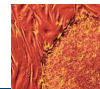


# President's Report

**C. Randal Mills, Ph.D.**

President and Chief Executive Officer  
California Institute for Regenerative Medicine

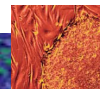
**July 24, 2014**



# Topics

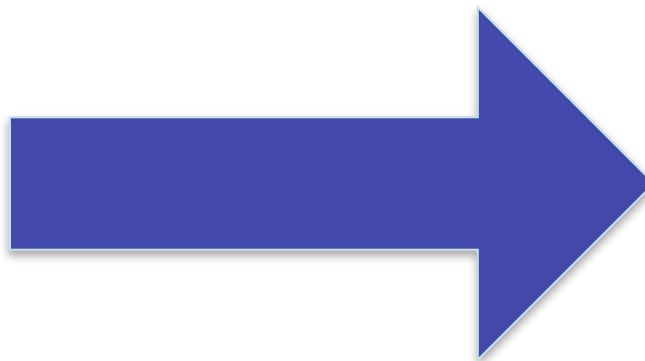
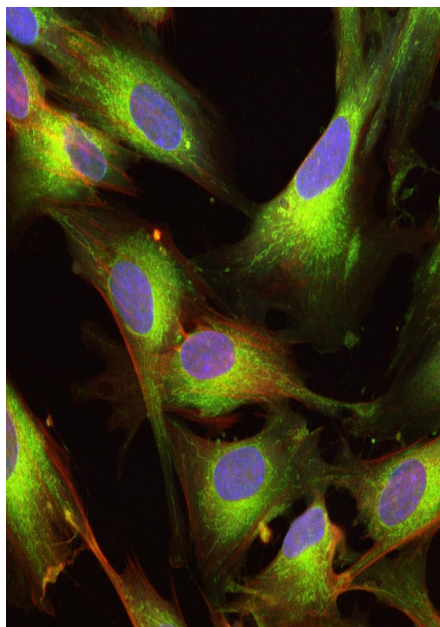
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- Keeping CIRM Focused
- Review of Recent CIRM Transactions Involving Stem Cells, Inc.
- Voluntary Conflict of Interest Restrictions
- Budget Review and Commentary



# Our Mission

*Accelerating stem cell treatments to patients with unmet medical needs.*

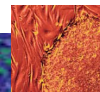


It is all about the patients. Really.



# Difficult but Critical

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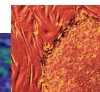
# The Four Part Test

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- Will it speed up the development of stem cell treatments for patients?
- Will it increase the likelihood of developing a successful treatment for patients?
- Will it meet an unmet medical need?
- Is it efficient?



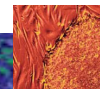
# REVIEW OF STEM CELLS, INC. TRANSACTIONS



# Review of SCI Transactions



- **Reason for Review:** SCI began discussions with Dr. Alan Trounson about an appointment to its Board of Directors while Dr. Trounson was still a CIRM employee and while decisions regarding SCI were pending before CIRM.
- SCI did not notify CIRM in advance of appointment. As a result, CIRM could not take precautions to ensure that Dr. Trounson did not participate in decisions relating to SCI.
- **Purpose of Review:** To determine whether Dr. Trounson made, participated in making, or attempted to influence a CIRM decision regarding SCI after discussions began with SCI about an appointment to its Board of Directors.





# Sequence of Events

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**June 9, 2014:** SCI provided a written offer of employment as a member of the Board of Directors to Alan Trounson

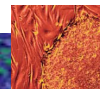
**June 23, 2014:** SCI contacts CIRM requesting CIRM subordinate its loan to an impending commercial loan

**June 27, 2014:** SCI contacted CIRM requesting CIRM make a loan disbursement despite SCI not meeting a financial milestone

**June 30, 2014:** Alan Trounson's official last day of employment with CIRM

**July 3, 2014:** CIRM notified SCI that it has agreed to grant an exception and make a partial payment on the loan

**July 7, 2014:** SCI issued a press release announcing the appointment of Dr. Trounson to its Board of Directors

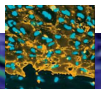
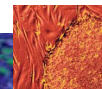
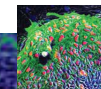




# Scope of Review

Three transactions involving SCI during this period:

- (1) a loan amendment initiated by CIRM to conform loan to policy change made by CIRM, the net effect of which was to increase disbursement to SCI by \$10,000 per year;
- (2) request made by SCI for CIRM disbursement even though SCI had not, at the time, met financial milestone; and
- (3) request made by SCI for CIRM consent per CIRM's loan agreement of proposed SCI financial transaction.



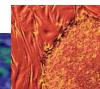
# Review Plan

- Margaret Prinzing of Remcho, Johansen & Purcell conducted review.
- Included personal interviews with CIRM team members involved in SCI transactions, review of documents and emails relating to SCI during the period from May 1, 2014 to present, and contact with CIRM board members and Dr. Trownson.
- Ms. Prinzing prepared report which will be made public.



# Review Findings

- Dr. Trounson and Stem Cells, Inc. began discussions about a board appointment while Dr. Trounson was still a CIRM employee.
- CIRM team members participated in decisions regarding SCI during this period of time.
- Based on the information available to Ms. Prinzing, she found no evidence that Dr. Trounson made, participated in making, or attempted to influence any of these decisions during the relevant period.



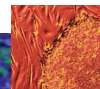
# PRESIDENTIAL CONFLICTS OF INTEREST



# Background

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- As the President of CIRM I am responsible to the people of California
- CIRM has established policies in compliance with California's conflict of interest laws
- Last year the CIRM Board voted to go beyond those requirements
- Since public trust is essential to our success, as President of CIRM, I am imposing stricter standards of conduct for myself with respect to the potential or appearance of conflicts.



# Three Main Elements

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- Post-CIRM Employment
- Gifts
- Travel

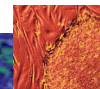


# Post CIRM Employment

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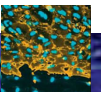
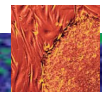
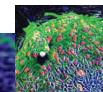
- State law does not prohibit employees from immediately accepting employment with an entity with which their agency has contracted or funded.
- As President of CIRM, I will not accept employment from any entity that CIRM funds or is attempting to receive CIRM funds for at least one year following my departure.





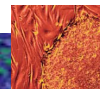
# Gifts

- State law prohibits employees from accepting gifts from entities that do business with, or are seeking to do business with CIRM, **only** when it could be reasonably substantiated that the gift was intended to influence an employee's future official activities or reward him or her for past ones.
- In addition, state law excludes certain types of payments from the gift rules (e.g. home hospitality).
- As President of CIRM, I am eliminating these loopholes by not accepting gifts from anyone who has or is seeking a contract with CIRM, regardless of the donor's intent or the nature of the gift.



# Gifts

- State law includes exceptions to the gift limits for travel payments received from certain sources, such as universities and nonprofits, and travel payments received in connection with making a speech.
- As President of CIRM, I will not accept travel payments from anyone who has or is seeking a contract with CIRM, regardless of the source or the reason for the payment.



**VOLUNTARY COMMITMENT TO REFRAIN FROM ACCEPTING: (1)  
EMPLOYMENT WITH CIRM-FUNDED ENTITY/APPLICANT FOR ONE YEAR  
POST-EMPLOYMENT; (2) GIFTS FROM CIRM-FUNDED ENTITY/APPLICANT;  
AND (3) TRAVEL PAYMENTS FROM CIRM-FUNDED ENTITY/APPLICANT**

**BACKGROUND**

As a taxpayer-funded agency of the State of California, the California Institute of Regenerative Medicine (CIRM) has an obligation to ensure that its funding decisions are based on scientific merit demonstrating the potential to efficiently develop therapies and cures for patients with unmet medical needs while upholding strict ethical standards and avoiding conflicts of interest.

Consistent with this goal, CIRM has established policies and processes in compliance with California's conflict of interest laws. In addition, CIRM has adopted policies that go beyond the requirements of state law to prevent even the appearance of a conflict of interest, including the policies unanimously adopted by the Board in March 2013.

Given that public trust is essential to our success, as President of CIRM, I am imposing even higher standards of conduct for myself with respect to the potential or appearance of conflicts.

First, although state law imposes some restrictions on the activities in which employees may engage after they leave public service, it does not prohibit them from immediately accepting employment with an entity with which their agency has contracted or funded. As President of CIRM, I will not accept employment from any entity that CIRM funds or is attempting to receive CIRM funds for at least one year following my departure.

Second, state law prohibits employees from accepting gifts from individuals or entities that do business with, or are seeking to do business with, their agency only when it could be reasonably substantiated that the gift was intended to influence an employee's future official activities or reward him or her for past ones. In addition, state law excludes certain types of payments from the gift rules. For example, home hospitality and gifts exchanged between friends are exempt from the gift limits. As President of CIRM, I will eliminate potential loopholes by committing to not accept gifts from anyone who has or is seeking a contract with CIRM, regardless of the donor's intent or the nature of the gift.

Third, state law includes exceptions to the gift limits for travel payments received from certain sources, such as Universities and nonprofits, and travel payments received in connection with making a speech. As President of CIRM, I will not accept travel payments from anyone who has or is seeking a contract with CIRM, regardless of the source or the reason for the payment.

**COMMITMENT**

1. For a period of one year after my employment with CIRM, I will not accept employment, or any form of compensation, from: (a) an entity that has an active CIRM award or contract, or has received funds from CIRM in the previous 12 months; or (b) an applicant actively seeking a CIRM contract.

2. As a CIRM employee, I will not accept any gifts or hospitality from: (a) an entity (including individual investigators) that has an active CIRM award or contract, or has received funds from CIRM in the previous 12 months; or (b) an applicant (including individual investigators) actively seeking a CIRM contract.

3. As a CIRM employee, I will not accept travel paid for, or reimbursed in any way, by: (a) an entity (including individual investigators) that has an active CIRM award or contract, or has received funding from CIRM in the previous 12 months; or (b) an applicant (including individual investigators) actively seeking a CIRM contract.

  
C. Randal Mills, Ph.D.  
President and Chief Executive Officer  
California Institute for Regenerative Medicine

Date 7/23/14



# BUDGET REVIEW



# Financial Highlights

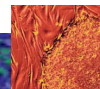
- Commercial Paper/Bond Proceeds
  - 13/14 FY:
    - \$235M
      - \$155M Commercial Paper
      - \$80M April 2014 Bond Proceeds
  - 12/13 FY:
    - \$229M
- Cash Balance
  - June 2014: \$93.4M
  - June 2013: \$68.1M



# 13/14 Operational Expenditures

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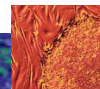
- July 1, 2013 through June 30, 2014
  - Year-end Close
  - Financial Statements due August 20, 2014
  - Recorded Expenditures
    - As of June 30, 2014, without accruals
      - \$14.6M
  - Year-end Forecast
    - \$15.6M vs \$17.4M budget



# Future Update

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- September 2014 ICOC Meeting
  - Final 13/14 Expenditures
    - Department-wide
    - Cost Center Details
  - 6% General/Grant Admin Funds
  - 13/14 Annual Financial Audit Status



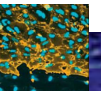
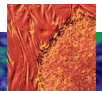
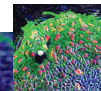


# While often written...

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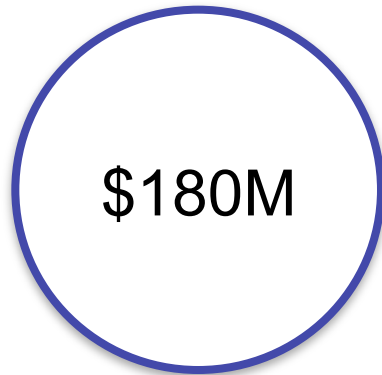
*“The Agency is on track to run out of money as soon as 2017”*

...it is simply not true.



# Two Separate Funds

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Administrative  
Budget



Award Budget

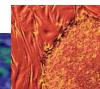


# Grants Administration Budget

\$180M

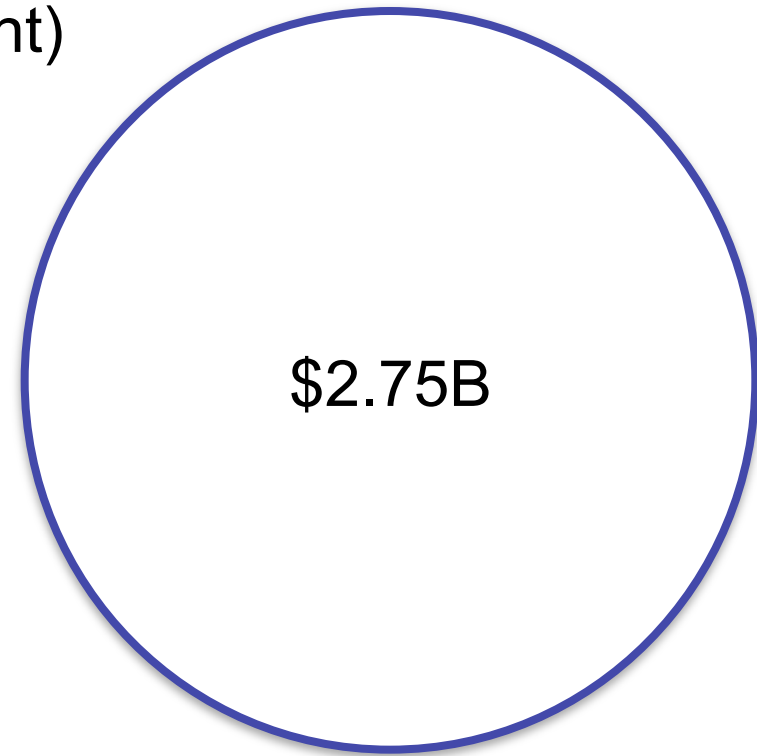
Administrative  
Cost

- \$89 million spent
- \$91 million remaining
- Current spending rate is **less** than \$15 million per year
- Funded until 2021 at **full** spend rate

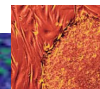


# Award Budget

- \$1.87B awarded (not all spent)
- Estimated \$50-100M of the \$1.87B awarded will be recovered
- \$878M not awarded
- Leaves approximately \$1B available to award
- Sufficient funding for **\$190M** per year of new grants until 2020



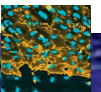
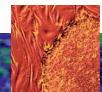
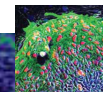
Award Budget



# Key Points



- Spending money faster does not necessarily speed up the process
- We will be able to fund most anything that meets our criteria
- Large numbers of project approaching clinical trials
- In six years, how will things have advanced?





CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE

**Thank you!**

**C. Randal Mills, Ph.D.**

President and Chief Executive Officer  
California Institute for Regenerative Medicine