS PART OF THE RECORD, AND I'LL GET TO SOME  
4 OF THE ISSUES THERE, AFTER IT WAS INTRODUCED ON THE 7TH  
5 OF MARCH, WE HAVE HAD TWO MEETINGS WITH SENATE HEALTH  
6 COMMITTEE STAFF ON THE ISSUES THEY BROUGHT FORTH, AS  
7 WELL AS THE ASSEMBLY HEALTH COMMITTEE REPRESENTATIVES.  
8 THOSE WERE ON MARCH 17TH AND MARCH 29TH, SO JUST LAST  
9 WEEK.

10 AS A RESULT OF THOSE DISCUSSIONS, THERE WILL  
11 BE ADDITIONAL AMENDMENTS TO THE CURRENT LANGUAGE THAT  
12 YOU HAVE IN FRONT OF YOU. AND THIS MORNING AROUND 10  
13 O'CLOCK WE GOT A NOTICE THAT SOME OF THOSE AMENDMENTS  
14 HAD BEEN MADE, BUT OBVIOUSLY WE HAVEN'T HAD SUFFICIENT  
15 TIME TO LOOK AT THEM CLOSELY. HOWEVER, SOME OF THE  
16 ISSUES -- THE DIFFERENCES THAT ARE CONTAINED IN THIS  
17 MEASURE THAT APPEAR TO HAVE BEEN REMOVED HAD TO DO WITH  
18 DIVESTMENT OF ICOC MEMBERS OF INTERESTS IN STEM CELL  
19 COMPANIES, AS WELL AS A REQUIREMENT FOR FINANCIAL  
20 RETURN FOR IP GENERATED BY FACILITIES GRANTS. THOSE,  
21 AGAIN, HAVE APPEARED TO BE REMOVED FROM THE VERSION OF  
22 SB 401 THAT'S IN FRONT OF YOU.

23 HOWEVER, SOME OF THE OTHER NOTABLE  
24 DIFFERENCES THAT ARE STILL REMAINING IN THE LANGUAGE,  
25 AS FAR AS OUR UNDERSTANDING, HAVE TO DO WITH WORKING

1 GROUP MEMBERS DISCLOSING ALL INCOME, REAL PROPERTY  
2 INVESTMENTS IN BIOTECH AND PHARMA, AS WELL AS THE  
3 DISCLOSURE OF THE NAME OF THE APPLICANT, TITLE, AND  
4 SUBJECT OF APPLICATIONS RECOMMENDED FOR FUNDING BY THE  
5 GRANTS REVIEW WORKING GROUP.

6 IN ADDITION, THERE ARE MANY SIGNIFICANT  
7 DIFFERENCES ON IP POLICY IN SB 401 THAT ARE  
8 SIGNIFICANTLY DIFFERENT FROM CURRENT ICOC POLICIES,  
9 INCLUDING NO THRESHOLD AMOUNT FOR WHEN THE REVENUE  
10 PROVISION WOULD KICK IN, AS WELL AS REQUIRING A  
11 VARIABLE RETURN TO THE STATE FOR THE FINANCIAL RETURN,  
12 AS WELL AS, FINALLY, REQUIRING THE ATTORNEY GENERAL TO  
13 REVIEW ALL IP AGREEMENTS ON A CASE-BY-CASE BASIS.

14 BUT MY PURPOSE HERE IS NOT TO GET INTO THE  
15 DETAIL OF SB 401 BECAUSE OF THE ISSUES, AGAIN, THAT  
16 IT'S A BIT OF A MOVING TARGET IN THAT IT WAS AMENDED  
17 TODAY. AND SO, THEREFORE, I CAN'T SAY WITH CERTAINTY  
18 EVERYTHING THAT I'VE JUST MENTIONED IS STILL GOING TO  
19 BE CONSIDERED AS IT MOVES FORWARD. HOWEVER, THAT DOES  
20 NOT MEAN WE DON'T HAVE CONCERNS. AND THE CONCERNS THAT  
21 YOU SEE ON THE SCREEN ARE JUST A SUMMARY OF THE HIGHER  
22 LEVEL ONES THAT WE DO HAVE.

23 FIRST OF ALL, SB 401 DEALS WITH A LOT OF THE  
24 OPERATIONAL ISSUES, ISSUES THAT YOU ARE CURRENTLY  
25 ADDRESSING IN THE VARIOUS POLICIES THAT YOU HAVE PASSED



1 OR HAVE PLANS TO PASS. SO THE QUESTION IS IS THIS A  
2 BALLOT LEVEL DISCUSSION? IS THIS BALLOT LEVEL MATERIAL  
3 THAT SHOULD BE GOING FORWARD TO THE VOTERS? THE BIG  
4 POLICY DECISIONS ON STEM CELL RESEARCH, IN MY OPINION,  
5 HAVE BEEN DECIDED BY THE VOTERS.

6 SECONDLY, IT'S PREMATURE, IN OUR OPINION,  
7 BECAUSE THE ICOC POLICIES WHICH YOU'VE BEEN WORKING  
8 HARD ON THE LAST YEAR ARE EITHER GOING THROUGH THE APA  
9 PROCESS OR SOON WILL START THE APA PROCESS. AND IT'S  
10 IMPORTANT TO NOTE THAT THAT THE MEANS IT WILL HAVE THE  
11 FORCE AND EFFECT OF LAW. NOT ONLY WILL OUR MEDICAL AND  
12 ETHICAL GUIDELINES, WHICH ARE ALREADY IN THAT PROCESS,  
13 START, BUT OUR INTELLECTUAL POLICY FOR NONPROFIT  
14 ORGANIZATIONS AS WELL AS THE CONFLICT OF INTEREST  
15 POLICIES FOR THE WORKING GROUP MEMBERS AND, OF COURSE,  
16 THE GAP, ONCE, INDEED, IT'S PASSED.

17 THIRDLY, IT'S PREMATURE BECAUSE THE  
18 LEGISLATURE DID REQUEST AN AUDIT OF THE CIRM ON MARCH  
19 8TH. THIS IS GOING TO LOOK AT MANY OF THESE SAME  
20 ISSUES THAT ARE BROUGHT FORTH IN SB 401, SO THERE'S A  
21 QUESTION OF WAITING FOR THAT PROCESS TO MOVE FORWARD  
22 AND THOSE RESULTS TO BE KNOWN BEFORE ANY LEGISLATIVE  
23 ACTION IS DEALT WITH TO ADDRESS THESE SAME ISSUES.  
24 AND, OF COURSE, WE HAVE OUR OWN PROCESS WITH THE  
25 CITIZEN'S FINANCIAL ACCOUNTABILITY OVERSIGHT COMMITTEE,

1 WHICH HAS STARTED IN THE SENSE OF THE OUTSIDE AUDIT HAS  
2 STARTED, BUT THIS COMMITTEE HAS NOT YET MET, AND WILL  
3 IN THE NEXT COUPLE MONTHS.

4 FINALLY, STATUTES ARE JUST NOT AS FLEXIBLE AS  
5 REGULATIONS. MANY OF US BELIEVE THAT THIS PROGRAM  
6 NEEDS THAT FLEXIBILITY BECAUSE IT IS DEALING WITH A NEW  
7 AREA OF SCIENCE, AND WE NEED TO MAKE SURE WE HAVE SOME  
8 MECHANISM TO ADDRESS WHAT WE'RE TRYING TO ACCOMPLISH.

9 SO THAT IN QUICK SUMMARY ARE THE MAIN ISSUES  
10 THAT WE SEE WITH SB 401 IN ITS CURRENT FORM. I'M  
11 INVITING THE BOARD TO TAKE A LOOK AT IT IN CLOSER  
12 DETAIL.

13 CHAIRMAN KLEIN: COULD YOU -- YOU HAVE A  
14 SLIDE THAT REPRESENTS A POSSIBLE RESOLUTION?

15 MR. KLEINSCHMIDT: YES. THE STAFF  
16 RECOMMENDATION IS TO OPPOSE SB 401 BECAUSE OF THESE  
17 CONCERNS. AND IF THAT'S THE DESIRE, WE HAVE SOME  
18 POSSIBLE LANGUAGE WE COULD GET TO.

19 DR. FRIEDMAN: MR. CHAIRMAN, THE REASON FOR  
20 PRESENTATION IS FOR US TO TAKE A VOTE TO EXPRESS AN  
21 OPINION.

22 CHAIRMAN KLEIN: THAT'S CORRECT.

23 DR. FRIEDMAN: I JUST WANTED TO CLARIFY.  
24 THANK YOU.

25 CHAIRMAN KLEIN: AND TO GET TO THE BOTTOM OF

1 THIS, CONCEPTUALLY WE'RE SAYING IT'S PREMATURE TO PUT  
2 AN INITIATIVE ON THE BALLOT WHEN THE PUBLIC'S INPUT OF  
3 THE ADMINISTRATIVE PROCEDURES ACT PROCESS WON'T BE IN  
4 BEFORE THE END OF THIS YEAR ON IP POLICIES, MEDICAL AND  
5 ETHICAL STANDARDS, WHEN THE LEGISLATURE, THROUGH THE  
6 JOINT LEGISLATIVE AUDIT COMMITTEE, HAS COMMISSIONED AN  
7 AUDIT ON THE VERY THINGS THAT ARE BEING ADDRESSED IN  
8 THIS INITIATIVE, SO LET US SEE WHAT THE RECOMMENDATIONS  
9 ARE FROM THE LEGISLATURE'S OWN AUDIT COMMITTEE. AND,  
10 THIRD, THE FINANCIAL OVERSIGHT COMMITTEE OF -- THE  
11 INDEPENDENT FINANCIAL OVERSIGHT COMMITTEE FOR THE  
12 CALIFORNIA INSTITUTE OF REGENERATIVE MEDICINE CHAIRED  
13 BY THE CONTROLLER WITH THE PRESIDENT PRO TEM OF THE  
14 SENATE, THE SPEAKER'S OFFICE REPRESENTATIVE ON IT, THE  
15 TREASURER'S OFFICE REPRESENTATIVE ON IT, AND ONE  
16 REPRESENTATIVE OF THIS ENTITY ON THAT BOARD HAVE YET TO  
17 DO THEIR REVIEW ON THE FINANCIAL SIDE AND PROVIDE THEIR  
18 RECOMMENDATIONS.

19 SO WITH ALL OF THAT INFORMATION, WHICH  
20 INVOLVES PUBLIC HEARINGS AND THE PUBLIC'S INPUT, THE  
21 REQUEST IS TO LET US DO IT RIGHT IF IT'S GOING TO BE  
22 DONE, AND CERTAINLY LET'S NOT RUSH INTO IT WITH AN  
23 INITIATIVE THAT AMENDS WHAT WE'RE DOING BEFORE THE  
24 PUBLIC INPUT IS IN FROM THE PROCESS. IS THAT THE  
25 BOTTOM LINE?

1 MR. KLEINSCHMIDT: YES. AND I'D ALSO BRING  
2 TO YOUR ATTENTION ONE PARAGRAPH IN THE LETTER, WHICH  
3 YOU ALSO HAVE A COPY OF, FROM SENATOR ORTIZ TO BOTH BOB  
4 KLEIN AND ED PENHOET. IT'S ON THE SECOND PAGE.

5 CHAIRMAN KLEIN: AND THE DATE OF THE LETTER?

6 MR. KLEINSCHMIDT: MARCH 6TH. AS I HAVE SAID  
7 ON MORE THAN ONE OCCASION, IT SHOULDN'T MATTER WHETHER  
8 ENHANCEMENTS TO ADDRESS PROPOSITION 71 PUBLIC  
9 ACCOUNTABILITY CONCERNS ARE ADDRESSED THROUGH  
10 LEGISLATION OR THROUGH BINDING REGULATIONS ADOPTED BY  
11 THE ICOC. THE IMPORTANT THING IS FOR THE ENHANCEMENTS  
12 TO BE MADE.

13 CHAIRMAN KLEIN: SO --

14 MS. SAMUELSON: QUESTION.

15 CHAIRMAN KLEIN: THE ISSUE HERE IS COULD WE  
16 SEE THE POSSIBLE RESOLUTION LANGUAGE?

17 MR. KLEINSCHMIDT: THIS IS PAGE 1 OF 2. DO  
18 YOU WANT ME TO READ IT, BOB?

19 CHAIRMAN KLEIN: I THINK YOU CAN READ IT FOR  
20 THE BOARD MEMBERS THAT CAN'T SEE BEHIND US.

21 MR. KLEINSCHMIDT: BE IT RESOLVED BY THE  
22 INDEPENDENT CITIZEN'S OVERSIGHT COMMITTEE AS FOLLOWS:  
23 ONE, THE INDEPENDENT CITIZEN'S OVERSIGHT COMMITTEE IS  
24 COMMITTED TO WORKING WITH THE LEGISLATURE TO ADVANCE  
25 STEM CELL RESEARCH, TO ENSURE TRANSPARENCY, TO PREVENT

1 CONFLICTS OF INTEREST, TO PROVIDE AN OUTSTANDING PEER  
2 REVIEW SYSTEM, AND TO PROVIDE A STRONGLY EFFECTIVE  
3 INTELLECTUAL PROPERTY PROGRAM TO PROTECT THE INTERESTS  
4 OF THE STATE OF CALIFORNIA AND ITS CITIZENS.

5 TWO, THE ICOC HAS ADOPTED STRONG POLICIES IN  
6 EACH OF THESE AREAS AND IS IN THE PROCESS OF  
7 IMPLEMENTING THESE POLICIES PURSUANT TO THE  
8 ADMINISTRATIVE PROCEDURE ACT.

9 THREE, THE INDEPENDENT CITIZEN'S OVERSIGHT  
10 COMMITTEE EAGERLY AWAITS THE RESULTS OF ITS OWN  
11 INDEPENDENT AUDIT, THE REPORT OF THE CITIZEN'S  
12 ACCOUNTABILITY OVERSIGHT COMMITTEE, AND THE REPORT OF  
13 THE STATE AUDITOR, ALL OF WHICH ARE EXPECTED LATER THIS  
14 YEAR.

15 FOUR, THE INDEPENDENT CITIZEN'S OVERSIGHT  
16 COMMITTEE BELIEVES THAT THE LEGISLATURE SHOULD ALLOW  
17 THE INSTITUTE TIME TO IMPLEMENT ITS POLICIES AND SHOULD  
18 AWAIT THE OUTCOME OF THE AUDITS.

19 FIVE, THE ICOC HAS AN ESTABLISHED RECORD OF  
20 RESPONDING TO THE LEGISLATURE'S CONCERNS AND IS  
21 COMMITTED TO WORKING WITH THE LEGISLATURE TO ADDRESS  
22 ANY CONCERNS AFTER THESE POLICIES HAVE BEEN IMPLEMENTED  
23 AND TO ADDRESS ANY CONCERNS IDENTIFIED BY THE AUDITS.

24 AND, SIX, THE INDEPENDENT CITIZEN'S OVERSIGHT  
25 COMMITTEE BELIEVES THAT SB 401 IS UNNECESSARY AND

1       PREMATURE AND, THEREFORE, OPPOSES THIS BILL.

2               CHAIRMAN KLEIN:  YES, DR. PRIETO.

3               DR. PRIETO:  I'M CONCERNED THAT, WITH THE  
4       EXCEPTION OF THE LAST ITEM, I THINK I'M IN COMPLETE  
5       AGREEMENT WITH THIS, BUT I'M CONCERNED THAT IT'S  
6       PREMATURE AND PERHAPS COUNTERPRODUCTIVE FOR US TO TAKE  
7       AN OFFICIAL POSITION OF OPPOSITION WHEN WE SHOULD HAVE  
8       LEARNED FROM THE PAST YEAR THAT, IN FACT, ALTHOUGH  
9       POSITIONS MAY BE STAKED OUT VERY RIGIDLY, WE HAVE BEEN  
10      ABLE TO RESPOND TO THE LEGISLATURE'S CONCERNS.  WE'VE  
11      DONE THAT SUCCESSFULLY, AND I THINK DOING IT IN A LESS  
12      CONFRONTATIONAL MANNER SERVES OUR PURPOSES BETTER.

13              CHAIRMAN KLEIN:  IN THE LAST YEAR, UNTIL WE  
14      ESTABLISHED A POSITION AND TOOK A POSITION, LEGISLATORS  
15      WANTED TO KNOW HOW THE BOARD WAS GOING TO ACT.  THEY  
16      WANTED A POSITION SO THAT THEY KNEW WHERE WE STOOD.

17              DR. PRIETO:  I THINK WE SHOWED THAT BY OUR  
18      ACTIONS.

19              CHAIRMAN KLEIN:  ANY MORE COMMENTS?  DR.  
20      PIZZO.

21              DR. PIZZO:  I ACTUALLY MUST SAY I DISAGREE  
22      BECAUSE I THINK WE HAVE BEEN OPERATING IN EXTRAORDINARY  
23      GOOD FAITH TRYING TO DEAL WITH ALL OF THESE ISSUES.  
24      AND I FIND IT TO BE QUITE DISTRESSING TO SEE THE  
25      POTENTIAL FOR WHAT, IN ESSENCE, UNWINDS A LOT OF THE

1 WORK THAT WE'VE BEEN DOING AND MOVING DOWN A VERY  
2 DIFFERENT PATHWAY. I ACTUALLY THINK WE SHOULD TAKE A  
3 STAND, AND I THINK WE SHOULD TAKE A STAND NOW IN HONOR  
4 OF WHAT WE'VE ALREADY DOING IN A PUBLIC RECORD WITH  
5 VERY OPEN DISCOURSE ABOUT IT.

6 CHAIRMAN KLEIN: YES. SHERRY LANSING.

7 MS. LANSING: I WOULD LIKE TO REEMPHASIZE  
8 THAT. I FIND THIS WHOLE THING REALLY DISTRESSING. WE  
9 HAVE BEEN WORKING IN SUCH GOOD FAITH, SUCH OPENNESS,  
10 SUCH TRANSPARENCY. EVERYONE ON THIS BOARD HAS GIVEN I  
11 CAN'T EVEN BEGIN TO COUNT THE NUMBER OF HOURS OR DAYS  
12 OR MONTHS THAT WE'VE ALL BEEN DOING IT. I THINK IT IS  
13 REALLY TIME FOR US TO SAY OUR POSITION STRONGLY AND NOT  
14 TO BE ON THE DEFENSIVE, TO REALLY JUST STATE IT.

15 DO YOU KNOW? I UNDERSTAND, YOU KNOW, WHAT  
16 THE CONCERNS WOULD BE, BUT I THINK -- I THINK AT SOME  
17 TIME YOU HAVE TO SAY WE'VE DONE EVERYTHING WE CAN  
18 POSSIBLY DO.

19 CHAIRMAN KLEIN: DOES ANYONE WANT TO MAKE A  
20 MOTION?

21 DR. FRIEDMAN: I WANT TO HAVE MORE DISCUSSION  
22 FIRST, PLEASE, SIR.

23 CHAIRMAN KLEIN: THE INTENT, DR. FRIEDMAN, IS  
24 THAT IF THERE IS A MOTION, THEN THERE'S A FORMAL  
25 DISCUSSION.

1 DR. PIZZO: I WOULD LIKE TO MOVE THAT THE  
2 ICOC VOTE IN FAVOR OF THE PROPOSED RESOLUTION.

3 CHAIRMAN KLEIN: IS THERE A SECOND?

4 DR. THAL: SECOND.

5 CHAIRMAN KLEIN: THE MOTION IS MADE AND  
6 SECONDED. DR. FRIEDMAN.

7 DR. FRIEDMAN: I HAVE RESERVATIONS NOT ABOUT  
8 STATING STRONGLY WHAT WE THINK WOULD BE IDEAL, BUT I  
9 HAVE RESERVATIONS ABOUT HOW THIS IS PARTICULARLY  
10 PHRASED. WE HAVE MADE THE POINT TO SENATOR ORTIZ AND  
11 OTHERS THAT WE ARE COMMITTED TO AND CAPABLE OF PUTTING  
12 IN PLACE STRONG, STRINGENT GUIDELINES AND RULES. AND  
13 SHE HAS ACCEPTED THAT ON THE FACE AND THEN COME BACK  
14 AND SAID, OF COURSE, YOU COULD CHANGE IT ANY TIME YOU  
15 WANT. I WILL TAKE COMFORT ONLY IN THE FACT THAT  
16 SOMETHING HAS BEEN MADE A PIECE OF LEGISLATION AND YOU  
17 CAN'T CHANGE IT. WHILE I APPRECIATE WHAT YOU'VE DONE  
18 AND I RESPECT WHAT YOU'VE DONE, I DON'T HAVE ANY  
19 CONFIDENCE IN THE FUTURE. THAT'S WHAT SHE SAID. I'M  
20 NOT SAYING SHE'S RIGHT. I THINK SHE'S WRONG, BUT THAT  
21 IS WHAT SAYS.

22 THE FACT THAT WE'RE COMING UP WITH THESE  
23 THINGS, THE FACT THAT WE'RE MAKING WHAT I CONSIDER TO  
24 BE DEFENSIBLE, RATIONALE, APPROPRIATE DECISIONS ABOUT  
25 HOW WE SHOULD OVERSEE MANY OF THE CONCERNS THAT SHE AND



1 OTHERS HAVE DOESN'T ANSWER HER QUESTION, WHICH IS UNTIL  
2 SHE SEES IT CODIFIED AS LEGISLATION, SHE HAS LITTLE  
3 CONFIDENCE.

4 I MAY BE OVERSTATING HER POSITION, AND I  
5 APOLOGIZE. SINCE THIS IS BEING RECORDED, I APOLOGIZE  
6 IF I MISUNDERSTOOD HER POSITION. BUT I BELIEVE THAT'S  
7 WHAT SHE'S SAYING. IF THAT'S WHAT SHE'S SAYING, THEN I  
8 THINK A BETTER WAY TO PHRASE THIS WOULD BE WE THINK  
9 THIS PIECE OF LEGISLATION IS ILL TIMED AND HERE'S WHY.

10 WE THINK -- BUT, YOU KNOW, UNNECESSARY,  
11 UNNECESSARY IS THE WORD THAT YOU NEED TO POINT TO, NOT  
12 PREMATURE. THAT THIS BILL IS UNNECESSARY AND  
13 PREMATURE. I WOULD SIMPLY SAY WE THINK THIS IS  
14 PREMATURE; THAT IF SHE WISHES TO CODIFY THE THINGS THAT  
15 WE PUT IN PLACE, I DON'T HAVE A PROBLEM WITH THAT. I'M  
16 VERY SUPPORTIVE OF THAT. IF SHE WERE RECOMMENDING THAT  
17 SHE WAIT UNTIL AFTER THESE AUDITS ARE DONE, AND WE  
18 THINK THAT'S BECAUSE IT WILL BE DATABASED LEGISLATION  
19 RATHER THAN A PRESUMPTION OF WHAT WE THINK IS RIGHT, SO  
20 I CAN BE CONVINCED THAT IT'S PROPER FOR US TO EXPRESS  
21 RESERVATIONS, SERIOUS RESERVATIONS, ABOUT THIS PIECE OF  
22 LEGISLATION. I'D LIKE US TO DO IT IN A CAREFUL WAY,  
23 NOTWITHSTANDING THE FACT THAT IT'S GOOD FOR US TO SAY  
24 STRONGLY WHAT WE BELIEVE. I'M LOOKING DOWN THE ROAD  
25 AND I'M THINKING WHAT THE RESULT OF THIS IS GOING TO

1 BE. THIS IS NOT A BATTLE THAT I WANT TO GET INTO. I  
2 WANT TO WORK WITH THE LEGISLATURE ON THIS AND NOT BURN  
3 MORE BRIDGES.

4 CHAIRMAN KLEIN: WHAT'S IMPORTANT  
5 INFORMATIONALLY, DO WE UNDERSTAND, THIS IS NOT  
6 LEGISLATION THAT CREATES STATUTES. THIS IS LEGISLATION  
7 THAT CREATES AN INITIATIVE. SO IF THIS IS PASSED, YOU  
8 CAN'T EVEN, IF THERE'S AN ERROR IN IT, YOU COULDN'T  
9 EVEN CHANGE IT WITH LEGISLATION. YOU HAVE TO GO BACK  
10 TO THE VOTERS WITH AN INITIATIVE. SO IT'S NOT JUST  
11 WHAT'S BEING ATTEMPTED, BUT THE FORM OF WHAT'S BEING  
12 ATTEMPTED. IS AN INITIATIVE TO THE VOTERS NECESSARY?  
13 THAT'S A QUESTION. AND IS AN INITIATIVE TO THE VOTERS  
14 PREMATURE?

15 I THINK WE HAVE OTHER DISCUSSIONS. DR.  
16 HENDERSON.

17 DR. HENDERSON: I JUST NOTICE THERE'S A  
18 LETTER IN HERE FROM YOU AND A SIMILAR LETTER FROM ED TO  
19 SENATOR ORTIZ INDICATING THAT YOU ARE HAPPY TO MEET  
20 WITH HER ABOUT THIS LEGISLATION. AND THAT LETTER WAS  
21 SENT ON MARCH 6TH. AND I JUST WONDER HAS THAT OCCURRED  
22 BECAUSE IF IT HAS, YOU'VE ALREADY NEGOTIATED THIS. WE  
23 DON'T KNOW THAT INFORMATION.

24 CHAIRMAN KLEIN: KIRK, WOULD YOU GO THROUGH  
25 THE MEETING THAT OCCURRED THAT THEY WERE WILLING TO

1 HAVE AND THAT ACTUALLY OCCURRED?

2 MR. KLEINSCHMIDT: YES. WE RESPONDED THE  
3 SAME DAY WE GOT THE FIRST LETTER ON MARCH 6TH WITH  
4 BOB'S RESPONSE AND THEN A COUPLE DAYS LATER WITH ED,  
5 INDICATING OUR TOTAL WILLINGNESS TO MEET, TO TALK, TO  
6 NEGOTIATE, TO EXPLAIN OUR POLICIES, AND ALSO MAKE A  
7 CLEAR NOTE WHEN OUR NEXT MEETING WAS, WHICH WAS, OF  
8 COURSE, TODAY.

9 I WILL REMIND YOU BETWEEN THAT TIME AND  
10 APPROXIMATELY A WEEK LATER, WHEN THE FIRST HEARING WAS  
11 SCHEDULED, BECAUSE AT THAT TIME WE DIDN'T KNOW WHEN IT  
12 WAS FIRST GOING TO BE HEARD, SO THERE MAY OR MAY NOT  
13 HAVE BEEN ANY URGENCY TO THE MATTER. BEFORE WE GOT ANY  
14 RESPONSE TO OUR LETTER, THE HEARING WAS SET FOR APRIL  
15 4TH, SO THAT WAS GOING TO MOVE FORWARD IN THE  
16 LEGISLATIVE PROCESS. AND WHEN A BILL GOES THROUGH ONE  
17 HEARING, IT TYPICALLY GETS MORE MOMENTUM, IT HAS A  
18 LITTLE BIT MORE POWER. AND SO THIS WAS OF CONCERN.

19 AND THEN BECAUSE OF THAT HEARING, THE SENATE  
20 ASSEMBLY -- I'M SORRY -- THE ASSEMBLY HEALTH COMMITTEE  
21 INITIATED THIS MEETING THAT PETER HANSEL OF THE SENATE  
22 HEALTH COMMITTEE, WHO WORKS DIRECTLY WITH SENATOR  
23 ORTIZ, PARTICIPATED.

24 AGAIN, WE HAD TWO MEETINGS. ONE ON FRIDAY,  
25 MARCH 17TH THAT MARY MAXON AND I PARTICIPATED WITH

1 SINCE A LOT OF THE ISSUES THAT WE HAD HAD TO DO WITH IP  
2 PROVISIONS. MARY HAS THAT KIND OF EXPERTISE WITH OUR  
3 EXISTING POLICY. AND THEN A SECOND PHONE CONVERSATION  
4 ON MARCH 29TH, JUST LAST WEEK, I BELIEVE, YES, LAST  
5 WEDNESDAY, AND THAT WAS WITH PETER HANSEL AND A  
6 REPRESENTATIVE FROM THE ASSEMBLY HEALTH COMMITTEE AGAIN  
7 TALKING ABOUT BOTH -- WE WERE TRYING TO UNDERSTAND SOME  
8 OF THEIR LANGUAGE IN SB 401 BECAUSE IT WASN'T ALL  
9 APPARENT, AT LEAST TO US, ESPECIALLY THE IP PROVISIONS,  
10 AS WELL AS TO TAKE SOME TIME TO EXPLAIN WHAT WE'VE DONE  
11 IN OUR VARIOUS POLICIES TO EXPLAIN WHAT IS GOING  
12 THROUGH THE APA PROCESS FOR THE FULL EFFECT OF LAW AND  
13 TRY TO BE A GOOD FAITH PRESENCE AS FAR AS LETTING THEM  
14 KNOW THAT, A, WE DON'T HAVE A FORMAL POSITION BECAUSE  
15 IT HASN'T GONE TO OUR BOARD YET, BUT THAT WE WILL BE  
16 WILLING TO TALK WITH THEM.

17 SO THOSE ARE THE TWO MEETINGS THAT HAVE  
18 HAPPENED WITH STAFF, NOT ON THE MEMBER LEVEL.

19 MS. SAMUELSON: QUESTION.

20 CHAIRMAN KLEIN: SO THE RESPONSE WAS AN  
21 UNWILLINGNESS TO WAIT FOR THESE THREE DIFFERENT SOURCES  
22 OF PUBLIC INPUT, TO ADJUST TO WHAT MARY PRESENTED ON  
23 IP, AN UNWILLINGNESS TO WORK WITH US. REALIZE SINCE  
24 THEY WANT TO PUT THIS ON THE BALLOT, THERE'S GOING TO  
25 BE A RUSH TO TRY AND GET THIS THROUGH THE HOUSES ABOUT

1 THE TIME OF OUR NEXT MEETING. SO THAT CREATES A  
2 CERTAIN URGENCY. THEY GUTTED THE BILL. INSTEAD OF  
3 GOING THROUGH THE NORMAL PROCESS, WE'RE MAKING IT A  
4 TWO-YEAR BILL. THIS IS GOING DOWN A VERY FAST TRACK IS  
5 OUR PROBLEM.

6 MS. SAMUELSON: MAYBE THIS ISN'T THE TIME,  
7 BUT MY SUGGESTION WOULD BE THAT WE SCHEDULE THE NEXT  
8 MEETING FOR SACRAMENTO AND WORK IT. MY EXPERIENCE OF  
9 SITTING ON A PANEL WITH HER A MONTH AGO IS THAT SHE  
10 FEELS VERY STRONGLY. I'M NOT SURE THERE ARE MANY  
11 OTHERS. WHEN WE WENT TO SACRAMENTO LAST TIME, IT WAS  
12 VERY EFFECTIVE. AND WE HAVE A LOT TO SHARE NOW. I  
13 WOULD HOPE WE COULD DEVELOP SOME GOODWILL IN THE  
14 LEGISLATURE.

15 CHAIRMAN KLEIN: HOPEFULLY WITH AN EXPRESSION  
16 THAT IT IS PREMATURE, WE CAN WORK WITH THE LEGISLATURE,  
17 WITH OTHER MEMBERS OF BOTH HOUSES TO GET SOMETHING ON A  
18 DIFFERENT SCHEDULE WHERE THEY CAN THOUGHTFULLY TAKE IN  
19 ALL THIS PUBLIC INPUT AND ALL THE PROCESSES AND AUDITS  
20 THAT ARE GOING ON. BUT IF IT DOESN'T, WE'D CERTAINLY  
21 CONSIDER YOUR SUGGESTION.

22 DR. PRICE: I JUST WANT TO ADDRESS THE  
23 SUGGESTION THAT WE DROP OUT UNNECESSARY, JUST LEAVE  
24 PREMATURE. I THINK IF YOU JUST DO THAT, BY IMPLICATION  
25 YOU'RE SAYING THAT THE CONTENT OF THIS BILL IS

1 ACCEPTABLE TO US. AND I DON'T KNOW IF YOU HAD A CHANCE  
2 TO LOOK AT IT. I LOOKED AT IT. IT LOOKS TO ME THAT  
3 IT'S SORT OF LIKE DEATH BY A THOUSAND CUTS, WHATEVER  
4 THE PROPONENT CLAIMS. AND SO I DON'T THINK WE SHOULD  
5 LEAVE THE IMPRESSION. I ACTUALLY -- FOR POLITICAL  
6 REASONS I WOULDN'T DO IT. I THINK THERE ARE THREE  
7 WORDS HERE, INAPPROPRIATE, UNNECESSARY, AND PREMATURE.  
8 BUT I'M NOT SUGGESTING THAT, BUT AT LEAST UNNECESSARY  
9 IS A LITTLE STRONGER AND HAS SOME CONTENT BASE.

10 CHAIRMAN KLEIN: SO THERE'S A -- IS THE MAKER  
11 OF THE MOTION WILLING TO MAKE THAT ACCOMMODATION TO  
12 STRIKE THE WORD "UNNECESSARY" SO WE OPPOSE IT --

13 DR. LOVE: NO. I THINK THE POINT HERE WAS  
14 NOT TO STRIKE IT.

15 DR. PRICE: I'M NOT SURE THAT'S POLITICALLY  
16 WISE.

17 CHAIRMAN KLEIN: HE WANTS TO KEEP  
18 UNNECESSARY.

19 DR. PIZZO: IN FACT, I WOULD DROP PREMATURE  
20 MYSELF, BUT THAT'S A DIFFERENT TOPIC. I WOULD LEAVE --

21 CHAIRMAN KLEIN: PREMATURE DOESN'T APPEAL TO  
22 THE FACT THAT LEGISLATORS GENERALLY AS A RULE WANT TO  
23 GET ALL THE PUBLIC INPUT AND THE PUBLIC PROCESSES  
24 COMPLETE AND REPORTS BEFORE ANY ACTION.

25 DR. PIZZO: I UNDERSTAND. I'M

1 EXPRESSING JUST AN OPINION.

2 DR. LOVE: BOB, I JUST WANT TO COMMENT THAT I  
3 THINK THAT WE SHOULD TAKE THIS POSITION. I'M STRONGLY  
4 IN SUPPORT OF THE RESOLUTION. AND I THINK, QUITE  
5 FRANKLY, WE'VE BEEN GIVEN NO OPTION. WE'VE KIND OF  
6 BEEN PUT IN THIS POSITION. AND I THINK WE NEED TO TAKE  
7 A STRONG POSITION, BUT I WOULD ENCOURAGE US TO DO SO IN  
8 THE CONTEXT, AT LEAST WITH THE LEGISLATIVE COMMITTEE,  
9 OUR ONGOING WILLINGNESS TO CONTINUE TO ENGAGE AND TO  
10 CONTINUE DIALOGUE AND TO CONTINUE TO EDUCATE AS OPPOSED  
11 TO TRYING TO DRAW A LINE IN THE SAND, BUT I THINK WE  
12 HAVE NO CHOICE BUT TO TAKE A FIRM POSITION.

13 MS. FEIT: YOU'RE GOING TO LOSE A COUPLE OF  
14 US, SO I'M PREPARED TO VOTE ON THIS, TO SUPPORT IT.  
15 OTHERWISE YOU HAVE MY VOTE.

16 CHAIRMAN KLEIN: CAN'T DO THAT. CAN I ASK IS  
17 THERE PUBLIC COMMENT?

18 DR. POMEROY: I'M NOT SURE THE BOARD IS  
19 FINISHED.

20 CHAIRMAN KLEIN: I WILL CONTINUE THE BOARD  
21 COMMENT. I JUST WANTED TO SEE IF THERE WERE -- WHAT  
22 THE AMOUNT OF PUBLIC COMMENT WAS, DR. POMEROY.

23 MR. REED: THIS IS A TIME NOT TO BE TOO  
24 GENTLE, TOO POLITIC. THIS IS -- I'VE STUDIED THIS BILL  
25 HARD. IT IS A DEATH OF A THOUSAND CUTS. IT ALSO

1 CONTAINS A GREAT DEAL OF POSSIBILITIES FOR LAWSUITS.  
2 THIS MUST BE OPPOSED. I SUGGEST THAT WE OPPOSE IT AT  
3 THE VERY TOP, PUT THAT FIRST. THEY NEED TO KNOW THAT  
4 THIS IS SOMETHING YOU ARE AGAINST. IT'S NOT A QUESTION  
5 OF FINE-TUNING A BAD BILL. THIS IS A BAD BILL. IT  
6 MUST BE OPPOSED. DON'T LET THIS BE DONE TO YOU.  
7 YOU'VE WORKED REALLY HARD FOR EVERY SINGLE POSSIBLE  
8 POLICY DECISION THAT YOU'VE MADE, AND THEY'RE EXCELLENT  
9 DECISIONS. DON'T LET THIS BE UNDONE BY ONE PERSON.

10 DR. POMEROY: I THINK THAT THE WORDING OF THE  
11 RESOLUTION IS ACTUALLY VERY IMPORTANT BECAUSE THE TONE  
12 THAT YOU SEND IS VERY IMPORTANT. AND WHILE I DO NOT  
13 SUPPORT THE CURRENT BILL IN ITS CURRENT FORM, I WOULD  
14 JUST SUGGEST THAT ALTERNATIVE WORDING, SOMETHING LIKE,  
15 FIRST OF ALL, SWITCHING NO. 5 AND 6 SO THAT WE END ON  
16 THE NOTE THAT WE WANT TO WORK WITH THE LEGISLATURE.

17 AND POSSIBLY WE COULD TAKE ITEM 6 AND SAY THE  
18 INDEPENDENT CITIZEN'S OVERSIGHT COMMITTEE DOES NOT  
19 SUPPORT SB 401 IN ITS CURRENT FORM AT THIS TIME.  
20 THAT'S JUST A STRAIGHTFORWARD, LESS CONFRONTATIONAL  
21 TONE THAT I THINK IS VERY DIRECT. AND IF WE END BY  
22 SAYING THAT WE WANT TO WORK WITH THE LEGISLATURE TO  
23 ADDRESS ANY CONCERNS, PERIOD, I THINK THAT'S A MORE  
24 APPROPRIATE WAY OF SAYING THAT THE LEGISLATURE IS AN  
25 APPROPRIATE CONSTITUENT TO HAVE INPUT.



1                   CHAIRMAN KLEIN: DR. POMEROY, WOULD WE  
2                   SUPPORT AN INITIATIVE IN ANY FORM AS VERSUS  
3                   LEGISLATION, WHICH COULD ALSO ADDRESS ISSUES? WOULD WE  
4                   IN ANY FORM SUPPORT AN INITIATIVE?

5                   DR. POMEROY: I PERSONALLY SUPPORT CONTINUING  
6                   TO TALK RATHER THAN BEING INFLAMMATORY AND  
7                   CONFRONTATIONAL.

8                   CHAIRMAN KLEIN: YES. TWO COMMENTS AND THEN  
9                   MAYBE, IN ORDER TO HOLD THE QUORUM, WE NEED TO SEE IF  
10                  WE CAN HAVE A VOTE.

11                  MS. LANSING: I JUST WANT TO RESPOND TO WHAT  
12                  CLAIRE IS SAYING, AND I DO UNDERSTAND A NEED NOT TO BE  
13                  CONFRONTATIONAL EXCEPT THAT SOMETIMES, UNFORTUNATELY, I  
14                  THINK THERE IS. AND I THINK -- MAYBE I'M SPLITTING THE  
15                  DIFFERENCE. JUST I DO BELIEVE THAT WE NEED TO SAY THAT  
16                  WE'RE WILLING TO KEEP TALKING, AND THAT IS TRUE, BY THE  
17                  WAY, WE ARE WILLING TO KEEP TALKING. BUT I THINK WE  
18                  HAVE TO STRONGLY -- I WOULD LEAVE SIX ALONE. I DON'T  
19                  CARE HOW YOU END WITH IT, BUT I'M SAYING TO YOU THE  
20                  LAST MESSAGE OR THE FIRST MESSAGE CAN BE THAT WE WANT  
21                  TO TALK. AND IF YOU WANT TO STRENGTHEN THAT, I WOULD,  
22                  BUT I WOULD NEVERTHELESS MAKE A STRONG DECLARATIVE  
23                  STATEMENT. OTHERWISE I THINK WE'RE GOING TO BE  
24                  MISUNDERSTOOD.

25                  DR. PRIETO: I THINK MY PERSPECTIVE IS THAT

1 SHE IS USING THE TOOLS AT -- SHE AND SENATOR RUNNER ARE  
2 USING THE TOOLS AT THEIR DISPOSAL TO PUT PRESSURE ON US  
3 OR ENCOURAGE US TO MOVE IN A CERTAIN DIRECTION, BUT SHE  
4 HAS FAIRLY EXPLICITLY SAID IN HER LETTER THAT SHE IS  
5 NOT WEDDED TO THAT APPROACH. I THINK IT IS EXTREMELY  
6 UNLIKELY THAT THIS WOULD EVER REACH THE BALLOT AS AN  
7 INITIATIVE, MUCH LESS PASS. AND I THINK SHE'S USING  
8 THIS AS A NEGOTIATING TOOL. I THINK SHE'S SAID SO IN  
9 ALMOST AS MANY WORDS.

10 I COULD SUPPORT A RESOLUTION LIKE THIS WITH  
11 THE MODIFICATIONS THAT CLAIRE OUTLINED, BUT I COULD NOT  
12 IN ITS CURRENT FORM.

13 CHAIRMAN KLEIN: SUSAN IS A MEMBER OF THE  
14 PUBLIC.

15 MS. DELAURENTIS: I WOULD JUST ENCOURAGE YOU  
16 TO ADOPT THIS RESOLUTION. I BELIEVE THAT WHAT WENT ON  
17 LAST YEAR IN SACRAMENTO, THAT EVERYTHING FLEW THROUGH  
18 THE ASSEMBLY, FLEW THROUGH THE COMMITTEES UNANIMOUSLY  
19 BECAUSE THERE WASN'T ANY OPPOSITION, AND THAT JUST  
20 BUILT UP THE STRENGTH OF THE CASE. AND I THINK THAT  
21 RIGHT FROM THE START OF THE GATE YOU HAVE TO OPPOSE  
22 THIS AND --

23 CHAIRMAN KLEIN: ANY OTHER PUBLIC COMMENT?

24 DR. PIZZO: I WOULD LIKE TO SUPPORT THAT  
25 COMMENT FROM THE NONPUBLIC PERSPECTIVE. I THINK THAT

1 IN ALL FAIRNESS TO OUR COLLEAGUES, AND I UNDERSTAND  
2 THEIR CONCERNS AND MAYBE SOME OF THE REASONS WHY, I  
3 THINK WE HAVE TO SEND A VERY STRONG SIGNAL AT THIS  
4 POINT. AND I JUST THINK IF WE DON'T DO THAT, WE'RE  
5 GOING TO BE RIGHT BACK OR CONTINUE TO BE IN THIS  
6 UNFORTUNATE SITUATION. HAD WE NOT MADE AS MUCH  
7 PROGRESS IN THE LAST YEAR, THERE WOULD BE APPROPRIATE  
8 REASONS TO REGISTER CONCERNS, BUT WE HAVE MADE ENORMOUS  
9 PROGRESS IN VERY TRANSPARENT WAYS, INTERACTING, I  
10 THINK, IN THOUGHTFUL MANNERS, AND WE'RE CONTINUING TO  
11 DO THAT. AND GETTING US OFF TRACK IS JUST  
12 INAPPROPRIATE AT THIS POINT.

13 CHAIRMAN KLEIN: BEING SENSITIVE TO TIME,  
14 BECAUSE WE'RE GOING TO LOSE THIS QUORUM, WE HAVE ONE  
15 OTHER ITEM WE NEED TO DO VERY QUICKLY AFTER THIS ON  
16 MEDICAL AND ETHICAL STANDARDS MODIFICATIONS.

17 DR. JENNINGS: VERY QUICKLY, I WOULD SUPPORT  
18 CLAIRE'S APPROACH AND TRY TO TAKE THE HIGH GROUND AND  
19 STRIKE OUT UNNECESSARY AND PREMATURE AND JUST PUT  
20 UNWISE. IT INVITES DIALOGUE, BUT IT SAYS WE CLEARLY  
21 OPPOSE IT AND DOESN'T QUITE GET THEIR BACK UP.

22 DR. PIZZO: I LIKE UNWISE, UNNECESSARY EVEN  
23 BETTER.

24 MS. LANSING: I JUST WANT TO AT LEAST TRY TO  
25 EXPLAIN ONE MORE REASON WHY I AGREE WITH SUSAN AND PHIL

1 AND THOSE OF US THAT WANT A STRONG MESSAGE. IF THE  
2 PEOPLE, SENATOR ORTIZ, WANTED TO TALK, WE HAVE BEEN  
3 AVAILABLE TO CONTINUE TALKING. WE HAVE SHOWN THAT OVER  
4 AND OVER AND OVER AGAIN. I HAVE THE GREATEST RESPECT  
5 FOR SENATOR ORTIZ. I THINK SHE'S AN EXTRAORDINARY  
6 SENATOR AND PERSON. BUT WHY THEY ARE THROWING THIS  
7 BILL AT US NOW IS SOMETHING THAT I DON'T UNDERSTAND.  
8 AND, THEREFORE, MY ONLY RESPONSE IS TO HAVE A STRONG  
9 RESPONSE BACK BECAUSE A STRONG RESPONSE HAS BEEN THROWN  
10 AT ME. WHEN I SAY ME, I MEAN US. SO I NEED A  
11 DECLARATIVE RESPONSE BACK WITH AN URGING TO CONTINUE  
12 TALKING BECAUSE THAT'S WHAT WE WERE TRYING TO DO. WE  
13 SENT THE LETTERS AND WE'VE TRIED TO DO IT, AND THE  
14 RESPONSE CONTINUES TO BE THIS RESPONSE BACK.

15 MS. SAMUELSON: I AGREE WITH THAT, BUT I  
16 THINK IT SHOULD BE ADDRESSED TO AND DIRECTED TO THE  
17 REST OF THE ASSEMBLY AND SENATE. THAT'S REALLY OUR  
18 AUDIENCE. I DON'T THINK WE HAVE TO FIGHT SENATOR  
19 ORTIZ.

20 MS. LANSING: I'M NOT TRYING TO FIGHT.

21 AGAIN, I WANT THIS ON THE PUBLIC RECORD HOW  
22 MUCH I RESPECT HER, HOW MUCH I ADMIRE HER, AND HOW MUCH  
23 I DO WANT TO WORK WITH HER.

24 CHAIRMAN KLEIN: SO JUST AS A SUGGESTION  
25 HERE, IF WE ADDED A POINT 7, THAT THE INDEPENDENT

1 CITIZEN'S OVERSIGHT COMMITTEE THROUGH OUTREACH WOULD  
2 LIKE TO WORK WITH THE LEGISLATURE TO FIND ALTERNATIVE  
3 MEANS TO ADDRESS THEIR CONCERNS.

4 MS. LANSING: THAT WOULD BE FINE.

5 CHAIRMAN KLEIN: WOULD THAT LANGUAGE BE  
6 ACCEPTABLE TO THE MAKER OF THE MOTION?

7 DR. JENNINGS: BOB, WHILE WE'RE WORDSMITHING,  
8 LET ME JUST MAKE ONE SUGGESTION. I THINK THAT'S GREAT.  
9 MAKE IT THE LAST POINT. PLEASE MOVE NO. 6 TO NO. 1  
10 BECAUSE THAT'S REALLY YOUR TOPIC SENTENCE OF THIS WHOLE  
11 THING. THAT WAY IT MAKES A CLEAR STATEMENT, GIVES ALL  
12 THE JUSTIFICATION. IN THE END YOU CAN SAY WE WANT TO  
13 WORK WITH YOU.

14 DR. LOVE: GREAT.

15 CHAIRMAN KLEIN: DOES THE MAKER OF THE MOTION  
16 ACCEPT BOTH PROPOSALS?

17 DR. PIZZO: YES. AS THE MAKER OF THE MOTION,  
18 I'M THE MAKER OF THE MOTION. I'D ACTUALLY PUT IT AT  
19 THE BEGINNING AND AT THE END. I THINK THAT'S HOW YOU  
20 BASICALLY EMPHASIZE THE POINT.

21 CHAIRMAN KLEIN: DOES THE SECOND -- WHO MADE  
22 THE SECOND? WOULD YOU ACCEPT THE MOTION?

23 DR. THAL: YES.

24 CHAIRMAN KLEIN: THE MOTION IS MADE AND  
25 SECONDED. ADDITIONAL BOARD COMMENT? CALL FOR THE

1 VOTE. ALL IN FAVOR. OPPOSED?

2 DR. PRIETO: NO.

3 DR. POMEROY: NO.

4 DR. FRIEDMAN: NO.

5 MR. HARRISON: I JUST WANT TO MAKE SURE THE  
6 RECORD REFLECTS THAT DR. PENHOET DID NOT PARTICIPATE IN  
7 THAT VOTE.

8 DR. PENHOET: FOR YOUR INFORMATION, I CAN'T  
9 PARTICIPATE BY VIRTUE OF MY EMPLOYMENT WITH THE GORDON  
10 AND BETTY MOORE FOUNDATION. I'M NOT ALLOWED TO LOBBY.

11 CHAIRMAN KLEIN: HE CANNOT PARTICIPATE IN THE  
12 VOTE. THE MOTION HAS PASSED. VERY QUICKLY, HOPEFULLY  
13 THE LAST ITEM IS NOT AN ISSUE.

14 MS. KING: NO. 16.

15 CHAIRMAN KLEIN: NO. 16, VERY QUICKLY. DR.  
16 HALL, WHO IS GOING TO PRESENT ITEM 16?

17 DR. HALL: I WILL. SO WE NEED TO PASS AN  
18 INTERIM REGULATION ON THE USE OF FETAL TISSUE. WE  
19 ANTICIPATE THAT FETAL TISSUE WILL BE USED IN OUR  
20 TRAINING GRANTS PROGRAM. AND THE MEDICAL AND ETHICAL  
21 STANDARDS DO NOT HAVE A PIECE ON FETAL TISSUE. AND SO  
22 WE HAVE REFERENCE IN OUR GRANTS ADMINISTRATION POLICY  
23 TO IT, BUT WE DON'T HAVE A PIECE FOR IT. WE NEED TO  
24 HAVE IT IN PLACE FOR OUR TRAINING GRANTS PROGRAMS TO GO  
25 AHEAD.

1                   AND SO THE STANDARDS WORKING GROUP HAS  
2                   DEVELOPED A CONSENSUS RECOMMENDATION FOR INTERIM  
3                   REGULATIONS; THAT IS, 270-DAY REGULATIONS.

4                   CHAIRMAN KLEIN: DR. HALL, COULD I ASK THIS  
5                   QUESTION? SINCE THIS HAS BEEN POSTED FOR THE PUBLIC;  
6                   IS THAT A CORRECT STATEMENT?

7                   MS. KING: YES.

8                   CHAIRMAN KLEIN: AND GIVEN THAT WE'RE GOING  
9                   TO LOSE THE PEOPLE THAT ARE NECESSARY TO VOTE ON THIS,  
10                  GIVEN THAT IT'S BEEN POSTED TO THE PUBLIC, COULD I ASK  
11                  WHETHER THERE'S ANY PUBLIC COMMENT OR BOARD COMMENT TO  
12                  SEE IF WE CAN GO IMMEDIATELY TO A VOTE? WOULD THAT BE  
13                  APPROPRIATE, DOCTOR?

14                  DR. HALL: THAT'S FINE.

15                  CHAIRMAN KLEIN: IS THERE PUBLIC COMMENT ON  
16                  THIS ITEM? IS THERE BOARD COMMENT ON THIS ITEM?

17                  MS. SAMUELSON: QUICKLY, MY UNDERSTANDING IS  
18                  THAT THE FEDERAL LAW COVERS THIS QUITE THOROUGHLY. AND  
19                  I PRESUME THAT THAT'S INCORPORATED INTO THE STANDARD.

20                  DR. HALL: YES. THESE PROVISIONS ACTUALLY  
21                  ARE DERIVED FROM THE FEDERAL REGULATIONS ON THIS POINT,  
22                  NIH REGULATIONS REGARDING RESEARCH ON --

23                  MS. SAMUELSON: RESEARCH FREEDOM ACT.

24                  DR. HALL: -- TRANSPLANTATION OF FETAL TISSUE  
25                  IN CIRM-FUNDED RESEARCH. THAT'S WHAT -- THEY'RE

1 DERIVED FROM THOSE AND IN CONSTANCE WITH THOSE.

2 CHAIRMAN KLEIN: THE QUESTION FOR YOU IS --

3 DR. HALL: LET ME JUST SAY THERE ARE TWO  
4 UNSETTLED ISSUES WHICH WILL BE FURTHER DISCUSSED ONCE  
5 THEY'RE POSTED DURING THE HEARING PERIOD, BUT WE NEED  
6 TO GO AHEAD AND AT LEAST HAVE THE INTERIM REGULATIONS  
7 IN PLACE.

8 CHAIRMAN KLEIN: THIS OPENS IT FOR PUBLIC  
9 COMMENT.

10 DR. POMEROY: CAN I ASK A QUESTION FOR  
11 CLARIFICATION? THIS IMPLIES THAT THE FATHER OF THE  
12 FETAL TISSUE HAS NO ROLE IN GIVING THIS CONSENT. IS  
13 THAT A CORRECT INTERPRETATION?

14 DR. HALL: THAT'S AN ISSUE TO BE DISCUSSED.  
15 THE TWO ISSUES TO BE DISCUSSED, WHICH TURN OUT TO BE  
16 EXTRAORDINARILY COMPLEX FROM AN ETHICAL POINT OF VIEW,  
17 ARE WHETHER THE FATHER SHOULD GIVE CONSENT AND WHETHER  
18 THERE SHOULD BE A THIRD PARTY INTERPOSED BETWEEN THE  
19 PHYSICIAN AND THE RESEARCHER.

20 DR. POMEROY: SO I GUESS I'M A LITTLE BIT  
21 UNCLEAR OF WHERE WHAT WE'RE APPROVING REFLECTS THOSE  
22 CONTROVERSIES.

23 DR. HALL: IT SAYS THE DONOR. IT REFERS TO  
24 THE DONOR. THE WOMAN WHO DONATES THE FETAL TISSUE MUST  
25 SIGN A STATEMENT DECLARING THAT THE DONATION IS BEING



1 MADE FOR RESEARCH PURPOSES. IT IS SILENT ABOUT THE  
2 FATHER'S ROLE, AND THAT BECOMES A BIG ISSUE BECAUSE IT  
3 TOUCHES ON AN ABORTION DEBATE.

4 CHAIRMAN KLEIN: IT'S MY UNDERSTANDING, DR.  
5 HALL, YOUR INTENTION IS TO BRING BACK THESE TWO ISSUES  
6 FULLY BRIEFED AND WITH THE PUBLIC'S INPUT FROM THE  
7 ADMINISTRATIVE PROCEDURES ACT PROCESS. THE QUESTION IS  
8 ARE WE PREPARED TO PUT THIS OUT FOR PUBLIC COMMENT?

9 DR. HALL: ACTUALLY I THINK THESE ARE GOING  
10 TO BE INTERIM REGULATIONS, AND I THINK THE WORKING  
11 GROUP IS GOING TO WORK ON DRAFT REGULATIONS WHICH WILL  
12 THEN COME BACK AND BE POSTED. SO THIS TURNS OUT TO BE  
13 A VERY COMPLICATED ISSUE FOR THOSE CONCERNED. AND WHAT  
14 WE'RE TRYING TO DO IS TO PASS THE MINIMALLY NECESSARY  
15 REGULATIONS THAT PUT US IN LINE WITH FEDERAL  
16 REGULATIONS, AND THEN THESE OTHER COMPLEX ISSUES CAN BE  
17 DEBATED AT LEISURE, BUT WE WANTED TO HAVE A POLICY IN  
18 PLACE BEFORE THE TRAINING GRANTS.

19 CHAIRMAN KLEIN: SO THIS WILL BE BROUGHT BACK  
20 EVEN BEFORE WE APPROVE ANYTHING TO GO UNDER THE  
21 ADMINISTRATIVE PROCEDURES ACT?

22 DR. HALL: THAT'S RIGHT.

23 CHAIRMAN KLEIN: YES. PUBLIC COMMENT.

24 MS. FOGEL: I HAVE TWO PUBLIC COMMENTS. ONE  
25 IS WE'D BE VERY CONCERNED ABOUT ANY PROPOSED REGULATION

1 THAT GAVE THE FATHER ANY RIGHTS OR DECISION-MAKING OVER  
2 FETAL TISSUE. IT'S NOWHERE IN OUR LAWS, AND THAT WOULD  
3 BE VERY DISTURBING. AND I'D LIKE TO OFFER OUR  
4 EXPERTISE IN HOW THIS GETS ADDRESSED.

5 THE SECOND THING IS JUST THAT IT'S A TYPO.  
6 IT SAYS THAT THE DONOR HAS TO SING. SHE SHOULDN'T HAVE  
7 TO.

8 BUT I REALLY SERIOUSLY WANT TO LOOK AT C IN  
9 TERMS OF CONFLICT OF INTEREST, THAT THE STATEMENT THAT  
10 THE PI CANNOT BE THE PHYSICIAN, BUT IT SHOULD BE  
11 BROADER. NONE OF THE RESEARCHERS SHOULD BE ONE'S  
12 PHYSICIAN. AND THAT SHOULD -- I WANT TO RECOMMEND THAT  
13 BE BROADENED TO INCLUDE ANY RESEARCHER ON THE PROJECT.

14 CHAIRMAN KLEIN: DR. HALL, YOUR RESPONSE.

15 DR. HALL: WELL, WE CAN EITHER TRY TO  
16 ACCOMMODATE THAT NOW, OR I THINK -- OR DISCUSS THAT AT  
17 GREATER LENGTH WITH THE STANDARDS WORKING GROUP. AND I  
18 WOULD PREFER THE LATTER. THEY'RE GOING TO CONSIDER ALL  
19 THESE IN DETAIL. I WOULD ENCOURAGE SUSAN TO MEET, AS  
20 SHE HAS DONE, WITH THAT GROUP AND EXPRESS HER CONCERNS  
21 ON BOTH THE ISSUES THAT SHE RAISED, AND THEY CAN BE  
22 DEBATED. THIS REALLY IS THE SORT OF STRAIGHT VANILLA  
23 VERSION HERE.

24 CHAIRMAN KLEIN: SUSAN, YOU ARE NODDING YES  
25 TO THAT; IS THAT CORRECT?

1 MS. FOGEL: I'M NODDING, YES, I WILL  
2 PARTICIPATE IN THE WORKING GROUP.

3 CHAIRMAN KLEIN: WE'RE LOSING OUR QUORUM.  
4 THE QUESTION IS THE COMMITTEE CAN PUT THIS OFF OR THE  
5 COMMITTEE CAN ACT.

6 DR. HENDERSON: I MOVE APPROVAL.

7 CHAIRMAN KLEIN: FIRST. IS THERE A SECOND?

8 DR. FRIEDMAN: SECOND.

9 CHAIRMAN KLEIN: THERE'S A SECOND. ANY  
10 FURTHER DISCUSSION BY THE BOARD? NO FURTHER DISCUSSION  
11 BY THE BOARD. ALL IN FAVOR. OPPOSED? PASSES. THANK  
12 YOU.

13 (APPLAUSE.)

14 CHAIRMAN KLEIN: IF WE COULD HAVE  
15 CONSIDERATION OF REPORT FROM THE IP TASK FORCE.

16 DR. PENHOET: YOU'LL BE DELIGHTED TO KNOW  
17 IT'S A VERY QUICK REPORT. THE INTERIM POLICY FOR  
18 NONPROFIT ORGANIZATIONS IS TENTATIVELY SLATED FOR  
19 PUBLICATION ON THE WEBSITE OF THE OFFICE OF  
20 ADMINISTRATIVE LAW AT THE END OF APRIL. PUBLIC COMMENT  
21 IS EXPECTED TO OPEN AROUND APRIL 28TH AND CONTINUE  
22 THROUGH JUNE 12TH. ACCORDINGLY, WE CONSIDER THIS  
23 POLICY AS AN INTERIM DRAFT POLICY THAT IS EXPECTED TO  
24 BENEFIT FROM THE CONTRIBUTIONS OF OTHERS DURING THE  
25 COMMENT PERIOD.

1 WE HAVE ALSO BEGUN THE PROCESS OF GATHERING  
2 INFORMATION IN ANTICIPATION OF DEVELOPING AN  
3 INTELLECTUAL PROPERTY POLICY FOR GRANTS, CONTRACTS, OR  
4 LOANS MADE TO FOR-PROFIT ORGANIZATIONS. WE HAD A  
5 MEETING A COUPLE OF WEEKS AGO IN SAN FRANCISCO. WE  
6 WILL HAVE ANOTHER MEETING IN SAN DIEGO AT THE END OF  
7 APRIL, AND WE'RE LOOKING FORWARD TO MORE INPUT FROM  
8 THOSE GROUPS.

9 I JUST WANT TO QUICKLY THANK ALL OF THE TASK  
10 FORCE MEMBERS HERE WHO HAVE BEEN VERY DILIGENT ABOUT  
11 ATTENDING THOSE MEETINGS. IT'S UNLIKELY WE'LL COME  
12 BACK TO THIS BOARD WITH A FULLY DEVELOPED FOR-PROFIT  
13 POLICY IN THE NEAR FUTURE. WE HAVE TO WORK ON THE APA  
14 REGULATIONS FOR THE NONPROFIT PIECE. WE WILL HAVE THE  
15 NEXT MEETING, GATHER MORE INFORMATION, THEN WORK ON  
16 THAT OVER THE SUMMER. SO THAT'S WHERE WE ARE.

17 CHAIRMAN KLEIN: I THANK YOU VERY MUCH. ANY  
18 OTHER ITEMS WE NEED TO COVER TODAY?

19 MS. KING: YES. I HAVE A PUBLIC COMMENT THAT  
20 I WAS ASKED TO READ. THE FOLLOWING STATEMENT WAS  
21 SUBMITTED BY NICKI PECONINO, WHOSE ONLY CHILD  
22 CHRISTOPHER HAS AUTISM.

23 MEMBERS OF THE ICOC, DISTINGUISHED  
24 SCIENTISTS, AND STEM CELL RESEARCH ADVOCATES, IT IS  
25 IMPOSSIBLE TO EXTEND THE DEPTH OF MY APPRECIATION FOR

1 YOUR CONSIDERATION TODAY TO THE POTENTIAL THAT STEM  
2 CELL RESEARCH MAY HOLD FOR THE DEVASTATING NEUROLOGICAL  
3 DISORDER KNOWN AS AUTISM. MY SON CHRISTOPHER IS A  
4 JOYFUL AND GROWING NINE-YEAR-OLD. FROM THE MOMENT OF  
5 BIRTH, HE HAS BEEN FULL OF HAPPINESS, LOVE, AND A  
6 DESIRE TO EMBRACE THE WORLD. BY AGE TWO HE KNEW THE  
7 ALPHABET, NUMBERS TO 20, SHAPES, COLORS, AND NAMES OF  
8 ALL BODY PARTS. HE WOULD SIT AND PLAY APPROPRIATELY  
9 WITH VARIOUS TOYS. WE THOUGHT, WITH HIS FINE MOTOR  
10 SKILLS AND LOVE FOR HIS BUILDING BLOCKS, HE MIGHT GROW  
11 UP TO BE AN ENGINEER.

12 HE LOVED TO HAVE ME READ TO HIM AND COULD  
13 NAME ALL THE THINGS IN HIS BOOKS, EVEN THE MOST  
14 DIFFICULT WORDS TO PRONOUNCE. HIS ARTICULATION ALONG  
15 WITH HIS HEALTH WAS PERFECT.

16 ON MARCH 21, 1999, CHRISTOPHER LEAPED OUT MY  
17 LIFE LIKE A FLAME SHOOTING PAST ME. THE SUDDENNESS IN  
18 WHICH THAT FIRE APPEARED AND ITS ABILITY TO GROW INTO  
19 AN INFERNO HAS ENGULFED MY SON AND OUR LIVES. AUTISM  
20 HAS LEFT OUR ENTIRE WORLD SCORCHED WITH TRAUMA, GRIEF,  
21 AND ENORMOUS AMOUNTS OF TIME AND ENERGY CONSTANTLY  
22 INVESTED IN MEDICAL ISSUES, EDUCATIONAL PURSUITS, AND  
23 STRUGGLING TO FIND A SHRED OF HOPE TO KEEP US GOING  
24 EACH DAY.

25 THIS MEETING IS FOR ME, HIS MOTHER, WHO BORE

1 A HEALTHY EIGHT-POUND EIGHT-OUNCE BABY BOY, WHO SHARES  
2 WITH ME AN ITALIAN SPIRIT, THAT WON'T LET US GIVE UP  
3 THAT ESSENTIAL HOPE. HIS LAST WORDS TO ME WHEN HE WAS  
4 TWO AND A QUARTER WERE IRONIC AND SPOOKY. HE SAID OVER  
5 SEVERAL DAYS, "I'M ALL FINISHED. I'M ALL FINISHED," A  
6 PHRASE HE HAD NEVER USED PRIOR TO HIS FREE FALL INTO A  
7 WORLD ONLY ACCESSIBLE TO HIM. AND FOR HIM HIS LIFE WAS  
8 FINISHED, COGNITIVELY SPEAKING. AT AGE NINE HE CANNOT  
9 READ, WRITE, OR EVEN HOLD A PENCIL APPROPRIATELY. HIS  
10 LIMITED SPEECH IS UNCLEAR SOMETIMES EVEN TO ME. HE  
11 CANNOT ACCESS MANY OF THE SKILLS HE HAD AS A TODDLER  
12 AND NEEDS HELP WITH ALMOST ALL DAILY LIVING SKILLS. HE  
13 IS NOT WITHOUT INTELLIGENCE, BUT HE CANNOT FOCUS DUE TO  
14 THE INNER STIMULATIONS AND HYPERSENSITIVITY TO SOUND  
15 THAT AUTISM BRINGS TO MANY OF ITS VICTIMS.

16 MY MESSAGE TO YOU TODAY IS SIMPLE. HE IS 9;  
17 I'M 53. HE IS THE LOVE OF MY LIFE, AND I TRULY BELIEVE  
18 I AM HIS. BUT WITHOUT A MAJOR MEDICAL BREAKTHROUGH FOR  
19 CHRISTOPHER AND THOUSANDS OF OTHER CHILDREN WITH SEVERE  
20 AUTISM, HE WILL NEVER BE ABLE TO COMPREHEND THE DEPTH  
21 OF MY LOVE, REALIZE THE JOY OF HITTING A HOME RUN, OR  
22 BE ABLE TO KNOW HOW MUCH MY PARENTS, BOTH OF WHOM DIED  
23 JUST MONTHS BEFORE HIS BIRTH, WOULD HAVE EMBRACED HIM  
24 EVEN WITH DISABILITY.

25 SORRY. THIS IS MY FIRST TIME READING THIS.

1                   AND HE WILL PROBABLY NEVER BE ABLE TO PREPARE  
2                   HIMSELF A MEAL, COMPREHEND DANGER, BUTTON HIS SHIRT, OR  
3                   ACQUIRE CHERISHED FRIENDS. HE WILL END UP IN A HOME  
4                   THAT WILL NOT UNDERSTAND HIS UTTERANCES OF TWO- OR  
5                   THREE-WORD REQUESTS, AND, MOST FRIGHTENING, HE WILL NOT  
6                   HAVE ME TO ADVOCATE FOR HIS EVERY NEED. I PLEAD WITH  
7                   YOU AS A PARENT AND ADVOCATE OF STEM CELL RESEARCH TO  
8                   CONSIDER WHAT WILL BE LIFELONG, LONELY PLIGHTS FOR  
9                   THESE CHILDREN WITHOUT A MIRACLE. AND I ASK THAT YOU  
10                  CONSIDER THE GREAT GAP OF FUNDING THAT THE PROPOSITION  
11                  71 REVENUES COULD FILL FOR THE DEDICATED RESEARCHERS,  
12                  SOME OF WHOM ARE HERE TODAY, WHO REFUSE TO GIVE UP  
13                  HOPE.

14                   MY HEARTFELT THANKS FOR YOUR TIME AND  
15                   CONSIDERATION.

16                   CHAIRMAN KLEIN: THANK YOU. WITH THAT  
17                   ELOQUENT STATEMENT, WE STAND ADJOURNED.

18                   (THE MEETING WAS THEN CONCLUDED AT 04:22 P.M.)

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REPORTER'S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE PROCEEDINGS BEFORE THE INDEPENDENT CITIZEN'S OVERSIGHT COMMITTEE OF THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE IN THE MATTER OF ITS REGULAR MEETING HELD AT THE LOCATION INDICATED BELOW

MAYER AUDITORIUM  
KEITH ADMINISTRATION BUILDING  
KECK SCHOOL OF MEDICINE OF USC  
1975 ZONAL AVENUE  
LOS ANGELES, CALIFORNIA  
ON  
APRIL 6, 2006

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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