

DRAFT MINUTES 4/6/06 ICOC MEETING

Mayer Auditorium
Keith Administration Building
Keck School of Medicine of USC
1975 Zonal Avenue
Los Angeles, CA 90033

David Baltimore Designee: Paul Jennings	Present
Robert Birgeneau Designee: Robert Price	Present
Keith L. Black Designee: David Meyer	Present
Susan V. Bryant Designee: Dennis Cunningham	Present
Marcy Feit	Present
Michael A. Friedman	Present
Michael Goldberg	Absent
Brian E. Henderson	Present
Edward W. Holmes	Present
David A. Kessler	Present
Robert Klein	Present
Sherry Lansing	Present
Gerald S. Levey	Absent
Ted W. Love	Present
Richard A. Murphy	Absent
Tina S. Nova	Present
Ed Penhoet	Present
Philip A. Pizzo	Present
Claire Pomeroy	Present
Francisco J. Prieto	Present
John C. Reed Designee: Jeanne Fontana	Present
Joan Samuelson	Present
David Serrano Sewell	Present
Jeff Sheehy	Present
Jonathan Shestack	Present
Oswald Steward	Absent
Leon J. Thal	Present

CONSENT ITEMS

Agenda Item # 5: Approval of minutes from February 10, 2006 ICOC Meeting:

http://www.cirm.ca.gov/meetings/pdf/2006/04/040606_item_5.pdf

Motion:

- Dr. Friedman moved approval of the minutes with one correction from Dr. Love regarding attendance at the February 10 meeting.
- Dr. Wright seconded.

Vote:

- All in favor; no opposition.
- Motion carried; minutes approved.

REGULAR ITEMS

Agenda Item # 6: Chairman's Report

Chairman Klein thanked the CIRM staff for its efforts in December and January with regard to the litigation and the work it required in terms of document retrieval and production, scheduling of depositions, processing of deposition transcripts and scheduling potential trial appearances. He also thanked the ICOC members for their time and efforts toward quick turnaround on scheduling and completing depositions and making themselves available for potential trial testimony. Through everyone's efforts, we managed to complete the trial effectively and have it last only 3 days.

Chairman Klein then provided an update on the State Finance Committee's approval of the BAN program.

Chairman Klein: The State Finance Committee of the California Institute of Regenerative Medicine had its meeting this week and approved the Bond Anticipation Note program. It was recognized that they would incrementally close the bond anticipation notes with the first 14 million going to fund the fellowship program. And with 31 million of other commitments in progress, we are well on our way to our \$50 million goal. We have a process that after we identify these commitments, they must, of course, be vetted by the foundation boards representing the founder that is generally making the commitment, the foundation's attorneys, the Orrick, Herrington, the counsel to the treasurer's office, the treasurer's staff, all having to approve these commitments.

So it is a good process, but a process where we have pledged transparency on the first 14 million that are approved for initial funding. All of the names of the foundations have been published and were published at the time of the State Finance Committee hearing, and we've committed that on the balance of 50 million, in real time as those bonds are prepared for their final approval and funding, we will, in fact, post those names for the public.

It is important to recognize that these Bond Anticipation Note purchasers are real historic champions of chronic disease research and research into chronic injury in the state of California, and that they show that the state is united in this effort for the commitment stretched from San Diego to San Francisco and north.

The first \$14 million in commitments come from the following great foundations that champion disease research in the state and research for chronic injury. The William Bowes foundation from the bay area, the Irwin Jacobs family trust from san Diego. You might remember Irwin Jacobs founded Qualcomm, a tremendous company that demonstrates the leadership of California in high tech by the family dedicated to the future of chronic disease research in California. The Moores foundation, John Moores, who owns the Padres, again someone from high tech making a commitment to biomedical research. The Moores Cancer Center at UC San Diego is well known. The Eli Broad foundation from Los Angeles, The Beneficus Foundation, which is John and Ann Doerr from northern California, and the Blum family partners, Richard Blum and his wife, U.S. Senator Dianne Feinstein, making up the balance of those commitments. Clearly a group with known credentials, committed to public policy, committed to research to mitigate the future suffering from human diseases across a broad spectrum. These are people that hopefully as individuals we can all take as models for their commitment, for their personal sacrifice for the benefit of the public, and for their vision of what the California Institute for Regenerative Medicine can do for the people of California, the nation, and the world.

In closing, Chairman Klein highlighted the plan for holding at least four public ICOC meetings completely focused on the Scientific Strategic Plan, as Dr. Hall would lay out in detail later in the meeting.

Agenda Item #7: President's Report

President Hall introduced new staff member Dr. Patricia Olson, coming on board as Scientific Program Officer and Acting Grants Management Officer.

Dr. Hall then provided an update on the separate fundraising effort being carried out to fund CIRM scientific activities. These funds are being sought in the form of gifts to the CIRM. Funds raised so far, to be presented to the ICOC later in the meeting, will be used in part for the scientific meeting regarding Assessment of Medical Risk for Egg Donors, to be held sometime in the fall of 2006. More of the funds gifted to the CIRM will be used for the CIRM/UK meeting being planned, to have 16 California and 16 United Kingdom stem cell scientists meet and discuss Stem Cell Self-Renewal and Differentiation.

Following those updates, Dr. Hall walked the ICOC through the plan for development of the Scientific Strategic Plan.

Dr. Hall: We have had an initial planning meeting with Price Waterhouse Coopers. We will come later in the session to request for authorization to go ahead with the contract with them. As you remember, our information gathering will occur in two ways. First of all -- or three ways actually. We start with the scientific conference. Secondly, we will interview a number of people, something on the order of 60 to 75. We have made an initial selection of some names. We are seeking other names. We will undoubtedly have more candidates for interview than we have the capacity to do. But if any of you have suggestions for people you think we should talk to, nationally prominent scientists, scientific administrators, patient advocates, any philanthropic organizations, anybody you think could make an important contribution to this, please let us know, and we want to cover as wide a group as possible with this.

So we also will, then, in addition to the interviews, have a series of meetings. And I want to just walk through those with you. The first of the meetings that Bob described, we will take some part of the next four ICOC meetings to ask the ICOC to participate formally in the plan, first of all, by defining our mission statement and long-term objectives, second by drawing up the principles or values of the plan. And here I don't mean of the process, but of the plan itself. That

is, what are we trying to do? What are the general guidelines that should guide us as we go through this?

We hope by October to have a plan draft, and it is our job to produce that draft for you by then. And then on your instructions and your comments and your suggestions, we will go back and revise that draft and, we hope, bring it to you in December for final adoption.

So let me, then, talk about a different kind of meeting that we will be having. We plan two scientific -- currently plan two scientific meetings for ICOC members and the public. We will model these after the very successful Intellectual Property Task Force Meetings that Ed Penhoet and Mary Maxon have been holding in that we will have speakers, we will have discussion. It will be open -- all ICOC members will be invited, the public will be invited. We'd like to also invite the grants working group members to one of these meetings, and we hope that the chair and vice chair of that working group can meet perhaps one evening with that group and take advantage of their participation as well. As has been said, they are an important group and have much to contribute to our plan.

We also would like to have at least one public hearing at which we simply, without a program, invite anybody in the public who wishes to meet and comment on what we're doing and offer suggestions to have that opportunity. In, then, both of these cases we will, again, try to structure the discussion around a series of specific questions that we think will be important as we go forward with the plan.

I hope we can disperse those geographically. Ideally we would have one of those meetings in San Francisco; that is, of the scientific meetings for ICOC members and the public hearing meeting, one in San Francisco, one in LA, and one in San Diego. So we'll have an opportunity for people across the state to participate. We anticipate, as we go forward, that is, as a result of the interviews and the meetings, that we will realize there are issues in which we need to focus down, get in some experts and hear what they have to say about a particular topic. And we may have new ideas come up that we haven't thought about. We certainly hope so. And so our plans for doing this, as I say, will be sort of flexible and staged as we go forward so that after we get our first information, we can go ahead with the rest of it.

So let me just quickly mention the schedule, a timetable. We expect to do our interviews between April and June. On the basis of what we learn, we may wish to go out and have some more interviews. And we hope to have all that information gathering process, meetings, and follow-up interviews completed by August. We will spend August and September drafting the plan, and we hope to present it to you, that draft, in October at the ICOC meeting.

To view Dr. Hall's presentation, see this URL:

http://www.cirm.ca.gov/meetings/pdf/2006/04/040606_item_7.pdf

Agenda Item # 8: Consideration of Strategic Plan focused ICOC meetings to take place as follows:

- **On June 1st or at the June 2nd ICOC meeting, to consider Mission and Objectives of the Strategic Plan;**
- **On August 1st or at the August 2nd ICOC meeting, to examine Strategic Plan Values;**

- **On October 11th or at the October 12th ICOC meeting, to begin ICOC review of draft Strategic Plan presented by the CIRM President;**
- **On December 6th or at the December 7th ICOC meeting, for Strategic Plan review and/or possible final approval.**
- **In each case, this subject matter will be discussed either the night before or during the already scheduled ICOC meeting, subject to ICOC final scheduling approvals.**

Chairman Klein: This item number 8 is to affirm to the public that we have a commitment to the public process, to transparency, to the public hearings of the board so that the public understands that we are honoring our obligation in the initiative for the ICOC board to develop the strategic plan in a public process as promised. Certainly in the selection of the board members by the four constitutional officers that made the appointments, the criteria were honored to give us a spectrum of board members who represent research institutions, research hospitals, research institutes, fields of patient advocacy, and experience in development of biotech-based therapies. So the public has the confidence that when 29 members with these credentials meet publicly to bring together their experience, their knowledge, and their wisdom, that we have a vetting process in the public that should lead to an extremely sound validation of the tremendous work and leadership brought to us in the draft plan and the questions from the President's office.

It's intended so that the public can understand that in the August 1st meeting, in terms of strategic plan values, it's the intention of the President's office and staff to bring to this board

There are four key benchmark dates here. And the question presented here on the strategic plan, agenda item 8, is just approving and confirming for the public this involvement to honor our obligation under the initiative.

Motion:

- Dr. Henderson moved approval of this item.
- Dr. Pizzo seconded.

Vote:

- All in favor; no opposition.
- Motion carried; minutes approved.

Agenda Item #9: Consideration of acceptance of monetary and stock gifts to CIRM. (Specific gifts)

Amy Lewis from the Chairman's staff walked the ICOC through the gifts made to the CIRM and being presented to the ICOC for approval.

Ms. Lewis: As Zach mentioned in his president's report, he and Ed Penhoet are leading an effort to raise gifts to support the scientific activities of the institute. Bob Klein has also joined in this effort, and together they have secured several gifts to the CIRM. I'll let James go ahead and read the section number after we list the gifts here that allows the ICOC to accept these gifts. So we would to ask to you consider the following gifts that are listed there for approval.

The first is from Ed Penhoet, President of the Gordon and Betty Moore foundation, a gift of \$50,000 to support CIRM scientific activities. The second is a gift from Richard K. Robbins, President of Wareham Properties, of \$50,000 to support CIRM scientific activities. It's important to note that this is the second contribution Mr. Robbins has made to the CIRM. Wareham Properties, his company, provided CIRM's first home in Emeryville for our first nine months in existence. As you all know, the office space was provided rent free to the CIRM. And finally, E. Hugh Taylor of Atherton, California, a gift of \$50,000 to support CIRM's scientific activities. We'll discuss the fourth gift separately.

Mr. Harrison: As Bob noted, Proposition 71 authorizes you as a board expressly to accept gifts of real and personal property. So acceptance of these gifts is within your authority.

Ms. Lewis: So we'd like to ask you, Bob, if you would call a vote on these first three gifts.

Motion:

- Dr. Wright moved approval of these three gifts.
- Dr. Thal seconded.

Vote:

- All in favor; no opposition.
- Motion carried; gifts approved.
- Dr. Penhoet recused himself from this vote.

Ms. Lewis: For the final gift up for approval today, I'm pleased to announce a gift to the CIRM from the Richard & Rhoda Goldman Foundation, a supporting foundation of the Jewish Community Federation of San Francisco, the Peninsula, Marin, and Sonoma counties. CIRM is extremely fortunate to have the Goldman foundation's commitment to support the scientific activities of the institute with a gift in the amount of \$350,000.

We'd like to take this opportunity to thank the board of the Goldman Foundation, and in particular its president, Mr. Goldman, for their extraordinary support and ask that you, the ICOC, please consider accepting this generous gift subject to executive committee approval of the final documentation as being consistent with CIRM policies and legal counsel's approval of that documentation. This gift's documentation hasn't quite been completed yet, as Bob will note.

Motion:

- Dr. Penhoet moved approval of the gift from the Richard & Rhoda Goldman Foundation.
- Dr. Prieto seconded.

Vote:

- All in favor; no opposition.
- Motion carried; gift approved.

Agenda Item # 10: Consideration of report from Governance Subcommittee, including but not limited to:

- **ICOC bylaws;**
- **CIRM compensation plan;**

- **CIRM policy on accepting gifts of real and personal property and opportunity to name CIRM programs or facilities after donors.**
- **Contract and interagency agreement update including but not limited to strategic plan consulting contract.**

ICOC Bylaws:

Sherry Lansing introduced, and then James Harrison provided details on the ICOC bylaws, approved by the Governance Subcommittee and now in front of the ICOC for its approval. Both Ms. Lansing and Mr. Harrison thanked Dan Bedford for his work in drafting the bylaws and carrying out the various changes made based on direction coming out of the previous few Governance Subcommittee meetings.

Mr. Harrison: These bylaws set forth the authority, functions, and composition of the Independent Citizen's Oversight Committee based on the language in Proposition 71 and the manner in which you, as a board, will conduct your business. As Sherry mentioned, the Governance Subcommittee met to consider these bylaws and recommended approval of the bylaws with several changes, which, in fact, extended the length of the bylaws somewhat significantly. Just to allay any concerns you have, though, all of those additions either involve taking language from Proposition 71 word for word, as was the case in describing, for example, the ICOC's power to meet in closed session, to make clear to the public and to you as a board that you do have the authority to meet in closed session to discuss a variety of different matters, including confidential prepublication scientific data, as well as trade secret or other proprietary information.

Secondly, the bylaws now include a detailed description of the function of the working groups that comes directly from Proposition 71. And finally, we have added a policy that you adopted at a prior ICOC meeting to describe the manner in which non-ICOC members of the working groups may be removed. So that explains the change for those of you who are on the Governance Subcommittee who saw a prior draft and the draft that you have in front of you today.

Let me mention just a couple of changes that we'd like to make even to the draft that you have before you today, couple of very technical changes. There's a typographical error at page 3 in article iv. The section numbering is off. What appears as section 6 at the top of the page should be section 5, and the numbers that follow have also been renumbered accordingly. At page 4 of 16 in article v, section 2, we've added a cite to one of your favorite acts, the Bagley-Keene Open Meeting Act, in case anyone wants to refer to it quickly. And then finally, with respect to the removal of members of the working group, which is in article vii, section 5, we have modified that to make clear that this removal policy applies to non-ICOC members of the working groups to reflect the original intent of the policy.

I'd like also to point out to you just two other features of the bylaws. In article iv, section 5, we have added a provision that makes clear that ICOC members are expected to abide by the conflict of interest policy that the board adopted several months ago. And that policy is, in fact, attached as exhibit B to the bylaws. And finally, I wanted to point out to you that in article v, section 4, we have included a provision consistent with your direction that requires the ICOC to provide notice to the Speaker of the Assembly and the President Pro Tem of the Senate ten days prior to any meeting at which the ICOC intends to consider changes to the policy enhancements that you adopted at your July and August meetings.

So with that explanation and with those changes, we'd ask for your approval of the bylaws.

Motion:

- Chairman Klein approval of the ICOC Bylaws.
- Dr. Friedman seconded.

Vote:

- All in favor; no opposition.
- Motion carried; ICOC Bylaws approved.

To view the Bylaws as approved, see this URL:

http://www.cirm.ca.gov/meetings/pdf/2006/04/040606_item_10a.pdf

CIRM Compensation Plan:

The CIRM Compensation Plan was not discussed at this ICOC meeting as the Governance Subcommittee asked CIRM staff to conduct more research on some specific items and bring back a revised plan at the next Governance Subcommittee meeting, for potential recommendation to the ICOC at its meeting in June.

CIRM policy on accepting gifts of real and personal property and opportunity to name CIRM programs or facilities after donors:

Mr. Barnes: Earlier you heard about the Proposition 71 provision that authorizes the ICOC to accept real and personal property. And so what we have been working on here is an ongoing policy and procedure to actually implement this so that we don't have to come every single time with every single gift and deal with it incrementally. The material that I've given you in your binder is divided into three parts. There's a background narrative and a recommendation. There is a proposed policy and procedure related to that recommendation. And then there's a proposed commitment letter format that would be used to implement the recommendations. The background material, which begins on the first page, traces the history of the ICOC's efforts to implement this provision, which includes the acceptance of the \$5 million from the Dolby Foundation.

To develop a proposed policy, we researched the gift and naming policies and procedures under three groups of state agencies. One was the University of California system, one was the California State University system, and the other was all other state agencies. Generally, regardless of which system you are looking at, there was some commonality in elements in their policy and procedures. Generally each of the policies is written down, approved by a governing body, and include four elements. One is a statement of goals for both the receipt of real and personal property and for naming. We've linked naming into this because there has been some discussion about naming in the past.

There's always a delegation from the highest authority to a lower level for authorization to accept certain real or personal property and/or to make naming decisions. There's a preference for gifts that do not require either additional expenditure or significant delay in making the gift convertible to cash and available for use. And specifically real estate is one of those that are subject to a number of reviews. And then usually with regard to naming there's a strict limit on naming that's

not linked to a gift. So our recommendation is the policy and procedure that is listed as attachment 1 begins on page 4.

To take you through some of the highlights of this, I should say that what we did in developing this is that we sort of focused on the UC and CSU systems as being the model from which we developed this process. In addition, we also tried to build upon any actions that the ICOC had already taken as sort of guidance to us about what you would like in an ICOC gift policy.

So with regard to the policy, and you will find, those of you with the UC system and CSU system, we have sort of cobbled together a policy based upon much of the policy statements that are in those agencies, that essentially the ICOC has a policy to accept additional revenue and real estate as authorized under the Proposition 71 to support the operations of CIRM and further the goals of Proposition 71.

In addition, it's the policy to encourage the offer of additional revenue and real property through naming. Naming can be given to both real objects -- and keep in mind we don't have a lot of real objects. We have only our space, but there is the possibility of naming like conference rooms and things like that -- and inanimate objects, and there has been some discussion about naming programs. So that would be the policy.

We also outlined a number of limits that we think are appropriate. First off, no naming would be considered without a gift of substantial value to CIRM and its programs. Now, I should say that we sort of struggled with this concept of substantial value. And, in fact, the committee asked us to go back and present to them at the next meeting a definition of what substantial value might mean. And to a certain extent, substantial value has certain timing issues. Right now a contribution of \$10 million might be substantial given the fact that we have no access to our bond money at this point in time, but \$10 million after the bonds start coming in might not be substantial. So that's why we left it sort of open at this point, but we are coming back to define this and present a recommendation for definition at the next meeting.

The second limit is that a gift that requires an initial or ongoing expenditure that will likely exceed or equal the value of the gift will not be considered. In other words, we don't want to accept something that we're going to put out more money than it's worth to dealing with it.

In addition, our usual limit, that no gift will be accepted from an institution, entity, or individual that has applied for CIRM funding or that intends to apply for CIRM funding. Now, we have put a little caveat on this because, in effect, there are times when we hold meetings like this where we get rooms from agencies that might be a grantee at some point in time at either reduced or no cost. So those are gifts, and we want to make sure that we recognize them, but we don't feel that these are gifts that would not be accepted under this policy. So this is an exemption from that particular limit for those limited types of things. In addition, no gift will be accepted from a biotechnology company that devotes 5 percent or more of its annual budget to stem cell research. And this particular thing is a lift out of the conflict of interest policy for all CIRM staff with regard to divestment. So we felt that was an appropriate thing to put in here as well. So those would be the limits.

With regard to the procedure and the decision-making authority, first off, our recommendation is that all naming decisions remain with the ICOC. In addition, all gifts of real property should be accepted by the ICOC under this policy. With regard to personal property, which would be cash, stock, any kind of personal property that we might receive, what we're proposing is that anything with a value of up to five million would be approved by the unanimous agreement of an executive committee. The executive committee would consist of the Chair, Vice Chair, and the President of CIRM. They would have to make sure that the gift complied with both the policy and the limits that are listed above.

There could be an instance where one or more members of the executive committee is absent or unable to vote or has to recuse him or herself, so that essentially what we're saying is that if we can't get unanimous agreement by this three-member group, that the gift would come to the ICOC regardless of the value. Generally there are some exceptions to this that is outlined in 2 and 3. We're talking here about direct reimbursement by third parties for costs of general operation or grant management administrative actions that can be accepted by the president. Examples of this would be things like if we have a conference and somebody wants to sponsor a certain segment of the conference and pay for something directly. That would be the kind of thing that would be accepted by the president as opposed to having to go to the executive committee. And with regard to the free or reduced facilities that we talked about before, this could be accepted by either the president or the chair. And then also gifts of what we determined to be a de minimis amount, 5,000 or less, may be accepted by the president, again, without the approval of the executive committee or the ICOC.

We actually have received inquiries from people saying that they'd like to give us \$50 or a hundred dollars or things like that. So there are people out there that want to make those kinds of gifts to us. Again, a lot of this is lifted from the UC material that has to be presented and the CSU material that's presented to the regents and things like that. Name and biographical data regarding the individual organization, a description of the gift, list of conditions. This is very important. Is the money limited in its use? We want to make sure that you fully understand what that is. One of the conditions is naming. We need to include a description of what's to be named and how long that name would continue. If the gift is real property, we'd include an evaluation by the department of general services because they're the ones that have to manage real property. Gift of stock or other investments, include a description of how we would liquidate those and a description of how the gift will be used. Once the ICOC approves the gift, then basically the president will be authorized to initiate the action to accept the gift and implement the conditions.

Gifts that don't require the ICOC approval are covered in the second part of this at the bottom of page 5. And like the contracts reports that we give you each month, we bring to you recommendations that you have to approve, but we also give you information about the ones that we have or actually the executive committee has approved. And so that would be included in our report to you each month. And it basically contains some of the same information that's included in the ones that are presented to you for decision.

Obviously naming won't be a part of the condition, so that's not in here. Gifts of a de minimis amount, what we're proposing is we just give you a total rather than go into all the details with regard to that.

Implementing a decision, essentially a commitment letter will be developed and signed by the donor and the president. We've given a sample format. This is based on the commitment letter that was actually used for the Dolby Foundation. So it's bare bones in terms of the things that we would like to see in it, but it would be expanded to include things like limitations and that kind of stuff. Once a commitment letter is signed, basically we'll receive the gift, deposit any funds into a state account as quickly as we can. We would liquidate noncash items. With regard to stock, we're working out an arrangement now with the foundation where we can have them actually receive the stock, liquidate it, and provide us with the cash very quickly. Then we would establish a file for each gift, including records that support compliance with all the terms, and information on actions taken to implement any naming decisions.

Discussion and vote:

Following board discussion and public comment, the board agreed to vote on this policy as an interim policy. This is so we have one in place for acceptance of gifts already offered to the CIRM,

but also have an opportunity to make changes based on board and public input and bring the policy back to the Governance Subcommittee and then the ICOC at each entity's next meeting.

Motion:

- Dr. Love moved for approval of the Gift Policy presented as an interim policy, with the amendment from Chairman Klein that there be a \$3 million limit.
- Chairman Klein seconded.

Vote:

- All in favor; no opposition.
- Motion carried; Interim Gift Policy approved with the plan to revise it and bring it back to the Governance Subcommittee and then the ICOC at each entity's next meeting.

To view the Interim Gift Policy as approved, not including changes that will be made to the policy before the next ICOC meeting, see this URL:

http://www.cirm.ca.gov/meetings/pdf/2006/04/040606_item_10c.pdf

Contract and interagency agreement update including but not limited to strategic plan consulting contract:

Walter Barnes gave an update on current contracts and new or amended agreements executed since the last report.

Mr. Barnes: Falling under those things that are eligible for approval by the president with regard to interagency agreements, there were none. With regard to new or amended third parties, contracts of less than a thousand that the President can approve, there were three -- two contracts that were executed. One was a department of justice contract that was requested that we enter into with a firm called Spiegel, Liao, & Kagay. This is a law firm that provided supportive services to the litigation activities.

And then we mentioned at the last meeting, included in our last report, that we had completed a RFP with regard to the selection of a fiscal auditor to conduct our annual fiscal report. The contract that was chosen was Gilbert Associates. Their contract is for two years. They're currently conducting the audit related to the first fiscal year, which ended June 30th of 2005, and then they will do the second audit with regard to the current fiscal year that we're in, which will end June 30th, 2006. The amount budgeted for this for both audits is \$45,000. I should say that they are in the process of completing the work on the current fiscal -- first fiscal year audit, and we're anxiously awaiting what they have to say.

The contracts that exceeded a hundred thousand that would be approved by the Governance Committee, there were none. And then there is one contract that potentially will exceed 250,000, which is subject to approval by the ICOC. And Zach made mention of it in his presentation on the strategic plan. And if you go to the last document in this, you will see actually something new. This is a new form that we developed actually with some suggestions by some members of the ICOC. Basically they indicated that when contract requests are brought to the ICOC, they thought that perhaps there should be more information detailing the contract proposed and how we selected it and how much money and that kind of thing.

So we have developed this new form, and this is our first time to use it. After you have a chance to look at it and think about it, if any of you have any suggestions or comments or whatever, we're certainly happy to make adjustments to it to provide you as much as information as you need to feel comfortable with the recommendation. With regard to this particular recommendation, we're proposing to contract with a company called Price Waterhouse Coopers.

This contract would be to assist the CIRM with the development of the proposed 10-year strategic plan. They would help to design an information gathering program that would seek input from experts and stakeholders. They'd implement the data gathering through group and individual meetings. They would assist CIRM staff to develop recommendations for themes and ideas to be incorporated into a draft strategic plan before presenting it to the ICOC for modification, revision, and approval. Price Waterhouse Coopers proposes to devote 20 percent of a senior partner's time to the project and up to three experienced staff that would be on-site during the period of the project that will ensure both sufficient collaboration with us and oversight to make sure that the project is moving along like we would like it to.

The reason we're going for a contract is developing this type of data and engaging in the information gathering will be very labor intensive. Under proposition 71 we're limited in the number of staff that we can hire. And in addition, we think it would be very difficult for us to recruit and hire people with the specialized skill set to do this work, especially for a project of some short duration, about six months. So that's why we decided to go for a contract. The length of time to perform the services is six months.

With regard to payment terms, we have negotiated the following terms with Price Waterhouse Coopers. There would be a payment of 20 percent of the estimated fees and expenses after the contract has been executed. Secondly, all fees and expenses, actual amounts, would be billed, and any amounts due over the initial 20-percent payment would be deferred until six months after the completion of the project. So we estimate that that money would actually not become due until sometime in March of 2007. This is a big issue for us in terms of our cash flow. With regard to projected total expenditures, at this time we've estimated that the cost of the total strategic plan would be in the neighborhood of about \$500,000. That would include the costs associated with this contractor.

If the ICOC agrees to allow us to move forward, we would negotiate with Price Waterhouse Coopers for paying the lowest possible price that we could, just like we have already negotiated with them to get very favorable payment terms. In previous budget presentations that I made to you where we talked about the strategic plan, we've said this type of contract could be up to \$250,000. And so because we think it could go that high, we would like to get your approval on it even though we don't have a specific amount at this time. Obviously if we can negotiate it down to below that, we certainly will.

With regard to how we chose this contractor, we actually talked to two firms with previous experience in strategic planning development. We requested them to design proposals for how they would help us to develop a proposal for the strategic plan for presentation to the ICOC. Each of them did so, and made formal presentations to a CIRM staff panel in January. After the meetings each of the panel members were asked for their opinions about the two firms. Each firm was required to provide an estimate of cost associated with their plan and to offer payment alternatives. Both agreed to provide payment deferrals, such as the one we ended up negotiating with PWC, but PWC's estimate of cost was less than that of the other organization. So based on these factors, we're recommending to the -- we recommended to the governance committee, I should say, that they recommend that we be allowed or recommend to the full ICOC that we be allowed to contract with PWC to provide or to negotiate a contract with PWC to provide support services to CIRM's efforts to develop a proposed strategic plan. Because they

lacked a quorum, at that time what we got was an expressed sense of the members that were present for support of this recommendation.

Discussion:

Following board discussion and an expressed need to move forward with this project, already behind schedule, as soon as possible, the board voted on whether to approve the allowance of CIRM staff to negotiate a contract with PWC to support the development of the CIRM Scientific Strategic Plan. While the dollar amount being discussed for the entire project – not just the PWC contract -- gave some board members pause, as did the notion of hiring a consulting firm instead of doing this entirely in-house, there was a stated reminder that the entire project cost and the potential contract with PWC had at this point been discussed at three Governance Subcommittee meetings. It was also discussed that the CIRM does not have the staff required, or the funds to hire the staff needed, to do this project entirely in-house. Ultimately, there was consensus that the ICOC trusts Zach Hall and Walter Barnes to negotiate the contract, and trusts Zach Hall and his team to execute on the development of the scientific strategic plan and to put in the controls necessary and hold PWC accountable for delivering on their commitments in the contract and negotiations.

Motion:

- Chairman Klein moved to give approval to CIRM staff to negotiate the contract with PWC.
- Dr. Love seconded.

Vote:

- All in favor; no opposition.
- Motion carried; CIRM staff given authority to negotiate contract with PWC.

Agenda item #11: Consideration of Proposed Interim CIRM Grants Administration Policy.

Dr. Arlene Chiu walked the board through the Proposed Interim CIRM Grants Administration Policy. The board discussed at length the section on Costs and Activities, specifically Direct and Indirect Costs. It was agreed that the sections topics required more development and discussion before the board could vote on the document as a whole. An updated version of the Policy will be on the agenda for the next ICOC meeting, taking place June 2.

Motion:

- Ms. Samuelson moved to defer action on this item until a future ICOC meeting, likely the June 2, 2006 meeting.
- Dr. Thal seconded with the added request that in the interim, competing models be looked at.

Vote:

- All in favor; no opposition.
- Motion carried; action deferred.

Agenda item #12: Consideration of legislation relevant to CIRM, and ICOC positions thereon.

Kirk Kleinschmidt provided an update for the board on active stem cell-related state legislation. In particular, the discussion was focused on SB 401 (Ortiz/Runner) because of the urgency given the hearing on this bill scheduled for 4/18, which will be our only opportunity to take a firm position on the bill before its first policy hearing.

The board voted in favor of a resolution to oppose SB 401 (Ortiz/Runner) following much discussion and live updates made to the resolution during the meeting based on comments from the ICOC members during the discussion.

The main concern expressed in this resolution is that the bill is both unnecessary and premature. The resolution is attached to the email in which you received this Meeting Summary. Please note that 3 members voted against this resolution.

Motion:

- Dr. Pizzo moved for approval of the resolution.
- Dr. Thal seconded.

Vote:

- A majority of board members voted in favor of this motion; 3 members voted against it. Dr. Penhoet did not participate in the vote by virtue of his employment at the Gordon and Betty Moore foundation, which precludes him from lobbying.
- Motion carried; resolution passed.

To view Mr. Kleinschmidt's Stem Cell Research-Related CA State Bill Update, see this URL:
http://www.cirm.ca.gov/meetings/pdf/2006/04/040606_item_12a.pdf

Agenda Item #15: Consideration of report from IP Task Force.

Dr. Penhoet: You'll be delighted to know it's a very quick report. The interim policy for nonprofit organizations is tentatively slated for publication on the website of the office of administrative law at the end of April. Public comment is expected to open around April 28th and continue through June 12th. Accordingly, we consider this policy as an interim draft policy that is expected to benefit from the contributions of others during the comment period. We have also begun the process of gathering information in anticipation of developing an intellectual property policy for grants, contracts, or loans made to for-profit organizations. We had a meeting a couple of weeks ago in San Francisco. We will have another meeting in San Diego at the end of April, and we're looking forward to more input from those groups. I just want to quickly thank all of the task force members here who have been very diligent about attending those meetings. It's unlikely we'll come back to this board with a fully developed for-profit policy in the near future. We have to work on the APA regulations for the nonprofit piece. We will have the next meeting, gather more information, then work on that over the summer. So that's where we are.

Agenda Item #16: Consideration of additional interim CIRM Medical and Ethical Standard Regulation for Human Stem Cell Research.

The board reviewed and approved interim regulations governing fetal tissue donation. The interim regulations will be in effect for 270 days. The CIRM Medical and Ethical Standards Working Group will develop recommendations for final regulations later in 2006.

Motion:

- Dr. Henderson moved for approval of the interim regulations governing fetal tissue donation.
- Dr. Friedman seconded.

Vote:

- All in favor; no opposition.
- Motion carried; interim regulations approved.

To view the language discussed and approved for placement in the regulations, see this URL:

http://www.cirm.ca.gov/meetings/pdf/2006/04/040606_item_16.pdf

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