

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: CROWNE PLAZA HOTEL SFO  
1177 AIRPORT BOULEVARD  
BURLINGAME, CALIFORNIA

DATE: THURSDAY, JANUARY 29, 2009  
4:40 P.M.

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

BRS FILE NO.: 82457

## BARRISTERS' REPORTING SERVICE

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**BARRISTERS' REPORTING SERVICE**

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SAN FRANCISCO, CALIFORNIA  
THURSDAY, JANUARY 29, 2009; 4:40 P.M.

CHAIRMAN KLEIN: ALL RIGHT. IF WE CAN HAVE SOUND. WHILE WE STILL HAVE SOME MEMBERS WHO ARE MASTERING THE LOGISTICS OF GETTING HERE, WE WOULD LIKE TO GO THROUGH THE FIRST COMPONENT OF THE PROGRAM AT THIS TIME. WE HOPE THAT SOME OF THOSE MEMBERS WILL COME IN SHORTLY, BUT WE DO NOT NEED A QUORUM TO START. AND WE ARE VERY APPRECIATIVE OF ALL THOSE WHO HAVE MADE IT HERE TODAY FOR THIS MEETING AND TOMORROW'S MEETING.

SO I'D LIKE TO CALL THIS MEETING TO ORDER AND WELCOME EVERYONE TO THE BAY AREA. THANK YOU ALL FOR JOINING US IN THE PUBLIC.

WE HAVE IN THIS MEETING ON OUR AGENDA THE BRIDGES TO STEM CELL RESEARCH AND TRAINING PROGRAM AS WELL AS THE TRAINING PROGRAM II TO CONSIDER.

IS THERE A MEMBER OF CALIFORNIA STATE SENATE, SENATOR GLORIA ROMERO'S STAFF HERE? I DON'T THINK SHE IS HERE YET. BUT YOU WILL FIND IN THE BACK OF THE ROOM A COPY OF A LETTER FROM SENATOR GLORIA ROMERO, AND YOU WILL FIND THAT IT'S COSIGNED BY DARRELL STEINBERG, THE SENATE PRESIDENT PRO TEM, THANKING THE AGENCY FOR THE BRIDGES PROGRAM THAT HAS

## BARRISTERS' REPORTING SERVICE

1 BEEN DEVELOPED. AND WE NEED TO CERTAINLY RECOGNIZE  
2 THAT THIS HAS DEVELOPED AN INITIATIVE ORIGINALLY  
3 BROUGHT TO US BY CALIFORNIA STATE UNIVERSITY  
4 CHANCELLOR CHARLES REED AND CALIFORNIA COMMUNITY  
5 COLLEGE CHANCELLOR JACK SCOTT, AS WELL AS THE CITY  
6 COLLEGE OF SAN FRANCISCO AND OTHER LEADING MEMBERS  
7 OF THE EDUCATION LEADERSHIP OF THE STATE OF  
8 CALIFORNIA.

9 WHEN THIS PROGRAM CAME FINALLY TO THE  
10 BOARD AFTER APPROXIMATELY A YEAR OF DISCUSSION, IT'S  
11 IMPORTANT TO NOTE THAT WE CREATED A TASK FORCE WITH  
12 DAVID SERRANO-SEWELL AND MARCY FEIT HEADING THAT  
13 TASK FORCE, AND THEY BROUGHT THIS QUICKLY INTO A  
14 FORM THAT COULD BE REALIZED AND IMPLEMENTED BY  
15 STAFF. WE HAD A TREMENDOUS STAFF EFFORT WORKING  
16 WITH DAVID AND MARCY. BUT THANK YOU, DAVID  
17 SERRANO-SEWELL AND MARCY FEIT, FOR YOUR LEADERSHIP  
18 ON THIS PROGRAM.

19 IT'S NICE TO HAVE -- I THINK THIS IS THE  
20 FIRST TIME WE'VE HAD A PROGRAM THAT, BEFORE WE  
21 ACTUALLY APPROVED IT, PEOPLE WERE THANKING US FOR  
22 IT. THIS IS GOING TO BE A HARD ACT TO FOLLOW YOUR  
23 LEADERSHIP HERE.

24 I'D ALSO LIKE TO COMMEND DON GIBBONS, WHO,  
25 AS THE LETTER STATES, IS WORKING ON A CALIFORNIA

**BARRISTERS' REPORTING SERVICE**

1 STEM CELL EDUCATION INITIATIVE THAT HE'S TALKED  
2 ABOUT, TRYING TO BROADEN THE EDUCATION IN CALIFORNIA  
3 ABOUT STEM CELL RESEARCH AND ITS OPPORTUNITIES.

4 IN SETTING A CONTEXT FOR TODAY, I WOULD  
5 ALSO REMIND EVERYONE THAT WE HAVE JON SHESTACK  
6 JOINING US BY PHONE. I BELIEVE HE IS ON THE LINE;  
7 IS THAT CORRECT?

8 MR. SHESTACK: YES, I AM ON THE LINE.

9 CHAIRMAN KLEIN: OKAY, JON. THANK YOU  
10 VERY MUCH.

11 MR. SHESTACK: MELISSA, IT SOUNDS LIKE  
12 SOMEONE IS EATING POTATO CHIPS ON TOP OF THE MIC.

13 MS. KING: I'LL FIX THAT.

14 MR. SHESTACK: OKAY. THANK YOU VERY MUCH.

15 CHAIRMAN KLEIN: THAT'S THE FIRST TIME  
16 YOU'VE BEEN ASKED TO FIX THAT, MELISSA.

17 SO AS WE GO THROUGH THE DAY, I'D ALSO LIKE  
18 TO EMPHASIZE THAT AT A TIME WHEN THE STATE IS FACING  
19 UNPRECEDENTED CHALLENGES, THE FEDERAL GOVERNMENT IS  
20 AT VERY HIGH SPEED GEARING UP A HIGHLY DIVERSIFIED  
21 AND LAYERED SYSTEM OF ASSISTANCE. THE STIMULUS BILL  
22 THAT YOU'VE HEARD A LOT ABOUT IS GOING THROUGH THE  
23 CONGRESS, BUT ON ESSENTIALLY A CONCURRENT TRACK,  
24 ALTHOUGH THE COMMITTEE HEARINGS CANNOT BE HELD UNTIL  
25 THE STIMULUS BILL IS VOTED ON OR VOTED OUT OF

## BARRISTERS' REPORTING SERVICE

1 CONGRESS BY ABOUT THE 15TH OF FEBRUARY, THERE IS THE  
2 OMNIBUS BILL. AND THAT IS THE BILL THAT CARRIES THE  
3 FEDERAL GOVERNMENT OPERATIONS THROUGH THE REST OF  
4 FISCAL YEAR '09. THE CONTINUING RESOLUTIONS ONLY  
5 KEEP THE FEDERAL GOVERNMENT OF THE UNITED STATES IN  
6 BUSINESS THROUGH MARCH OF THIS YEAR, SO THAT  
7 TIMETABLE IS RAPIDLY FOLLOWING THE STIMULUS BILL.

8 AND IN ADDITION, THE CALIFORNIA  
9 REPRESENTATIVES ARE LOOKING FOR IMPLEMENTATION --  
10 EXCUSE ME -- FOR CONTRIBUTIONS TOWARDS FORMING THE  
11 FISCAL YEAR 2010 BUDGET BY THE MIDDLE OF FEBRUARY,  
12 WITH THE INTENT THAT BY THE END OF FEBRUARY OR  
13 BEGINNING OF MARCH, THE PRESIDENT WAS LOOKING  
14 FORWARD TO PRESENTING THE 2010 BUDGET. SO THERE'S A  
15 MASSIVE AMOUNT OF OPPORTUNITY TO TRY AND GET THE  
16 ATTENTION OF THE CONGRESS AND THE EXECUTIVE BRANCH  
17 IN THIS TRANSITION FOCUSED, AT LEAST IN PART, ON  
18 BIOMEDICAL RESEARCH.

19 WE WOULD HOPE THAT ALL OF OUR BOARD  
20 MEMBERS AND THEIR INSTITUTIONS ARE MOBILIZED FULLY  
21 BECAUSE I CAN ASSURE YOU, HAVING BEEN BACK THERE,  
22 THAT THERE ARE LEGIONS OF VERY GOOD ADVOCATES IN THE  
23 HALLS OF CONGRESS TALKING ABOUT THE GREENING OF  
24 AMERICA AND ALTERNATIVE ENERGY, SOMETHING WE REALLY  
25 SERIOUSLY NEED, BUT CERTAINLY BIOMEDICAL RESEARCH

**BARRISTERS' REPORTING SERVICE**

1 FOR CHRONIC DISEASES AND SPECIFICALLY THE NEW AREA  
2 THAT WE'RE FOCUSED ON, STEM CELL RESEARCH, LIKE ANY  
3 NEW AREA, DESPERATELY NEED FUNDS AS WELL.

4 SO WITH THAT CONTEXT FOR THE ENVIRONMENT  
5 WE'RE WORKING WITHIN, MELISSA, WOULD YOU PLEASE LEAD  
6 US IN THE PLEDGE OF ALLEGIANCE AND THEN THE ROLL  
7 CALL.

8 (THE PLEDGE OF ALLEGIANCE.)

9 MS. KING: RICARDO AZZIZ.

10 DR. AZZIZ: PRESENT.

11 MS. KING: ROBERT BIRGENEAU. FLOYD BLOOM.  
12 GORDON GILL FOR DAVID BRENNER.

13 DR. GILL: PRESENT.

14 MS. KING: JACOB LEVIN FOR SUSAN BRYANT.

15 DR. LEVIN: PRESENT.

16 MS. KING: MARSHA CHANDLER. MARCY FEIT.

17 MS. FEIT: HERE.

18 MS. KING: MICHAEL FRIEDMAN. LEEZA  
19 GIBBONS. MICHAEL GOLDBERG.

20 MR. GOLDBERG: HERE.

21 MS. KING: SAM HAWGOOD.

22 DR. HAWGOOD: PRESENT.

23 MS. KING: BOB KLEIN.

24 CHAIRMAN KLEIN: HERE.

25 MS. KING: SHERRY LANSING.

## BARRISTERS' REPORTING SERVICE

1 MS. LANSING: HERE.

2 MS. KING: GERALD LEVEY. TED LOVE. ED  
3 PENHOET. PHIL PIZZO.

4 DR. PIZZO: HERE.

5 MS. KING: CLAIRE POMEROY.

6 DR. POMEROY: HERE.

7 MS. KING: FRANCISCO PRIETO.

8 DR. PRIETO: HERE.

9 MS. KING: CARMEN PULIAFITO.

10 DR. PULIAFITO: HERE.

11 MS. KING: ROBERT QUINT. JOHN REED.

12 DR. REED: HERE.

13 MS. KING: DUANE ROTH.

14 MR. ROTH: HERE.

15 MS. KING: JOAN SAMUELSON. DAVID  
16 SERRANO-SEWELL.

17 MR. SERRANO-SEWELL: HERE.

18 MS. KING: JEFF SHEEHY.

19 MR. SHEEHY: HERE.

20 MS. KING: JON SHESTACK.

21 MR. SHESTACK: HERE.

22 MS. KING: AND OSWALD STEWARD.

23 CHAIRMAN KLEIN: THANK YOU VERY MUCH.

24 GIVEN THAT WE ARE JUST SHY OF A QUORUM, I THINK WHAT  
25 WE WILL DO IS GO ON AND HAVE THE PRESIDENT'S REPORT.



## BARRISTERS' REPORTING SERVICE

1 DR. TROUNSON.

2 DR. TROUNSON: THANK YOU VERY MUCH, CHAIR.  
3 MEMBERS OF THE BOARD AND LADIES AND GENTLEMEN, THE  
4 MEMBERS OF STAFF, AS USUAL, THERE WAS A SLIDE ON ALL  
5 THE STAFF MEMBERS THAT I PUT IN NEXT AND OBVIOUSLY  
6 THE SYSTEM DOESN'T LIKE IT TOO MUCH, BUT I LIKE IT  
7 BECAUSE THESE ARE THE PEOPLE WHO ARE DELIVERING THIS  
8 FANTASTIC PROGRAM. AND I NORMALLY RECOGNIZE THEM AT  
9 THE END OF THE TALK, BUT I THOUGHT IT WAS IMPORTANT  
10 FOR YOU TO SEE THEM AT THE BEGINNING WHILE  
11 EVERYTHING IS FRESH IN YOUR MIND AND YOU'RE NOT  
12 DISTRACTED FROM ANYTHING ELSE.

13 THEY'RE JUST A WONDERFUL GROUP OF PEOPLE,  
14 AND YOU WILL RECOGNIZE MANY OF THEM EITHER HERE  
15 TODAY OR WILL BE VISITING WITH YOU AT SOME POINT IN  
16 TIME. THEY DO A FANTASTIC JOB.

17 SO JUST TO REMIND YOU, THE STEM CELL  
18 PATHWAYS, BECAUSE I'M COMING BACK ON THE RESEARCH AS  
19 I USUALLY DO, THIS IS ABOUT STEM CELLS AND IT'S  
20 ABOUT DRIVING CELLS INTO THE KIND OF DIFFERENT  
21 PATHWAYS. THE MESODERM, ENDODERM, ECTODERM ARE  
22 CALLED THE PRIMARY GERM PATHWAYS, AND THE AIM OF THE  
23 WORK IS TO EITHER RENEW THE CELLS IN LARGE NUMBERS  
24 AS A PLURIPOTENTIAL OR UNDIFFERENTIATED GROUP OF  
25 CELLS OR DRIVE THEM INTO THE DIFFERENTIATED CELL

## BARRISTERS' REPORTING SERVICE

1 LINEAGES. AND THAT'S A VERY IMPORTANT PART OF OUR  
2 PROCESS. THAT'S WHERE A LOT OF THE BASIC SCIENCE IS  
3 FUNCTIONING.

4 DOWN AT THE OTHER END ARE THE KIND OF  
5 APPLICATIONS THAT ARE IMPORTANT, AND YOU WILL SEE  
6 MORE AND MORE OF THESE COMING THROUGH IN MY REPORT  
7 OR IF YOU ARE READING THE LITERATURE AND YOU'RE  
8 LISTENING TO THE NEWS. THE WHOLE IDEA OF TISSUE  
9 ENGINEERING NOW, THE COMBINATORIAL WITH THE  
10 BIOENGINEERS, IS FASCINATING AND REALLY, REALLY IT'S  
11 GOING TO HAVE A REALLY BIG IMPACT IN THE FIELD.

12 THE CELL THERAPIES, WHICH MOST PEOPLE HEAR  
13 ABOUT, IS IMPORTANT. IT'S CERTAINLY IMPORTANT. AND  
14 THE RECENT TRIAL APPROVAL FOR THE COMPANY GERON BY  
15 THE FDA IS A VERY SIGNIFICANT MARK IN THE SAND IN MY  
16 VIEW. IT MEANS THAT THE PHASE I CLINICAL TRIALS CAN  
17 BEGIN TO WORK.

18 AND THE ISSUE OF TOLERANCE, WE'LL BE  
19 COMING BACK TO TALK TO YOU FREQUENTLY ABOUT  
20 IMMUNOLOGY, AND IT'S REALLY FOCUSED A LOT OF OUR  
21 THOUGHTS ON THE INDUCTION OF TOLERANCE OR THE  
22 ABILITY OF THE PATIENTS TO TOLERATE FOREIGN  
23 TRANSPLANTS IF THEY COME FROM A STEM CELL WHICH IS  
24 NOT THE PATIENT'S OWN CELL.

25 DRUG DISCOVERY AND ENVIRONMENTAL

## BARRISTERS' REPORTING SERVICE

1 TOXICOLOGY IS RIGHT THERE. INTERESTINGLY, THE DRUG  
2 INDUSTRY IS NOW WRITING TO DRUG DISCOVERY USING STEM  
3 CELLS. IT'S VERY CLEAR THAT THEY'VE ADOPTED IT VERY  
4 STRONGLY. IN FACT, BIG PHARMA IS ENTERING THIS VERY  
5 QUIETLY, THIS WHOLE AREA, BUT VERY SIGNIFICANTLY.  
6 AND I THINK GENE THERAPY WILL BE DELIVERED ALONG THE  
7 LINES OF CELL -- BY INTRODUCING GENES INTO STEM  
8 CELLS AND THEN INTRODUCING THOSE CELLS INTO PATIENTS  
9 IN THE LONG TERM.

10 SO ON THAT BASIS, JUST TO REMIND YOU, SOME  
11 OF THE IMPORTANT WORK THAT'S BEING PUBLISHED IN THIS  
12 LAST FEW MONTHS, AND I WANT TO DRAW YOUR ATTENTION  
13 TO A NUMBER OF THEM.

14 THE ONE I PICKED OUT WAS THE VERY  
15 EFFICIENT AND RAPID GENERATION OF THE INDUCED  
16 PLURIPOTENTIAL CELLS FROM HUMAN KERATINOCYTES.  
17 THESE ARE SKIN CELLS. AND THEY'RE ABLE TO SHOW THAT  
18 THEY CAN GET A 100-FOLD MORE EFFICIENT PROCEDURE AND  
19 TWOFOLD FASTER COMPARED TO REPROGRAMMING WITH THE  
20 NORMAL CELLS THAT PEOPLE USE.

21 WHAT I THOUGHT WAS VERY INTERESTING IN  
22 THIS PAPER WAS THAT THEY WERE SUCCESSFUL IN  
23 ESTABLISHING THESE CELLS FROM A SINGLE ADULT HUMAN  
24 HAIR. AND I THINK THAT IS JUST INCREDIBLE. YOU  
25 KNOW, TO BE ABLE TO DO THAT FROM SOMEBODY'S HAIR

## BARRISTERS' REPORTING SERVICE

1 CELL, TO BE ABLE TO ESTABLISH PLURIPOTENTIAL STEM  
2 CELLS IS JUST ABSOLUTELY ASTONISHING. AND SO I  
3 THINK IT'S ONE OF THOSE LANDMARK PAPERS FOR THAT, IF  
4 NOTHING ELSE.

5 THE CARDIAC REGENERATION THAT'S JUST BEEN  
6 PUBLISHED BY THE STANFORD GROUP, JOE WU AND IRV  
7 WEISSMAN'S LABORATORY, THE IDEA BEHIND THE WAY THEY  
8 LOOK AT WORK IS TO TRY AND DEFINE EXACTLY WHAT IS  
9 THE PATHWAY FOR NORMAL DEVELOPMENT. SO IF YOU GO  
10 FROM AN EMBRYONIC STEM CELL TO A CARDIAC CELL, A  
11 CARDIAC MUSCLE CELL, THEN IF YOU KNOW EXACTLY WHAT  
12 THE PATHWAY IS IN DEVELOPMENT, THEN IF YOU CAN GET  
13 THE CELLS TO FOLLOW THAT LINE ALL THAT PATHWAY DOWN,  
14 YOU SHOULD HAVE A CELL IN A LABORATORY WHICH IS  
15 EQUIVALENT TO THE HEART CELL.

16 AND THAT'S EXACTLY WHAT THEY SHOWED, THAT  
17 IF YOU WORK AT THIS PATHWAY AND THEN YOU DRIVE THE  
18 HUMAN EMBRYONIC STEM CELLS DOWN THAT PATHWAY, YOU  
19 WILL GET CELLS THAT WILL INDEED GO INTO THE HEART  
20 AND WILL ACT IN A REPAIR MODE. AND THIS KIND OF  
21 CRITICAL PATHWAY INFORMATION IS VERY IMPORTANT FOR  
22 APPLYING TO HUMAN EMBRYONIC STEM CELL THERAPIES.  
23 AND THIS IS WHAT THEY DID WITH THE BONE MARROW  
24 CELLS. THEY'VE DONE IT WITH THE HEART CELLS. I  
25 THINK IT'S A TERRIFIC APPROACH. IT LAYS THE BASIC

## BARRISTERS' REPORTING SERVICE

1 FOUNDATION, AND IT REALLY PROVIDES A VERY CLEAR  
2 PATHWAY IN WHICH TO DRIVE YOUR CELLS. AND THEN  
3 CELLS THAT YOU GET BEHAVE IN A WAY WHICH IS WHAT  
4 YOU' D EXPECT IF YOU HAD TAKEN THE CELLS OUT OF AN  
5 ANIMAL OR OF A HUMAN, AT LEAST A HUMAN FETUS, FOR  
6 EXAMPLE.

7 THERE WAS A LOVELY PAPER, AGAIN OUT OF  
8 CALTECH. YOU WILL NOTICE A NUMBER OF THESE  
9 PUBLICATIONS ARE COMING OUT OF CALIFORNIA, AND THE  
10 VOLUME OF THE REALLY GOOD WORK THAT' S COMING OUT OF  
11 CALIFORNIA IS REALLY RANKING UP. I DON' T CHOOSE  
12 THESE BY WHERE THEY COME FROM. I CHOOSE THEM REALLY  
13 BECAUSE I THINK THEY' VE GOT TERRIFIC QUALITY.

14 THIS IS ABOUT SYSTEMS BIOLOGY, AND THE  
15 CALTECH GROUP, THEY' VE GOT A VERY SPECIFIC WAY THAT  
16 THEY APPROACH THEIR SCIENCE. AND IT' S REALLY BASED  
17 ON MATHEMATICAL MODELING. AND WHAT THEY DO IS THEY  
18 TAKE THE INFORMATION THAT' S AVAIL ABLE  
19 EXPERIMENTALLY, THEY INTERROGATE THE LITERATURE, AND  
20 THEN THEY CREATE MODELS THAT THEN WITH THAT MODEL  
21 THEY SEE IF YOU CAN BE SUCCESSFUL IN PREDICTING THE  
22 OUTCOMES OF, SAY, A DIFFERENTIATION PATHWAY OR A  
23 REPROGRAMMING EVENT IF YOU' RE TALKING ABOUT TAKING A  
24 SKIN CELL AND MAKING IT INTO A PLURIPOTENTIAL CELL  
25 OR TAKING AN EXOCRINE CELL AND TURNING IT INTO A

**BARRISTERS' REPORTING SERVICE**

1 BETA CELL. AND THESE MODELS ARE WORKING.  
2 AND I THINK IT IS VERY ADVANCED  
3 MATHEMATICAL STATISTICS. IT'S AT THE LEVEL WHERE  
4 YOU CAN THEN START TO PREDICT THE OUTCOMES OF WHAT'S  
5 GOING TO HAPPEN GIVEN A CERTAIN AMOUNT OF  
6 INFORMATION. AND THIS IS GOING TO BE THE KIND OF  
7 BASELINE THAT'S DRAWN IN BIOLOGY FOR THE WHOLE OF  
8 THE SYSTEMS WHEN WE COME TO WANT TO DO SOMETHING  
9 WITH THESE STEM CELLS. BEAUTIFUL PIECE OF WORK.

10 I THINK THE TRANSPLANTATION OF THE  
11 PANCREATIC ISLET CELLS DERIVED FROM HUMAN EMBRYONIC  
12 STEM CELLS, I WANTED TO -- THIS IS A CANADIAN GROUP.  
13 IT'S THE GROUP WHICH IS WHERE THE EDMONTON PROTOCOL  
14 COMES FROM. AND THIS GROUP HAVE SHOWN THAT THEY CAN  
15 DIFFERENTIATE THE HUMAN EMBRYONIC STEM CELLS; AND  
16 WHEN THEY TRANSPLANT THOSE CELLS WITH THE  
17 APPROPRIATE MARKERS THAT THEY CAN SHOW THAT ARE  
18 PRESENT THERE, THEY WILL CONVERT THOSE ANIMALS THAT  
19 ARE DIABETIC INTO A NORMAL PHENOTYPE. NOW, THIS IS  
20 IMPORTANT. AND ALSO THE LEVEL OF INSULIN THAT WERE  
21 SHOWN IN THESE CELLS IN CULTURE AND THE QUANTITIES  
22 OF THE C PEPTIDE THAT THEY MEASURED IN THE ANIMALS  
23 WAS MUCH HIGHER THAN WHAT I'VE SEEN IN OTHER  
24 STUDIES.

25 SO THIS IS GETTING BETTER AND BETTER. BUT

## BARRISTERS' REPORTING SERVICE

1 I LIKE THE IDEA THAT INDEPENDENT LABORATORIES SHOW  
2 THE SAME KIND OF THING. THIS IS A REPLICATION, IF  
3 YOU LIKE, PERHAPS IN A MORE ADVANCED STATE THAN THE  
4 WORK THAT I REPORTED TO YOU SOME TIME AGO OUT OF SAN  
5 DIEGO. BUT I HAVEN'T SEEN THE SAN DIEGO MORE RECENT  
6 PAPERS OR DATA, BUT HERE THIS FIELD IS MOVING VERY,  
7 VERY STEADILY TOWARDS TRANSPLANTATION CLEARLY WITH A  
8 VIEW TO, I THINK, IN THE NEXT FEW YEARS, MAYBE FOUR  
9 OR FIVE YEARS, BRINGING IT TO THE CLINIC FOR  
10 PATIENTS.

11 THE MODELING HERE FOR DIFFICULT DISEASES  
12 LIKE ALS. ALS IS TALKED ABOUT A LOT AS ONE OF THE  
13 REALLY TOUGH DISEASES TO ADDRESS BY STEM CELL  
14 RESEARCH. INTERESTINGLY, THERE IS A COMPONENT OF  
15 ALS THAT HAS A GENETIC COMPONENT, AND IT CAN BE  
16 IDENTIFIED AS AN OVEREXPRESSION OF THE SOD-1 GENE,  
17 THE SUPEROXIDE DISMUTASE GENE BEING OVERACTIVE.

18 SO WHAT THEY WANTED TO DO HERE IS IF YOU  
19 TOOK A CELL AND YOU SHOWED THAT YOU COULD  
20 OVEREXPRESS THE SOD-1 MUTATED CELLS AND YOU GREW THE  
21 CELLS AND NEURONS FROM PATIENTS IN THE PRESENCE OF  
22 CELLS THAT HAVE GOT ADDITIONAL SOD-1 MUTANTS IN THE  
23 ASTROCYTES, WHICH ARE THE COMPANION CELLS TO  
24 NEURONS, YOU CAN GET THE EFFECTS THAT ARE SHOWN HERE  
25 ON THE SLIDE. THESE EFFECTS MAKE FOR A VERY USEFUL

## BARRISTERS' REPORTING SERVICE

1 ASSAY FOR DRUG SCREENING FOR ALS.

2 SO IF THIS METHOD WILL WORK AS A MODEL FOR  
3 A HIGH THROUGHPUT SCREEN, HERE'S A CHANCE FOR OTHER  
4 PEOPLE TO DEVELOP NEW CANDIDATE DRUGS BASED ON THAT  
5 SCREENING SYSTEM. AND THIS IS A PAPER OUT OF THE  
6 SALK INSTITUTE. BUT THE NEXT ONE, WHICH IS THE LAST  
7 ONE, IS A COMPANION PAPER IN A WAY BECAUSE IT'S ALSO  
8 ABOUT ALS AND THE SAME MUTATION.

9 AND THE QUESTION THERE THEY'RE ASKING, THE  
10 HARVARD GROUP, CAN SPECIFIC NEURONAL SUBTYPES  
11 PRODUCED FROM HUMAN EMBRYONIC STEM CELLS BE USED TO  
12 INVESTIGATE THE MECHANISMS LEADING TO NEURAL  
13 DEGENERATION IN ALS? AND THEY SHOWED THAT THESE  
14 SPINAL MOTOR NEURONS, BUT NOT INTERNEURONS, ARE  
15 SELECTIVELY SENSITIVE TO THE TOXIC EFFECT OF THE  
16 GLIAL CELLS. THE GLIAL CELL IS THE ASTROCYTE THAT'S  
17 GROWN IN COMPANION STATE WITH THE CELLS. SO IT IS,  
18 IN FACT, A SUPPORT FOR THE STUDY IN THE SAN DIEGO  
19 REPORT.

20 AND I THINK THESE ARE GOING TO BE VERY  
21 USEFUL ASSAYS FOR DRUG DISCOVERY, AND THEY'RE  
22 STARTING TO SHOW HOW IMPORTANT SOME OF THE CELL-CELL  
23 ASSOCIATIONS ARE BECAUSE ALL OF THESE STUDIES NOW  
24 ARE COMBINING BOTH NEURONS AND ASTROCYTES.  
25 ASTROCYTES ARE THE COMPANION CELLS IN THE BRAIN, AND



## BARRISTERS' REPORTING SERVICE

1 THEY' RE VERY IMPORTANT TO GET THE EFFECTS OF ALS,  
2 THAT YOU HAVE TO GROW THESE TWO CELL TYPES TOGETHER.

3 SO WE MOVE ON. THERE ARE TWO NEW  
4 PERSONNEL THAT ARE HERE, I THINK. ZACH AND RAHUL.  
5 AND BOTH OF YOU SHOULD STAND UP. I'VE GOT YOUR  
6 PICTURES THERE, BUT WELCOME. THEY'VE GOT A LOT OF  
7 WRITING TO DO, I UNDERSTAND, OF THE REPORTS. THAT'S  
8 WHERE THEY'LL FOCUS A LOT OF THEIR ENERGY.

9 MY PRIORITIES IN JUST THIS LAST MONTH OR  
10 SIX WEEKS, FIRST OF ALL, WAS THE CIRM-MRC FROM THE  
11 UNITED KINGDOM, THE WORKSHOP THAT WE HAD TOGETHER OF  
12 CALIFORNIAN AND ENGLISH -- SORRY -- BRITISH  
13 SCIENTISTS AT A WORKSHOP LOOKING TO SEE WHAT WERE  
14 THE PRIORITIES FOR BEING ABLE TO WORK TOGETHER. SO  
15 THIS WAS A VERY USEFUL WORKSHOP. I'LL SPEAK TO YOU  
16 BRIEFLY ABOUT THAT IN A MOMENT.

17 WE'VE BEEN WORKING VERY HARD ON BUDGETS  
18 AND FORWARD PLANNING. WE'VE DONE THAT IN  
19 ASSOCIATION WITH THE CHAIR. BUT SENIOR STAFF IN  
20 CIRM HAVE BEEN WORKING BACKWARDS AND FORWARDS WITH  
21 BUDGETS, AND WE'RE GOING TO PRESENT THAT INFORMATION  
22 TO YOU. IT'S IN YOUR FOLDER, AND WE'LL DRAW YOUR  
23 ATTENTION TO THAT IN A MOMENT.

24 I'VE HAD MEETINGS WITH THE OBAMA  
25 TRANSITION TEAM. I WAS ASKED VERY SHORT NOTICE TO

## BARRISTERS' REPORTING SERVICE

1 GO TO WASHINGTON TO TALK TO THE TRANSITION TEAM. IT  
2 WAS A VERY INTERESTING MEETING WITH THE TEAM WHERE  
3 WE, A GROUP OF US, SCIENTISTS AND PATIENT ADVOCATES,  
4 PUT OUR VIEWS TO THE TRANSITION TEAM ABOUT WHAT WE  
5 THOUGHT WERE THE IMPORTANT THINGS THAT THE  
6 TRANSITION TEAM OUGHT TO PASS UP THE LINE TO  
7 PRESIDENT OBAMA'S TEAM. AND I'VE SENT OUT A COPY TO  
8 ALL OF THE MEMBERS OF THE ICOC OF THAT DOCUMENT. I  
9 THINK ALL OF THE DOCUMENTS FROM THAT MEETING WILL BE  
10 MADE PUBLIC BY THE TRANSITION TEAM.

11 I'VE HAD DISCUSSIONS WITH THE NATIONAL  
12 INSTITUTES OF HEALTH. AT THIS POINT IN TIME,  
13 THERE'S A VERY STRONG POSITIVE FEELING FROM THE  
14 MEMBERS OF NIH. THEY'RE WAITING FOR THE  
15 ADMINISTRATION TO GIVE THEM SOME DIRECTION, AND I  
16 THINK THAT WILL HAPPEN SHORTLY. AND AT THAT POINT  
17 IN TIME, THEY'LL BE ABLE TO ENGAGE WITH US, I THINK,  
18 IN THE WAY IN WHICH WE'RE LOOKING FORWARD TO. AND I  
19 HOPE WE'RE ABLE TO CREATE SOME SIGNIFICANT  
20 PARTNERSHIPS. IT'S CERTAINLY ONE OF THE CRITICAL  
21 ELEMENTS THAT WE DREW TO THE ATTENTION OF THE  
22 TRANSITION TEAM.

23 WE'VE BEEN WORKING ON THE STRATEGIC PLAN  
24 REVISIONS, AND WE'LL BRING YOU A BRIEF OF THAT  
25 DURING THIS MEETING.

## BARRISTERS' REPORTING SERVICE

1 WE'VE HAD DISCUSSIONS ON NEW FUNDING  
2 MODELS AND PATHWAYS FOR CLINICAL TRIALS. THESE ARE  
3 THINGS WE'RE STARTING TO EXPLORE WITH PEOPLE WHO  
4 HAVE COME TO US WITH SUGGESTIONS.

5 WE'VE BEEN WORKING HARD ON THE LOAN  
6 PROGRAM IMPLEMENTATION PLAN. WE HOPE THAT WILL BE  
7 AGREED TO BY THE BOARD AT THIS MEETING BECAUSE IT'S  
8 VERY IMPORTANT FOR US TO GET FINALITY TO THAT SO WE  
9 CAN ATTACH IT TO THE NEXT MAJOR RFA COMING UP.

10 AND WE'VE BEEN LOOKING AT CIRM FUNDING AND  
11 STATE GOVERNMENT ISSUES; AND, OF COURSE, WE'VE BEEN  
12 VISITING CIRM-FUNDED RESEARCHERS AS WELL. SO IT'S  
13 BEEN A BUSY TIME.

14 I JUST WANTED TO SORT OF AGAIN GET YOU  
15 INTO THE FRAMEWORK OF WHERE WE ARE IN TERMS OF  
16 FUNDS. FUNDS AWARDED BY THE ICOC TO DATE IS AROUND  
17 \$630 MILLION, AND IT'S SPLIT UP THERE IN TRAINING,  
18 RESEARCH GRANTS, THE SHARED LABORATORY, AND THE  
19 FACILITY AWARDS THERE.

20 THE NEXT ONE, THESE ARE THE FUNDS  
21 ALLOCATED BY YOU TO DATE AS DISTINCT FROM THE  
22 RECOMMENDATIONS. THERE'S CONCEPT PLAN APPROVALS,  
23 AND THEY INCLUDE, AGAIN, A LARGE AMOUNT OF MONEY FOR  
24 THE DISEASE TEAMS AND SOME OF THE OTHER EARLIER  
25 STUDIES. SO WE ARE, RECOMMENDED BY THE BOARD, AT

## BARRISTERS' REPORTING SERVICE

1 ABOUT \$1 BILLION, AND I WANTED TO DRAW YOUR  
2 ATTENTION TO THAT BECAUSE I THINK IT'S A VERY  
3 SIGNIFICANT POINT IN TIME, THAT YOU'VE ACTUALLY  
4 MOVED TO RECOMMEND THAT, AT LEAST IN CONCEPT, THAT  
5 WE GET OUT TO A BILLION DOLLARS. IN THEORY, IT'S A  
6 THIRD OF OUR WAY THROUGH THE \$3 BILLION.

7 WE'RE MOVING THE PIPELINE FORWARD. THESE  
8 ARE THE PROGRAMS THAT YOU'VE FUNDED. THE GREEN ONES  
9 ARE IN THE BASIC AREA. AS WE MOVE INTO THE  
10 TRANSLATION, THEY'RE THE MORE BLuish COLOR, YOU CAN  
11 SEE THAT WE'RE NOW MOVING TOWARDS THE CLINIC. AND  
12 OUR FIRST FORAY TOWARDS THE CLINICAL STUDIES ARE IN  
13 THE DISEASE TEAMS. SO WE ARE NOW MOVING FROM OUR  
14 BASIC ELEMENT INTO THE TRANSLATION AND HEADING FOR  
15 THE CLINIC.

16 I THINK THIS IS IMPORTANT FOR US TO  
17 RECOGNIZE, THAT WE'VE DONE A LOT OF WORK BACK AT THE  
18 BASIC LEVEL, AND NOW IT'S TIME TO SEE IF WE CAN DRAW  
19 SOME OF THESE TREMENDOUS DISCOVERIES FORWARD TOWARDS  
20 THE CLINIC BECAUSE THAT IS THE MISSION OF CIRM.

21 THE COMPLETED GRANT REVIEWS, WE'VE DONE  
22 THOSE. YOU WILL BE LOOKING AT THEM AT THIS TIME.  
23 IT'S TRAINING GRANTS II AND BRIDGES TO STEM CELLS.

24 UPCOMING GRANT REVIEWS, THE EARLY  
25 TRANSLATIONAL RESEARCH, WE RECEIVED 71 APPLICATIONS.

## BARRISTERS' REPORTING SERVICE

1 TWENTY WERE FROM FOR-PROFIT COMPANIES AND 51 WERE  
2 FOR THE NOT-FOR-PROFIT SECTOR. THERE WERE 37  
3 DEVELOPMENTAL CANDIDATES BECAUSE WE HAD SET THE RFA  
4 TO LOOK FOR DEVELOPMENTAL CANDIDATES AND  
5 BOTTLENECKS. SO IT'S ABOUT EQUAL, 37 AND 34, IN  
6 TERMS OF APPLICATIONS.

7 I DRAW YOUR ATTENTION TO THE FACT THERE  
8 WERE NINE INTERNATIONAL COLLABORATIONS SET UP IN  
9 THIS. THIS IS THE FIRST TIME THAT WE'D OFFERED ANY  
10 KIND OF EXTERNAL COLLABORATION. THE STATE OF  
11 VICTORIA IN AUSTRALIA PUT THEIR HAND OUT, AND THIS  
12 IS REALLY THE BASIS FOR WHY WE'RE DOING THAT. THE  
13 SCIENTISTS WANTED TO WORK TOGETHER. AND SO NINE OF  
14 THOSE 71 APPLICATIONS HAVE COME FROM A COMBINATORIAL  
15 PROJECT, AND IT'S GOING TO BE VERY INTERESTING. THE  
16 GRANT REVIEWS ARE IN FEBRUARY THIS YEAR, AND THE  
17 ICOC APPROVAL WE'LL BE LOOKING FOR IS IN APRIL.

18 UPCOMING RFA'S, THE BASIC RESEARCH  
19 INITIATIVE I, THE RFA WAS RELEASED IN DECEMBER. THE  
20 GRANTS WORKING GROUP WILL BE DOING THEIR JOBS IN  
21 JUNE, AND THEN THE ICOC APPROVAL IS SLATED FOR  
22 AUGUST THIS YEAR.

23 THE DISEASE TEAM RESEARCH AWARDS, THE RFA  
24 WILL BE RELEASED IN FEBRUARY. IT'S NOT YET  
25 RELEASED, BUT IT'S REALLY, REALLY VERY CLOSE, WITHIN

## BARRISTERS' REPORTING SERVICE

1 THE NEXT TEN DAYS, TWO WEEKS AT THE OUTSIDE. THE  
2 GRANTS WORKING GROUP REVIEW IS SET FOR SEPTEMBER AND  
3 ICOC APPROVAL FOR FALL AS CLOSE AS WE CAN GET TO THE  
4 REVIEW BECAUSE OBVIOUSLY THIS IS A PROGRAM THAT'S  
5 BEING VERY SOUGHT AFTER. WE'RE GETTING A LOT OF  
6 INPUT FROM OUT THERE IN THE COMMUNITY.

7 I EXPECT THERE WILL BE OVER A HUNDRED  
8 APPLICATIONS IN THIS DISEASE TEAM AREA. ACTUALLY IF  
9 THEY COME FORWARD AT THE LEVEL THAT I THINK THEY'RE  
10 GOING TO COME FORWARD TO, I THINK THERE'S GOING TO  
11 BE SOME WONDERFUL GRANTS THAT I WOULD THINK HAVE A  
12 VERY HIGH CHANCE OF MAKING IT TO IND. AND SO IT'S  
13 GOING TO BE A VERY INTERESTING TEST, IF YOU LIKE, OF  
14 THE WATER.

15 THE WORKSHOP, BRIEFLY, WITH THE UK WAS A  
16 JOINT MEETING, AS I SAID, BETWEEN THE BRITISH AND  
17 CALIFORNIAN SCIENTISTS. WE LOOKED AT TISSUE  
18 ENGINEERING, ALL OF THOSE TOPICS THAT WE SAW THERE,  
19 SEE THERE ON THE SLIDE.

20 WE TALKED ABOUT RESOURCES AND ACCESS TO  
21 UNIQUE PATIENT POPULATIONS, SCIENTIFIC AREAS OF  
22 EXPERTISE, FACILITIES, ACCESS TO SPECIFIC CELL  
23 LINES. DIFFERENCES IN CLINICAL CULTURE WERE  
24 HIGHLIGHTED BETWEEN THE TWO AREAS. THE  
25 COLLABORATIVE FUNDING IDEAS WERE CANVASSED.

## BARRISTERS' REPORTING SERVICE

1 TRAINING AND EXCHANGE PROGRAMS BETWEEN THE TWO  
2 COUNTRIES ARE VERY HIGHLY DESIRED BY BOTH, AND JOINT  
3 WORKSHOPS AND CONFERENCES IS ALSO HIGHLY DESIRED TO  
4 CONTINUE TO PROMOTE THE COLLABORATION.

5 INTERESTINGLY, AT THIS MEETING ALONE WE  
6 KNOW OF THREE NEW COLLABORATIONS THAT WERE INITIATED  
7 AT THAT PARTICULAR MEETING. SO THEY'RE GOING ON  
8 IRRESPECTIVE OF WHETHER WE FUND THEM OR NOT, WHICH  
9 IS THAT'S THE WAY SCIENCE WORKS.

10 PROPOSED WORKSHOPS, AS I SAID, IMMUNOLOGY  
11 IS A VERY BIG ITEM COMING UP. IT'S A WAY TO ADDRESS  
12 HOW TO GET FOREIGN CELLS INTO THE BODY WHERE THE  
13 CELLS ARE NOT A PATIENT'S OWN. WE'RE HAVING THAT  
14 MEETING ON THE 4TH OF FEBRUARY. IT'S BEEN ORGANIZED  
15 BY MARIE CSETE AND COLLEAGUES. AND THEY'RE FOCUSING  
16 ON IMMUNE SUPPRESSION, STRATEGIES FOR INDUCING  
17 TOLERANCE, REALLY IMPORTANT, AUTOIMMUNITY AND OTHER  
18 GAPS IN IMMUNE FUNCTION, AND PREDICTIVE IMMUNOLOGY,  
19 TOOLS AND TECHNIQUES FOR ASSESSING IMMUNE RESPONSES  
20 TO STEM CELLS.

21 I KNOW TODAY, AND I WAS JUST SAYING TO  
22 DAVID, THERE'S A BEAUTIFUL PAPER COMING OUT IN THE  
23 NEXT DAY ON THE USE OF STEM CELLS TO TREAT M.S., AND  
24 I THINK IT'S A VERY ENCOURAGING PAPER. AND IF  
25 YOU'RE INTERESTED, I PROMISED TO SEND DAVID A COPY

## BARRISTERS' REPORTING SERVICE

1 AND OTHER PEOPLE WHO WOULD BE INTERESTED. THIS IS  
2 CLINICAL WORK SHOWING THAT HUMAN CELLS WILL RETURN  
3 BEHAVIOR IN THESE PATIENTS BACK TO NORMAL. NOW,  
4 THAT'S AN ASTONISHING ACHIEVEMENT.

5 OF COURSE, YOU NEED TO FOLLOW UP TO  
6 UNDERSTAND HOW LONG THESE EFFECTS LAST, BUT WE ARE  
7 IN AN INCREDIBLE INTERSECTION IN TIME AND SPACE AT  
8 THE MOMENT WHERE, NOT ONLY HAVE WE GOT GERON TRIALS  
9 GOING ON, BEGINNING, BUT WE'RE HAVING SOME BEAUTIFUL  
10 WORK COMING FORWARD OUT OF THE SCIENTIFIC ARENA.  
11 AND I THINK WE'RE POISED AS AN AGENCY TO HAVE THE  
12 MAXIMUM EFFECT IN THIS NEXT TWELVE MONTHS TO THREE  
13 YEARS. IT'S GOING TO BE A WONDERFUL TIME, I THINK,  
14 TO BE PART OF WHAT I BELIEVE IS A REAL REVOLUTION IN  
15 MEDICINE.

16 WE'RE GOING TO HAVE A STEM CELLS IN AUTISM  
17 AND MENTAL HEALTH WORKSHOP. THIS IS VERY IMPORTANT,  
18 CHAIR, TO MEMBERS OF THE COMMUNITY WHO PARTICULARLY  
19 HAVE CHILDREN WHO SUFFER FROM MENTAL HEALTH AND  
20 AUTISM. AND WE HAVE BEEN STRUGGLING TO KNOW HOW TO  
21 FOCUS OUR PARTICULAR INTEREST TO HELP THIS SECTOR OF  
22 THE COMMUNITY, BUT WE ARE GETTING THERE. AND MARIE  
23 AND OTHER MEMBERS OF THE SCIENCE OFFICE HAVE BEEN  
24 OUT THERE LOOKING VERY CLOSELY AT WHAT WE MIGHT BE  
25 ABLE TO DO. AND HOPEFULLY WE'LL BE ABLE TO



## BARRISTERS' REPORTING SERVICE

1 ENCOURAGE SOMEBODY TO COME FORWARD WITH CIRM THAT  
2 COULD MAKE A DIFFERENCE SOMETIME IN THE FUTURE. IT  
3 IS A VERY INTERESTING AREA, AND I WOULD HOPE SOME  
4 MEMBERS OF THE ICOC WHO HAVE INTEREST IN THAT WILL  
5 COME ALONG TO THE WORKSHOP.

6 MR. SHESTACK: I WOULD BE HAPPY TO TALK TO  
7 MARIE IF SHE WOULD GIVE ME A CALL. I CAN PUT HER IN  
8 TOUCH WITH SOME PEOPLE WHO CAN HELP YOU PUT TOGETHER  
9 A VERY GOOD WORKSHOP.

10 DR. TROUNSON: YOU KNOW HOW TO GET HOLD OF  
11 MARIE, JON, AND MARIE KNOWS HOW TO GET HOLD OF YOU.  
12 WE REALLY APPRECIATE THE INPUTS. WE'RE REALLY GOING  
13 TO GO AND TARGET WHAT WE COULD DO FOR THIS AREA OF  
14 SCIENCE. IT HASN'T BEEN VERY CLEAR UP UNTIL NOW,  
15 AND I THINK THE WORKSHOP WILL HELP US GET SOME FOCUS  
16 ON THAT AREA.

17 MR. SHESTACK: THERE'S SOME BIG POTENTIAL  
18 IN DISCOVERY SCIENCE IN AUTISM AND STEM CELLS. IF  
19 SHE WOULD GIVE ME A CALL, THAT WOULD BE GREAT.

20 DR. TROUNSON: AND WE'RE GOING TO HAVE A  
21 CIRM-JAPAN SCIENTIFIC TECHNOLOGY SCIENTIST GROUP  
22 MEETING. SO THIS IS CALIFORNIA AND JAPANESE  
23 SCIENTISTS TO BE DETERMINED. THE JAPANESE WANT US  
24 TO BRING THE YOUNG SCIENTISTS FROM CALIFORNIA AND  
25 JAPAN TOGETHER, AND I THINK THAT'S A VERY

## BARRISTERS' REPORTING SERVICE

1 INTERESTING PROPOSAL. AND MARIE AND MIKE YAFFE WILL  
2 BE GOING SHORTLY TO TALK WITH OUR JAPANESE  
3 COLLEAGUES ABOUT THAT.

4 WELL, I THINK I'M PRETTY CLOSE TO THE END  
5 OF WHAT I WANTED TO SAY, BUT I WANT TO MOVE ON TO  
6 THE FINANCIAL SIDE. AND I THINK THIS IS SOMETHING  
7 THAT THE BOARD HAS BEEN LOOKING FOR. I THINK IT'S  
8 IMPORTANT. SO IF YOU COULD LOAD IT IN, WHAT WE'RE  
9 GOING TO DO HERE IS DO IT IN TWO WAYS. I'M GOING TO  
10 ASK MARGARET FERGUSON TO COME FORWARD AND TALK TO  
11 YOU ABOUT OUR 2008 BUDGET ALLOCATION AND  
12 EXPENDITURES. THIS IS FOR OPERATIONS. YOU GAVE  
13 US -- YOU AGREED TO A BUDGET FOR OUR OPERATIONS.  
14 REMEMBER, OUR OPERATIONS HAVE TO STAY INSIDE THE 6  
15 PERCENT OF THE FUNDS RAISED. AND SO WE'VE BEEN  
16 WORKING AT A BUDGET, AND I WANT HER TO GIVE YOU THE  
17 PROGRESS, BASICALLY SIX MONTHS' PROGRESS, ON THAT  
18 BUDGET AND THE VARIATION ON THE BUDGET.

19 SO THAT WILL BE THE FIRST PRESENTATION.  
20 AND ALL OF THESE MATERIALS ARE IN YOUR FOLDERS. SO  
21 IF YOU GO TO YOUR FOLDERS, YOU WILL BE ABLE TO  
22 FOLLOW, NOT ONLY IF YOU CARE TO LOOK AT THE BOARD,  
23 BUT YOU CAN GET MORE DETAIL, LOOK AT THE INFORMATION  
24 IN YOUR FOLDERS.

25 THEN I'M GOING TO ASK JOHN ROBSON, WHO'S

## BARRISTERS' REPORTING SERVICE

1 THE DEPUTY PRESIDENT OPERATIONS, TO GIVE YOU THE  
2 CURRENT AND FORWARD SITUATION FOR OUR CASH FLOW  
3 OVERALL SO THAT YOU CAN HAVE A LOOK AT THE STATE OF  
4 THE MONEY IN OUR AGENCY. AND AT THE END OF HIS  
5 PRESENTATION ON THE FIGURES, THE SENIOR STAFF,  
6 TOGETHER IN DISCUSSIONS WITH THE CHAIR, HAVE  
7 FORMULATED A SET OF RECOMMENDATIONS THAT WE HOPE  
8 THAT YOU WILL CONSIDER. AND IF YOU ALLOW JOHN TO GO  
9 RIGHT THROUGH TO THE END, AND THEN I'M SURE YOU ARE  
10 GOING TO HAVE LOTS OF QUESTIONS, BUT I THINK IF YOU  
11 SEE WHAT THE BUDGET SITUATION IS AND THE FORECAST  
12 FOR THE CASH FLOWS AND THEN SEE WHAT WE'RE  
13 RECOMMENDING THAT WE DO ABOUT THAT, BOTH THE  
14 MANAGEMENT AND WHAT WE'RE RECOMMENDING TO THE BOARD,  
15 THEN I THINK YOU WILL HAVE A VERY GOOD IDEA OF THIS  
16 PARTICULAR SPACE. SO MARGARET.

17 CHAIRMAN KLEIN: DR. TROUNSON, BEFORE  
18 MARGARET BEGINS, SO THAT THE BOARD CAN PUT THIS ALL  
19 IN CONTEXT, IF I COULD ASK. WE'RE GOING TO GO  
20 THROUGH THESE STAFF PRESENTATIONS, BUT BEFORE  
21 DISCUSSING THE OPTIONS, WE'RE GOING TO GO THROUGH,  
22 WE'RE GOING TO BREAK THIS AND GO THROUGH THE STATE  
23 OF CALIFORNIA BUDGET CASE STUDIES SO THEY CAN LOOK  
24 AT POTENTIAL SOLUTIONS, THE DIFFICULTY OF THOSE  
25 SOLUTIONS, AND THEN WE'LL COME BACK TO THE SECOND

## BARRISTERS' REPORTING SERVICE

1 PART OF THIS, WHICH IS CONSIDERING THESE OPTIONS.  
2 THERE WILL NOT BE ANY VOTES TODAY, BUT IT'S A  
3 DISCUSSION TODAY. WE WILL AGENDIZE THIS LATER FOR  
4 VOTES BASED UPON THIS DISCUSSION.

5 AS YOU WILL SEE IN THE DISCUSSION, THERE  
6 WILL BE SOME DECISION POINTS STRATEGICALLY IN TIME  
7 WHERE WE WILL NEED TO MAKE SOME VERY IMPORTANT  
8 ALLOCATION DECISIONS. I WOULD SUGGEST THAT AS WE  
9 GET THE INFORMATION TODAY, WE WILL POTENTIALLY SEE  
10 THAT WE DON'T HAVE ALL THE INFORMATION FOR ACTION  
11 TODAY ON OPTIONS, WHICH IS WHY IT'S NOT AGENDIZED AS  
12 AN ACTION ITEM, BUT WE CANNOT WAIT UNTIL WE NEED TO  
13 ACT TO INFORM THE BOARD BECAUSE THE BOARD NEEDS THIS  
14 INFORMATION WELL IN ADVANCE. WE MAY, IN FACT, NEED  
15 AT SOME POINT TO ACT ON A TELECONFERENCE CALL, AND  
16 WE WILL NEED TO HAVE THE BOARD HAVE INFORMATION, A  
17 CHANCE TO CONSIDER THE INFORMATION, A CHANCE TO DO  
18 THEIR OWN RESEARCH AND INDEPENDENT THINKING, SO  
19 WE'RE PREPARED TO ACT AT THAT TIME.

20 THANK YOU VERY MUCH. AND THANK YOU FOR  
21 YOUR TREMENDOUS AMOUNT OF WORK IN PUTTING THIS  
22 MATERIAL TOGETHER.

23 MS. FERGUSON: OKAY. MY TURN. FIRST, I  
24 WOULD LIKE TO SAY GOOD AFTERNOON, MEMBERS OF THE  
25 BOARD, CIRM STAFF THAT'S PRESENT, AND MEMBERS OF THE

## BARRISTERS' REPORTING SERVICE

1 PUBLIC. I'M HERE TODAY TO PRESENT TO YOU THE  
2 EXPENDITURES THAT HAVE OCCURRED THROUGH DECEMBER  
3 31ST ON CIRM'S OPERATING BUDGET. THIS IS WHAT CIRM  
4 SPENDS TO OPERATE AND DOES NOT INCLUDE GRANT  
5 FUNDING, WHICH DR. ROBSON WILL GO THROUGH.

6 I WOULD LIKE TO REVIEW THE VARIOUS  
7 CATEGORIES IN THE BUDGET FOR THE 2008 FISCAL YEAR AS  
8 THAT HAD BEEN APPROVED BY THE ICOC IN JUNE '08 AND  
9 COMPARE THAT WITH OUR EXPENDITURES FOR THE FIRST  
10 HALF OF THE FISCAL YEAR. I'LL BEGIN BY GIVING YOU A  
11 BRIEF OVERVIEW OF THE EXPENDITURE CATEGORIES.

12 SALARIES AND BENEFITS, WHICH IS  
13 SELF-EXPLANATORY. THAT IS SALARIES AND BENEFITS.  
14 INTERAGENCY AGREEMENTS, IN THIS CATEGORY WE RECORD  
15 EXPENDITURES FOR AGREEMENTS MADE WITH OTHER STATE OF  
16 CALIFORNIA AGENCIES FOR SERVICES THAT THEY RENDER TO  
17 CIRM. OUR CURRENT AGREEMENTS ARE FOR ACCOUNTING,  
18 PAYROLL, PERSONNEL, SOME LEGAL, AND I.T. SERVICES.  
19 UNDER EXTERNAL CONTRACTS, EXPENDITURES IN THIS  
20 CATEGORY ARE FOR CONTRACTS WITH OUTSIDE CONTRACTORS  
21 AND VENDORS TO PROVIDE A VARIETY OF NECESSARY  
22 SERVICES TO CIRM. SUCH SERVICES INCLUDE, BUT ARE  
23 NOT LIMITED TO, AUDITING, GRANTS MANAGEMENT, I.T.  
24 SUPPORT AND CONSULTING, LEGAL, COMMUNICATIONS,  
25 WEBSITE DEVELOPMENT, PRINTING, AND EVEN MAINTENANCE.

## BARRISTERS' REPORTING SERVICE

1 NOW, ICOC SCIENCE WORK GROUP MEETINGS --  
2 I'M SORRY -- ICOC, SCIENCE, AND WORK GROUP MEETINGS,  
3 I COLLAPSED THIS. IN THE HANDOUT YOU HAVE THEM EACH  
4 AS SEPARATE; BUT IN ORDER FOR US TO NOT LOSE OUR  
5 EYESIGHT AND HAVE THE NUMBERS A LITTLE BIT BIGGER UP  
6 THERE, I COLLAPSED IT DOWN INTO ONE CATEGORY.

7 IN THIS CATEGORY ARE ANY AND ALL COSTS  
8 RELATED TO CONDUCTING THESE TYPES OF MEETINGS. AND  
9 THESE COSTS WOULD INCLUDE TRAVEL FOR PARTICIPANTS,  
10 MEETING VENUES, AUDIOVISUAL, SUPPLIES, AND  
11 TRANSCRIPTION SERVICES. OTHER TRAVEL, THESE ARE FOR  
12 COSTS DIRECTLY RELATED TO THE TRAVEL OF CIRM STAFF  
13 FOR OFFICIAL STATE BUSINESS BOTH WITHIN THE STATE  
14 AND OUT-OF-STATE. FURNITURE AND EQUIPMENT, AGAIN,  
15 IS SELF-EXPLANATORY. INFORMATION TECHNOLOGY  
16 INCLUDES THE COST OF COMPUTERS, SOFTWARE, AND  
17 SOFTWARE MAINTENANCE.

18 OTHER OE&E, WHICH IS OTHER OPERATING  
19 EXPENSE AND EXPENDITURES OR EQUIPMENT, INCLUDES  
20 THOSE EXPENDITURES FOR OFFICE SUPPLIES, PAPER,  
21 PRINTING, COMMUNICATIONS, TRAINING, PUBLICATIONS,  
22 SUBSCRIPTIONS, AND MEMBERSHIPS.

23 NOW I'D LIKE TO MOVE ON TO THE COLUMNS.  
24 IN COLUMN 1, THE BUDGET ALLOCATION, THAT IS  
25 REPRESENTATIVE OF THE BUDGET THAT WAS APPROVED LAST

## BARRISTERS' REPORTING SERVICE

1 JUNE FOR THE 2008-9 FISCAL YEAR.

2 COLUMN 2, EXPENDITURES POSTED. THAT  
3 REPRESENTS THE OPERATING EXPENDITURES THAT HAVE BEEN  
4 POSTED FOR CIRM AS OF DECEMBER 31ST BY THE  
5 DEPARTMENT OF GENERAL SERVICES, WHO MAINTAINS OUR  
6 ACCOUNTING RECORDS AT THE MOMENT.

7 COLUMN 3, AVAILABLE BUDGET ALLOCATION,  
8 REPRESENTS THAT PORTION OF THE BUDGET THAT WAS  
9 APPROVED THAT IS STILL AVAILABLE TO COVER ACTUAL AND  
10 PROJECTED OPERATING EXPENDITURES THROUGH JUNE 30TH,  
11 2009.

12 AND THE LAST COLUMN, NO. 4, IS THE  
13 PERCENTAGE OF THE BUDGET ALLOCATION POSTED. THAT  
14 SHOWS EXPENDITURES AGAINST THE BUDGET ALLOCATION AND  
15 THAT PERCENTAGE OF THE BUDGET THAT WE'VE ACTUALLY  
16 USED THROUGH DECEMBER 31, 2008.

17 AS DISPLAYED, THE EXPENDITURES INDICATE  
18 THAT WE HAVE USED APPROXIMATELY 21 PERCENT OF OUR  
19 OPERATING EXPENSES AND EQUIPMENT BUDGET AND 35  
20 PERCENT OF OUR SALARIES AND BENEFIT ALLOCATION.  
21 OVERALL WE'VE USED 29 PERCENT OF OUR APPROVED BUDGET  
22 ALLOCATION. HOWEVER, I WANT TO TAKE A MOMENT TO  
23 BRING TO THE BOARD'S ATTENTION THAT WE CURRENTLY  
24 HAVE OUTSTANDING EXPENDITURES THAT HAVE NOT BEEN  
25 RECORDED THAT WILL INCREASE THIS 21 PERCENT

## BARRISTERS' REPORTING SERVICE

1 OPERATING EXPENSE AND EQUIPMENT PERCENTAGE THAT'S  
2 SHOWN.

3 WE HAVE AT A MINIMUM A ONE-MONTH LAG ON  
4 INVOICES. TYPICALLY INVOICES FOR GOODS AND SERVICES  
5 THAT ARE RENDERED TO CIRM ARE RECEIVED IN ONE MONTH,  
6 BUT THOSE BILLS WON'T COME IN UNTIL THE FOLLOWING  
7 MONTH. SO THERE'S ALWAYS GOING TO BE THAT ONE-MONTH  
8 LAG. SO WHAT YOU SEE HERE IS WHAT'S POSTED TO  
9 DECEMBER, BUT THAT DOESN'T NECESSARILY MEAN THAT  
10 INCLUDES ALL DECEMBER EXPENDITURES.

11 IN ADDITION TO THIS ONE-MONTH LAG IN  
12 PROCESSING INVOICES, WE HAVE CONTRACTS AND  
13 INTERAGENCY AGREEMENTS THAT ARE NOT PAID ON A  
14 MONTHLY BASIS, BUT RATHER ON A QUARTERLY BASIS OR  
15 WHEN A FINAL PRODUCT IS RECEIVED AND APPROVED BY  
16 CIRM. THOSE EXPENDITURES ARE ANTICIPATED TO POST  
17 BETWEEN THE MONTHS OF JANUARY AND JUNE.

18 AT THE PRESENT WE ALSO HAVE A BACKLOG IN  
19 CREDIT CARD AND BUSINESS TRAVEL ACCOUNT EXPENDITURES  
20 THAT OCCURRED PRIOR TO DECEMBER THAT ARE SCHEDULED  
21 TO BE RECORDED IN JANUARY AND FEBRUARY. AND THOSE  
22 COSTS WILL INCREASE THOSE PERCENTAGES USED IN THE  
23 ICOC SCIENCE WORK GROUP MEETING CATEGORY AS WELL AS  
24 OTHER TRAVEL AND OTHER OE&E. HOWEVER, EVEN WITH  
25 THESE BACKLOGS AND THE TIMING ISSUE WITH INVOICES OR



## BARRISTERS' REPORTING SERVICE

1 THE NORMAL LAGS, THE CIRM IS CURRENTLY PROJECTED TO  
2 OPERATE UNDER THE APPROVED BUDGET ALLOCATION. SO TO  
3 DATE, OF THE \$13 MILLION THAT WE HAD APPROVED, WE'VE  
4 SPENT 3.8 AND WE STILL HAVE 9.5 AVAILABLE. I LOST  
5 IT. EXCUSE ME. BUT YOU NEED TO TAKE INTO  
6 CONSIDERATION THAT THERE ARE ITEMS THERE THAT ARE  
7 NOT POSTED THAT REALLY ARE THROUGH DECEMBER  
8 EXPENDITURES.

9 AND I'M NOW OPEN FOR ANY QUESTIONS THAT  
10 YOU MIGHT HAVE.

11 CHAIRMAN KLEIN: AND, MARGARET, MY  
12 UNDERSTANDING, AGAIN, IS THAT WE'LL END UP, BASED ON  
13 CURRENT PROJECTIONS, ABOUT 22 PERCENT UNDER BUDGET  
14 FOR THE FISCAL YEAR.

15 MS. FERGUSON: YES, WE WILL.

16 DR. PIZZO: I REALIZE THAT THIS IS A  
17 BUDGETED ITEM, BUT I'M JUST NOT SURE EXACTLY WHAT'S  
18 IN IT, WHICH IS IN THE OTHER TRAVEL CATEGORY. JUST  
19 LOOKING AT THIS, IF I HEARD YOU CORRECTLY, THIS IS  
20 FOR TRAVEL OF THE STAFF OF CIRM, NOT FOR THE  
21 SCIENTISTS WHO ARE COMING FOR REVIEWS. THAT'S  
22 INCLUDED IN THE LINE ABOVE THAT, CORRECT?

23 MS. FERGUSON: CORRECT.

24 DR. PIZZO: IT LOOKS LIKE A FAIRLY -- I  
25 REALIZE YOU'VE ONLY USED 10 PERCENT OF IT, BUT IT

## BARRISTERS' REPORTING SERVICE

1 LOOKS LIKE STILL A FAIRLY LARGE NUMBER. SO AS YOU  
2 BUDGETED THAT, WHAT WAS BEING PLANNED?

3 MS. FERGUSON: WELL, LET'S SEE. WHEN WE  
4 BUDGETED THAT, AT THE TIME THAT WE DID THAT, WE TOOK  
5 INTO CONSIDERATION ALL THE TRAVEL FOR ALL THE  
6 MEETINGS WITHIN THE STATE OF CALIFORNIA AS WELL AS  
7 THE NECESSARY TRAVEL THAT SCIENCE STAFF, OFFICE OF  
8 THE PRESIDENT, AS WELL AS OFFICE OF THE CHAIR WOULD  
9 NEED TO DO IN ORDER TO, FOR INSTANCE, GO BACK TO  
10 WASHINGTON, D. C. , AND MEET WITH THE NEW INCOMING  
11 ADMINISTRATION, OTHER SCIENTIFIC CONFERENCES. SO WE  
12 STILL HAVE A LOT OF THOSE SCHEDULED TO HAPPEN. AND  
13 LIKE I SAID, WE HAVE A BACKLOG, AND ONE OF THOSE IS  
14 IN THE TRAVEL CATEGORY.

15 SO EVEN THOUGH IT SHOWS 10 PERCENT, IT  
16 REALLY IS MORE THAN THAT 10 PERCENT. THERE ARE  
17 APPROXIMATELY THREE MONTHS' WORTH OF TRAVEL-RELATED  
18 ITEMS THAT ARE NOT POSTED THERE. THEY'RE PAID, BUT  
19 NOT POSTED.

20 CHAIRMAN KLEIN: MARGARET, I'D LIKE TO SEE  
21 IF DR. TROUNSON OR DR. OLSON WOULD LIKE TO AUGMENT  
22 THOSE COMMENTS BECAUSE THERE IS A SIGNIFICANT AMOUNT  
23 OF STAFF TRAVEL TO BE ON THE CUTTING EDGE OF SCIENCE  
24 AND MEDICINE.

25 DR. TROUNSON: THANK YOU, CHAIR. ONE OF

## BARRISTERS' REPORTING SERVICE

1 THE THINGS THAT I WANT THE SCIENTISTS TO DO IS TO  
2 GET OUT THERE AND BE WITH THE CALIFORNIANS AS MUCH  
3 AS POSSIBLE BECAUSE THEY'RE THE PEOPLE THAT WE'RE  
4 TRYING TO TAKE THEIR ADVICE FROM, TO BE AWARE OF, TO  
5 GO DEEP INTO THEIR STUDIES. AND SO I ENCOURAGED  
6 STRONGLY ALL THE SCIENCE OFFICERS TO TRAVEL AS MUCH  
7 AS POSSIBLE IN ORDER TO KEEP THEM VERY WELL UPDATED.  
8 AND THAT INCLUDES SOME CONFERENCES THAT ARE  
9 OUT-OF-STATE AS WELL.

10 WHAT'S HAPPENED IS THAT THE SCIENCE OFFICE  
11 HAS BEEN OVERWHELMED REALLY WITH THEIR WORKLOAD, AND  
12 SO THEY HAVEN'T TRAVELED AS FREQUENTLY AS WE'D  
13 PREDICTED. WHAT YOU HAVE TO DO, AND I THINK THIS IS  
14 WHAT HAPPENS AT THE UNIVERSITY OF CALIFORNIA, IS  
15 THAT WE HAVE TO APPLY TO THE GOVERNOR FOR APPROVAL  
16 TO TRAVEL TO CONFERENCES AND PARTICULARLY  
17 OUT-OF-STATE AND INTERNATIONALLY. IF YOU DON'T DO  
18 IT, YOU CAN'T DO IT IF YOU HAVEN'T GOT IT PEGGED.  
19 SO WE WHAT DO, PHIL, IS TRY AND LOOK AT WHAT THE  
20 MAXIMUM MIGHT BE AND THEN HOPEFULLY COME IN WELL AND  
21 TRULY UNDER BUDGET. BUT IF WE DON'T DO THAT, WE RUN  
22 INTO A PROBLEM OF NOT HAVING PERMISSION TO DO IT.

23 CHAIRMAN KLEIN: SO WHAT DR. TROUNSON IS  
24 REFERRING TO SPECIFICALLY IS THE DEPARTMENT OF  
25 FINANCE IN THEIR BUDGET PROCESS GOES THROUGH AND

## BARRISTERS' REPORTING SERVICE

1 DOES A DETAILED EVALUATION. AND FOR EVERY TRIP  
2 THERE HAS TO BE A JUSTIFICATION FOR THE PEOPLE AND  
3 THE COST. AND THAT REVIEW WE'VE GONE THROUGH  
4 PROCEDURALLY. ALTHOUGH TECHNICALLY WE'RE NOT  
5 REQUIRED NECESSARILY STATUTORILY TO DO SO, WE HAVE  
6 BECAUSE IT'S A BEST PRACTICE WE'VE FOLLOWED.

7 I'D ALSO LIKE TO FIND OUT IF, DUANE,  
8 BEFORE I GO TO YOUR QUESTION, WHETHER DR. OLSON  
9 WANTED TO ADD ANYTHING.

10 DR. OLSON: I THINK DR. TROUNSON  
11 ADEQUATELY DID A GREAT JOB OF SUMMARIZING OUR  
12 POSITION.

13 CHAIRMAN KLEIN: THANK YOU VERY MUCH. SO  
14 DUANE.

15 MR. ROTH: QUESTION. BASED ON WHAT YOU  
16 SAID ABOUT THESE EXPENDITURES THAT HAVEN'T BEEN  
17 RECORDED, ARE YOU ON A CASH OR ACCRUAL ACCOUNTING  
18 BASIS?

19 MS. FERGUSON: IT'S ACTUALLY A MODIFIED  
20 ACCRUAL BASIS. IN OTHER WORDS, AT THE END OF THE  
21 YEAR, WE WILL ACCRUE THOSE ITEMS FOR A SNAPSHOT IN  
22 TIME THROUGH JUNE 30TH. RIGHT NOW IT IS JUST  
23 MODIFIED ACCRUAL. WHEN I SAY THAT SOME OF THESE  
24 THINGS HAVE ACTUALLY BEEN PAID AND NOT RECORDED,  
25 IT'S BECAUSE WE HAVE OTHER METHODS OF PAYING OTHER

## BARRISTERS' REPORTING SERVICE

1 THAN GOING STRAIGHT THROUGH A CLAIM SCHEDULE  
2 PROCESS. WE HAVE A REVOLVING FUND PROCESS WHICH  
3 ALLOWS US TO MAKE A TIMELY PAYMENT AND THEN PUT IN  
4 ALL THE WORKLOAD THAT'S NECESSARY TO GET IT THROUGH  
5 THE FINAL PROCESS AND RECORDED AS AN EXPENDITURE.

6 CHAIRMAN KLEIN: OKAY. ADDITIONAL POINTS?

7 DR. POMEROY: I WOULD LIKE TO FOLLOW UP ON  
8 PHIL'S QUESTION IF I COULD. TRAVEL IN THESE TIMES  
9 IS VERY MUCH OF A PERCEPTION ISSUE, ESPECIALLY HALF  
10 A MILLION DOLLARS WORTH OF TRAVEL. AND I WAS  
11 WONDERING IF IT WOULD BE POSSIBLE AT A FUTURE DATE  
12 TO GET A BREAKDOWN OF HOW MUCH OF THIS IS IN-STATE,  
13 NATIONAL, AND INTERNATIONAL.

14 MS. FERGUSON: YES, I CAN DO THAT FOR YOU.

15 DR. TROUNSON: WE CAN PROVIDE YOU WHAT WE  
16 APPLIED FOR, AND WE CAN PROVIDE YOU WHAT WE ACTUALLY  
17 DID. SO WE HAVE TO APPLY, YOU KNOW, IN GOOD TIME  
18 BEFORE THE FINANCIAL YEAR, AND THEN IT HAS TO BE  
19 ACCOUNTED FOR AT THE END OF THE FINANCIAL YEAR.

20 CHAIRMAN KLEIN: BUT IN RESPONSE, WE'LL  
21 BRING THAT BACK TO THE BOARD.

22 DR. POMEROY: THANK YOU.

23 DR. GILL: JUST COMMENT ON WHAT ALAN SAID.  
24 IN THE ARISE REPORT FROM THE AMERICAN ACADEMY THAT  
25 TOM CECH WAS CHAIR OF, IT WAS POINTED OUT THAT THE

## BARRISTERS' REPORTING SERVICE

1 PROGRAM OFFICES AT THE NIH WERE REALLY GETTING OUT  
2 OF TOUCH WITH SCIENCE, ESPECIALLY HIGH RISK, HIGH  
3 REWARD SCIENCE, BECAUSE THEY WERE NOT ABLE TO ATTEND  
4 THE SCIENTIFIC MEETINGS AND, THEREFORE, EVALUATE  
5 WHERE FUNDING PRIORITIES SHOULD BE. SO I CERTAINLY  
6 SECOND ALAN'S ATTACHING IMPORTANCE TO THIS.

7 CHAIRMAN KLEIN: OKAY. ADDITIONAL  
8 QUESTIONS FROM THE BOARD ON THIS REPORT? THANK YOU  
9 VERY MUCH, MARGARET.

10 MS. FERGUSON: I THINK I HAVE ONE MORE  
11 SLIDE. THERE IT IS.

12 CHAIRMAN KLEIN: THANK YOU.

13 MS. FERGUSON: MAY I GO AHEAD?

14 CHAIRMAN KLEIN: YES.

15 MS. FERGUSON: ALL RIGHT. THIS IS MY  
16 FAVORITE PART. I HAVE TO ADMIT IT. THIS IS A  
17 PRESENTATION ON THE DONATIONS THAT WERE REPORTED OR  
18 RECORDED JULY THROUGH DECEMBER. AND I WANT TO TAKE  
19 A MOMENT TO PUBLICLY THANK THE LISTED DONORS WHOSE  
20 CONTRIBUTIONS ARE LISTED FOR YOU.

21 IN ADDITION, I WANT TO TAKE JUST A SMALL  
22 MOMENT OF TIME TO READ A COUPLE OF NOTES THAT WERE  
23 ATTACHED TO SOME OF THESE DONATIONS. IN PARTICULAR,  
24 WELL, FIRST, MR. ARNOLD STARK, BLESS HIS SOUL. THIS  
25 MAN, EVERY FEW MONTHS WE'LL GET A CHECK FOR \$20.

## BARRISTERS' REPORTING SERVICE

1 AND SOMEONE DESIGNATED THE CALIFORNIA INSTITUTE FOR  
2 REGENERATIVE MEDICINE AS THEIR DONATION UNDER THE  
3 UNITED CAMPAIGN. THAT'S WHY WE HAVE THE UNITED  
4 CAMPAIGN OF SAN DIEGO UP THERE OR UNITED WAY.

5 BUT THIS IS IN MEMORY OF RICHARD "DICK"  
6 HOOPER. HERE'S WHAT I'D LIKE TO SAY. WE RECEIVED  
7 \$765 FROM ALL THESE INDIVIDUALS THAT ARE LISTED  
8 BEFORE YOU. FROM DONNA NEWBOLD, THERE WAS A SMALL  
9 NOTE ATTACHED TO THE DONATION SAYING THAT IT WAS IN  
10 MEMORY OF DICK HOOPER, AND SHE WANTED TO THANK  
11 EVERYONE FOR THE GOOD JOB THAT WE'RE DOING. AND SHE  
12 MEANT THE CALIFORNIA INSTITUTE OF REGENERATIVE  
13 MEDICINE.

14 FROM THE DAUGHTER OF MR. DICK HOOPER, AND  
15 I GOT THE NOTE AND I READ THIS, AND I THINK YOU NEED  
16 TO HEAR THIS. AND I'M GOING TO QUOTE WHAT WAS IN  
17 THERE. AND SHE SENT A NOTE TO ALL MR. HOOPER'S  
18 FRIENDS. "SOME OF YOU MAY NOT BE ABLE TO ATTEND THE  
19 SERVICES AND MAY WANT TO HONOR DICK. WE ARE ASKING  
20 THAT YOU HELP TO CONTINUE ONE OF HIS PASSIONS BY  
21 MAKING A DONATION IN HIS NAME TO THE CALIFORNIA  
22 INSTITUTE FOR REGENERATIVE MEDICINE."

23 THESE INDIVIDUALS THAT ARE LISTED BEFORE  
24 YOU ARE REALLY WHO WE SERVE AND PROVIDE HOPE FOR A  
25 HEALTHIER FUTURE. THANK YOU.

## BARRISTERS' REPORTING SERVICE

1 CHAIRMAN KLEIN: THANK YOU, MARGARET.

2 (APPLAUSE.)

3 DR. ROBSON: THAT'S A TOUGH ACT TO FOLLOW.  
4 SHE GETS TO GIVE ALL THE GOOD NEWS AND NOW HERE  
5 COMES THE REALITY. SO --

6 DR. AZZIZ: I DID HAVE A QUESTION. THIS  
7 IS A TOUCHING DONATION REPORT. BEING INVOLVED IN  
8 FUND-RAISING, AS MANY OF US ARE INVOLVED HERE, HAS  
9 THE CENTER ENGAGED IN ANY WAY IN A PLANNED WAY TO  
10 RAISE AWARENESS AND, IN FACT, BEGIN TO DEVELOP  
11 AVENUES OF PHILANTHROPY, OR IS THIS NOT PART OF THE  
12 OVERALL STRATEGIC PLAN? I PRESUME RIGHT NOW IT IS  
13 NOT, BUT I'D LIKE TO UNDERSTAND IF WE'RE MOVING IN  
14 THAT DIRECTION OR NOT.

15 DR. TROUNSON: IF I COULD ADDRESS THAT,  
16 CHAIR. IT IS NOT SOMETHING THAT WE'VE BROUGHT  
17 FORWARD AS SOMETHING THAT WE SHOULD DO AS A  
18 PRIORITY. I THINK IT COULD BE, BUT IT IS NOT  
19 SOMETHING THAT WE'VE THOUGHT WAS AN ESSENTIAL  
20 ELEMENT OF THE AGENCY. AND WE'D BE INTERESTED IN  
21 OTHER PEOPLE'S VIEW OF THAT. CLEARLY, THE AGENCY IS  
22 AVAILABLE IF PEOPLE FEEL THAT THEY WANT TO DO THE  
23 KIND OF THING THAT YOU SEE. AND THESE SMALL  
24 DONATIONS, IN A WAY, ARE VERY IMPORTANT BECAUSE I  
25 THINK IT'S MEANINGFUL AND FROM THE HEART, AS



## BARRISTERS' REPORTING SERVICE

1 MARGARET SAID.

2 I THINK THIS IS SOME OF THE THINGS THAT WE  
3 COULD DISCUSS PERHAPS AT PUBLIC MEETINGS IF WE GO  
4 FORWARD ON THE STRATEGIC PLAN AS WE MIGHT RECOMMEND  
5 TO YOU LATER ON. SO IT'S A THOUGHT AND NOT AN  
6 IMPOSSIBLE ONE. CLEARLY, THERE IS A DIFFERENT WAY  
7 OF LOOKING AT THAT, WHICH IS THE CHAIR'S SORT OF  
8 STRATEGY TOWARDS SEEING HOW YOU CAN ACTUALLY GET A  
9 DONATION THAT CAN COME TO THE INSTITUTE IN A VERY  
10 SIGNIFICANT WAY. I'M NOT REALLY TRYING TO ADDRESS  
11 THAT MUCH MORE. I'M MORE TALKING ABOUT THE SMALLER  
12 DONATIONS IN A PHILANTHROPIC.

13 MAYBE, AS WE COME ONTO THE CLINIC, OF  
14 COURSE, AS YOU DO SEE IN HOSPITALS, THERE'S A MUCH  
15 MORE STRONG FEELING TOWARDS WANTING TO GIVE IN ORDER  
16 TO SIGNIFICANTLY HELP. AND IT GETS STRONGER AS YOU  
17 MOVE TO THE CLINIC.

18 DR. AZZIZ: JUST I DO THINK IT'S SOMETHING  
19 WORTHWHILE EXAMINING. I THINK IT IS ONE WAY TO  
20 ENGAGE THE COMMUNITY IN A SIGNIFICANT WAY. AS YOU  
21 SAID, THERE ARE MANY REWARDS TO PHILANTHROPY, NOT  
22 JUST MONIES. SO IT'S SOMETHING AT SOME POINT I'D  
23 LIKE YOU TO THINK AND MAYBE ALL OF US CAN DISCUSS.

24 CHAIRMAN KLEIN: CERTAINLY. DR. AZZIZ, WE  
25 HAVE A PROGRAM FROM APPROXIMATELY TWO YEARS AGO

## BARRISTERS' REPORTING SERVICE

1 WHERE A MAJOR DONOR CAN PROPOSE TO FUND A  
2 SUBSTANTIAL PORTION OF AN INDIVIDUAL PROGRAM, AND  
3 THE BOARD WOULD CONSIDER NAMING THAT PROGRAM AFTER  
4 THAT DONOR ACCORDING TO CERTAIN CRITERIA THAT THE  
5 BOARD HAS SET UP THAT THAT DONOR MUST QUALIFY UNDER.

6 SO THAT IS AN OPTION. WITH THE SMALL  
7 STAFF WE HAVE, WE HAVE BEEN FOCUSING ON THE  
8 PRIORITIES ON THE CRITICAL PATH, BUT THIS IS  
9 DEFINITELY A POTENTIAL MAJOR SUPPLEMENT TO OUR PATH  
10 THAT COULD BE BENEFICIAL. DR. PIZZO.

11 DR. PIZZO: WELL, I DON'T WANT TO BELABOR  
12 THE DISCUSSION TOO LONG NOW BECAUSE WE HAVE SO MANY  
13 THINGS TO DO, BUT I DO THINK WE'D HAVE TO HAVE A  
14 THOUGHTFUL, AS I'M SURE YOU WOULD AGREE, DISCUSSION  
15 ABOUT THIS IN THAT, ON THE ONE HAND, IT COULD BE  
16 VIEWED AS SUPPLEMENTAL OR COMPLEMENTARY. IT COULD  
17 ALSO BECOME COMPETITIVE SINCE EACH OF OUR  
18 INSTITUTIONS ARE ALSO ENGAGED IN RAISING FUNDS FOR  
19 ACTIVITIES, INCLUDING STEM CELL RESEARCH. SO I  
20 THINK WE'D WANT TO BE VERY MINDFUL OF HOW DO WE  
21 ENRICH THE WHOLE WITHOUT COMPETING AMONG THE PARTS.

22 CHAIRMAN KLEIN: OKAY. THANK YOU VERY  
23 MUCH. DR. ROBSON, THE SECOND PART OF THE REPORT.

24 DR. ROBSON: SO MARGARET JUST WENT THROUGH  
25 THE OPERATING BUDGET AT CIRM FOR THE FIRST HALF OF

## BARRISTERS' REPORTING SERVICE

1 THE FISCAL YEAR. I'M GOING TO PROJECT FORWARD, AND  
2 I'M GOING TO DO TWO THINGS. FIRST, I'M GOING TO GO  
3 OVER THE EXPENDITURES THAT WE ANTICIPATE HAVING  
4 BETWEEN NOW AND JUNE 30TH, THAT IS THE SECOND HALF  
5 OF THE FISCAL YEAR, JUST SO YOU CAN SEE WHAT WE HAVE  
6 IN CASH ON HAND, WHAT EXPENDITURES FOR GRANT FUNDS,  
7 AND OTHER THINGS THAT WE ANTICIPATE HAVING SO  
8 THAT -- AND THEN SHOW YOU WHAT WE EXPECT TO BE OUR  
9 SITUATION, GIVE YOU A VIEW OF WHERE WE WILL BE AS OF  
10 JUNE 30TH.

11 THEN I'M GOING TO -- WE'VE BEEN THINKING  
12 BEYOND JUNE 30TH. AND THEN I'M GOING TO GIVE YOU AN  
13 IDEA OF WHAT WE'VE BEEN SEEING FARTHER INTO THE  
14 FUTURE. AND THE DATE THAT I'M GOING TO PROJECT OUT  
15 TO IS DECEMBER 31, 2010. SO THAT'S REALLY TWO YEARS  
16 FROM NOW. AND THE REASON I'M GOING TO PROJECT TO  
17 THAT DATE IS THAT OUR CHAIR AND MEMBERS OF THE  
18 FINANCE COMMITTEE BELIEVE THAT WE MAY NOT BE ABLE TO  
19 RAISE MONEY THROUGH GENERAL OBLIGATION BONDS UNTIL  
20 THE END OF 2010. SO I'M GOING TO GIVE YOU A PICTURE  
21 OF WHAT WE NEED TO GET FROM HERE TO THERE.

22 CHAIRMAN KLEIN: AND JOHN, LET ME CLARIFY  
23 THAT SLIGHTLY BY SAYING THROUGH PUBLIC SALES.

24 DR. ROBSON: GENERAL OBLIGATION BONDS IS  
25 WHAT I MEANT, PUBLIC SALES.

**BARRISTERS' REPORTING SERVICE**

1 CHAIRMAN KLEIN: THROUGH PUBLIC SALES OF  
2 GENERAL OBLIGATION BONDS. AND WHILE WE MAY BE ABLE  
3 TO RAISE PART OF IT, THERE ARE CERTAIN COMPETING  
4 INTERESTS THAT WE MAY BE ABLE TO CONTRIBUTE TO THE  
5 OVERALL RECOVERY OF THE STATE BY PRIVATELY RAISING  
6 THE BONDS THROUGH PRIVATE SALES BECAUSE OF THE  
7 EXTREME STRESS ON THE STATE'S ABILITY TO RAISE  
8 SUFFICIENT FUNDS FOR CORE SERVICES.

9 DR. ROBSON: I HAD ASSUMED THAT WAS GOING  
10 TO BE A PART OF YOUR DISCUSSION, NOT MINE.

11 CHAIRMAN KLEIN: IT IS. I JUST WANT TO  
12 FRAME IT GOING FORWARD.

13 DR. ROBSON: SO THE OTHER THING I WANTED  
14 TO SAY IS THAT WE'RE GOING TO DO THESE SORTS OF  
15 FINANCIAL UPDATES. I'M GOING TO BRING THESE TO YOU  
16 ON A REGULAR BASIS AT THESE MEETINGS BECAUSE WE  
17 THINK IT'S IMPORTANT THAT WE ALL HAVE THIS  
18 INFORMATION SO THAT WE CAN FIGURE OUT HOW BEST TO  
19 SUPPORT STEM CELL SCIENCE AND ALSO TO TAKE CIRM TO  
20 THE COMPLETION OF ITS MISSION, WHICH IS TO BRING  
21 SOME THERAPIES AND TREATMENTS TO OUR PATIENTS IN THE  
22 TIMEFRAME THAT WE HAVE.

23 TWO POINTS I WANT TO MAKE BEFORE I START  
24 SHOWING YOU THESE NUMBERS IS, NO. 1, WE'RE NOT  
25 ASKING YOU TO TAKE ANY ACTION ON THEM. THIS IS FOR

## BARRISTERS' REPORTING SERVICE

1 YOUR INFORMATION SO YOU HAVE THIS INFORMATION TO  
2 CONSIDER WHEN YOU'RE TAKING ACTION ON OTHER ITEMS  
3 THAT ARE ON YOUR AGENDAS FOR TODAY AND TOMORROW.

4 AND THE SECOND THING IS THAT THIS IS A  
5 CASH-FLOW PROBLEM THAT WE'RE FACING RIGHT NOW. SOME  
6 OF THE NUMBERS I'M GOING TO SHOW YOU, I THINK, ARE  
7 FAIRLY DAUNTING, BUT KEEP IN MIND THAT WE'RE  
8 AUTHORIZED, FULLY AUTHORIZED TO RAISE \$3 BILLION.  
9 AND THAT \$3 BILLION WOULD EASILY COVER EVERY  
10 PROGRAM, EVERYTHING, EVERY EXPENSE THAT I'M GOING TO  
11 TALK TO YOU ABOUT AND MUCH, MUCH MORE. SO WE'RE IN  
12 A CASH-FLOW PROBLEM NOW BECAUSE WE CAN'T ISSUE THESE  
13 PUBLIC BONDS RIGHT NOW. WE VIEW IT AS A TEMPORARY  
14 PROBLEM. UNFORTUNATELY WE CAN'T REALLY DEFINE  
15 TEMPORARY AT THIS MOMENT. WE DON'T KNOW EXACTLY  
16 WHEN IT WILL END.

17 SO WITH THOSE CAVEATS, I'LL GET STARTED.  
18 HOPEFULLY YOU ALL HAVE YOUR SEATBELTS FASTENED  
19 BECAUSE HERE WE GO. COULD I HAVE THE FIRST SLIDE.  
20 SO LET'S TAKE A LOOK NOW AND JUST PROJECT THROUGH  
21 THIS FISCAL YEAR. SO WHAT'S SHOWN HERE -- AND YOU  
22 HAVE THIS IN YOUR BINDERS IF YOU LIKE. THIS IS CASH  
23 ON HAND. SO WHAT WE HAVE AVAILABLE FOR SPENDING,  
24 AND YOU'RE GOING TO SEE THIS NUMBER A FEW TIMES IN  
25 MY SLIDES, IS A \$158 MILLION. AND THAT'S MOSTLY

## BARRISTERS' REPORTING SERVICE

1 FROM THE BOND FUND AND FROM INTEREST THAT'S BEEN  
2 EARNED. THIS DOES NOT INCLUDE MONEY THAT'S IN THE  
3 LOAN FUND, THE PMI ACCOUNT, THE 5.9 MILLION. THAT  
4 MONEY HAS BEEN FROZEN. THAT WAS AVAILABLE TO US FOR  
5 SALARIES, BUT IT'S NOT ANYMORE RIGHT NOW. NOR DOES  
6 IT INCLUDE DONATIONS OF 3.4 MILLION THAT WE  
7 RECEIVED.

8 DR. PIZZO: JOHN, WHERE IS THIS CASH ON  
9 HAND NOW?

10 DR. ROBSON: IT'S IN THE BOND FUND. THIS  
11 IS IN THE BOND FUND. IT'S SECURE IN THE BOND FUND.

12 SO NOW LET'S LOOK AT OUR RESEARCH  
13 OBLIGATIONS. NOW, WHAT I'VE SHOWN THERE ON THE LEFT  
14 IS THE TOTAL AMOUNT THAT YOU'VE AWARDED TO DATE.  
15 MUCH OF THIS HAS ALREADY BEEN PAID, BUT THAT'S HOW  
16 MUCH YOU'VE ALLOCATED TO DATE. AND WHAT WE EXPECT  
17 TO SPEND DURING THIS FISCAL YEAR FROM THAT  
18 ALLOCATION IS ALMOST \$139 MILLION. SOME OF THAT HAS  
19 ALREADY BEEN SPENT IN THE FIRST HALF. IN THE SECOND  
20 HALF OF THE YEAR, WE ARE PROJECTING TO SPEND 107  
21 MILLION PLUS.

22 CHAIRMAN KLEIN: AND WHEN HE'S USING THE  
23 WORD "SPEND," THAT MEANS ON A CASH BASIS.  
24 COMMITMENTS ARE GREATER AND THEN WE WILL ADDRESS THE  
25 TOTAL COMMITMENTS.

## BARRISTERS' REPORTING SERVICE

1 DR. ROBSON: ALL RIGHT. SO IF WE THEN  
2 LOOK WHAT -- OUR PICTURE FOR THE REST OF THE YEAR,  
3 THIS IS WHAT WE'VE GOT. WE'RE STARTING OUT WITH  
4 \$158 MILLION IN HAND. WE ARE SCHEDULED TO RECEIVE  
5 SOME INTEREST PAYMENTS IN APRIL THAT WILL TOTAL  
6 ABOUT \$1.5 MILLION. MARGARET AND I HAVE DONE  
7 PROJECTIONS ON WHAT OUR OPERATING COST WILL BE FOR  
8 THE SECOND HALF OF THE YEAR. THAT'S 6.6 MILLION.  
9 AND THEN THAT NUMBER OF GRANTS THAT NEED TO BE  
10 AWARDED, 107 MILLION. WE SEEM TO HAVE A FORMATTING  
11 GLITCH HERE. WE ALSO OWE SOME CAPITALIZED INTEREST  
12 PAYMENTS. THEY COME DUE IN APRIL. THAT'S 6.4  
13 MILLION.

14 SO AT THE END OF THE FISCAL YEAR, AT THE  
15 END OF JUNE, WE ANTICIPATE HAVING \$39 MILLION LEFT  
16 IN THE BOND ACCOUNT. SO NOW THAT'S WHERE WE'RE  
17 GOING TO BE IN JUNE.

18 NOW I'M GOING TO SWITCH. I'M GOING TO  
19 SWITCH FROM A FISCAL YEAR PICTURE TO A TWO-YEAR  
20 PICTURE. SO THE NUMBERS I'M GOING TO TALK ABOUT NOW  
21 ARE BETWEEN NOW AND DECEMBER 31ST OF 2010. SO I'M  
22 GOING TO GIVE YOU THREE DIFFERENT SCENARIOS.

23 IN THE FIRST SCENARIO, ALL WE FUND BETWEEN  
24 NOW AND THEN IS WHAT YOU'VE APPROVED SO FAR. SO  
25 THAT WOULDN'T INCLUDE BRIDGES AND TRAINING II WHICH

## BARRISTERS' REPORTING SERVICE

1 ARE BEING CONSIDERED TODAY, BUT IT WOULD INCLUDE  
2 TOOLS AND TECHNOLOGY WHICH YOU APPROVED, AT LEAST  
3 THE TOP TIER, AT YOUR LAST MEETING. IT WOULDN'T  
4 INCLUDE ANY OF THE SECOND TIER WHICH ARE UNDER  
5 CONSIDERATION AT THIS MEETING. SO THOSE ARE THE  
6 ONLY THINGS WE WOULD FUND GOING FORWARD.

7 IF WE WERE TO DO THAT, OUR PICTURE LOOKS  
8 AS SHOWN HERE. WE HAVE 158 MILLION ON HAND. THAT'S  
9 THE SAME NUMBER I SHOWED YOU EARLIER. OVER THE NEXT  
10 TWO YEARS, WE WOULD RECEIVE \$2.6 MILLION IN  
11 INTEREST. OUR SALARIES AND BENEFITS PROJECTED OVER  
12 TWO YEARS BASED ON CURRENT BUDGETS WOULD BE ABOUT 28  
13 MILLION. AND TO FUND THOSE GRANTS, THOSE ONGOING  
14 COMMITMENTS THAT WE HAVE RIGHT NOW, WE'D NEED  
15 ANOTHER \$250 MILLION BY THE END OF DECEMBER OF 2010.  
16 AND WE WILL OWE -- WE HAVE SOME FURTHER COMPOUND  
17 INTEREST OBLIGATION PAYMENTS DUE, \$15 MILLION OVER  
18 THAT PERIOD.

19 SO AT THE END OF 2010, TO GET TO THAT  
20 POINT, JUST BY FUNDING THOSE PROGRAMS WE HAVE NOW,  
21 WE WILL NEED AN ADDITIONAL \$133 MILLION. THAT'S THE  
22 FIRST SCENARIO.

23 THE SECOND SCENARIO IS SHOWN HERE. NOW,  
24 IN THIS ONE WE WOULD FUND THOSE ONGOING COMMITMENTS  
25 THAT I JUST DESCRIBED TO YOU PLUS EVERYTHING THAT



## BARRISTERS' REPORTING SERVICE

1 HAS BEEN THROUGH CONCEPT APPROVAL BY THE ICOC. AND  
2 THOSE PROGRAMS ARE LISTED AT THE BOTTOM HALF OF THE  
3 FIGURE THERE. SO THEY WOULD INCLUDE TRAINING AND  
4 BRIDGES, WHICH ARE UNDER CONSIDERATION AT THESE  
5 MEETINGS, EARLY TRANSLATION, BASIC BIOLOGY I,  
6 DISEASE TEAMS II, AND BASIC BIOLOGY II. YOU'VE  
7 APPROVED ALL OF THOSE. THE RECOMMENDED BUDGETS FOR  
8 EACH OF THOSE IS SHOWN IN THE CENTER COLUMN. AGAIN,  
9 WE HAVE A FORMATTING PROBLEM THAT WASN'T THERE BACK  
10 IN SAN FRANCISCO, BUT IT IS HERE TODAY.

11 FORTY-EIGHT MILLION FOR TRAINING. SO  
12 THAT'S THE CENTER COLUMN. THAT'S THE FULL AMOUNT  
13 THAT HAS BEEN ALLOCATED IN THOSE BUDGETS, TARGETED  
14 BUDGETS. WHAT'S SHOWN ON THE RIGHT IS WHAT WE WOULD  
15 EXPECT TO PAY FOR EACH OF THOSE -- TO SPEND ON EACH  
16 OF THOSE PROGRAMS BETWEEN NOW AND DECEMBER 31ST. SO  
17 THE TOTAL OF WHAT WE NEED TO FUND THOSE PROGRAMS, IF  
18 THEY WENT ACCORDING TO SCHEDULE, WOULD BE AN  
19 ADDITIONAL 187 MILLION.

20 CHAIRMAN KLEIN: THAT'S DECEMBER 31, 2010.

21 DR. ROBSON: 2010. I'LL SAY IT OVER AND  
22 OVER AGAIN. TWO YEARS FROM NOW. AND SO TO GET TO  
23 THAT POINT, ON TOP OF THE 158 WE HAVE, WE NEED AN  
24 ADDITIONAL \$320 MILLION.

25 SCENARIO 3 NOW IS TO FUND EVERYTHING THAT

## BARRISTERS' REPORTING SERVICE

1 I'VE JUST TALKED ABOUT PLUS, IF WE WERE TO CONTINUE  
2 AS IF WE HAD THE FUNDING THAT WE ALL EXPECTED WE  
3 WOULD BE HAVING, THE ABILITY TO RAISE BONDS ANNUALLY  
4 AND CONTINUE OUR PROGRAMS, WHAT WOULD WE SPEND  
5 THROUGH THE END OF 2010. SO THOSE ADDITIONAL  
6 PROGRAMS THAT WE WOULD ADD ON THAT HAVE NOT BEEN  
7 THROUGH YOUR APPROVAL YET WOULD BE A PROGRAM IN  
8 IMMUNOLOGY, EARLY TRANSLATION II, AND DISEASE TEAMS  
9 II. REMIND YOU EARLY TRANSLATION AND DISEASE TEAMS,  
10 THESE ARE REALLY OUR FLAGSHIP PROGRAMS. THESE ARE  
11 REALLY THE THINGS THAT WE THINK ARE UNIQUE ABOUT --  
12 AMONG THE THINGS THAT ARE UNIQUE ABOUT CIRM THAT ARE  
13 GOING TO GET OUR PRODUCTS TO THE CLINICS AND INTO  
14 PATIENTS.

15 TO FUND THOSE PROGRAMS, WE WOULD NEED AN  
16 ADDITIONAL \$300 MILLION ALLOCATION. BUT JUST TO GET  
17 TO 2010 TO DECEMBER 31ST, WE'D NEED AN ADDITIONAL 56  
18 MILLION. SO TO GET TO THAT POINT ON SCENARIO 3, WE  
19 WOULD NEED AN ADDITIONAL \$377 MILLION.

20 CHAIRMAN KLEIN: NOW, AGAIN, THIS IS CORE  
21 PROGRAMS ONLY IN THIS EXTENDED PERIOD. THIS IS NOT  
22 AN OPTIMIZED PROGRAM.

23 DR. ROBSON: THIS IS REALLY, BOB, WITH OUR  
24 CALENDAR, THIS IS REALLY ALL WE CAN FIT INTO THAT  
25 PERIOD RIGHT NOW.

## BARRISTERS' REPORTING SERVICE

1 CHAIRMAN KLEIN: THERE IS AN ISSUE  
2 POTENTIALLY THAT'S BEEN BROUGHT UP PREVIOUSLY THAT  
3 THERE MIGHT BE A CLINICAL PROGRAM THAT THE BOARD  
4 DISCUSSED. WE'VE DISCUSSED IT IN EXECUTIVE  
5 COMMITTEE. I MEAN THERE ARE SOME DECISIONS THAT CAN  
6 BE MADE BY THE BOARD. THIS IS A HYPOTHETICAL  
7 PROGRAM.

8 DR. ROBSON: YES. WE COULD CHANGE THE  
9 PROGRAMS. I'M NOT SURE WE COULD CHANGE THE NUMBER  
10 OF PROGRAMS WE COULD DO IN THE PERIOD, BUT WE COULD  
11 CHANGE THE --

12 CHAIRMAN KLEIN: IT'S NOT NECESSARILY THE  
13 OPTIMIZED DOLLAR AMOUNTS BECAUSE WE COULD, IN FACT,  
14 COME BACK FROM DISEASE TEAM PROGRAM THAT DR.  
15 TROUNSON REFERENCED TODAY, IF YOU HAVE A HUNDRED  
16 APPLICATIONS, YOU MAY FIND THAT YOU HAVE 20  
17 SUPERLATIVE PROGRAMS. THE \$210 MILLION IS  
18 STRUCTURED TO FUND APPROXIMATELY 11 OR 12 PROGRAMS.  
19 SO THIS IS AN ATTEMPT TO CONSTRAIN THE PROGRAM TO  
20 CORE MISSION AND MAINTAIN THE MOMENTUM IN THE CORE  
21 MISSION WITHOUT PUTTING ADDITIONAL RESERVES ON THE  
22 TABLE FOR INCREASING THE SIZE OF THE PROGRAMS OR  
23 SUBSTITUTING OTHER PROGRAMS THAT MAY BE MORE  
24 EXPENSIVE THAN THE PROGRAMS THAT ARE IN THE LIST YOU  
25 HAVE.

**BARRISTERS' REPORTING SERVICE**

1 DR. ROBSON: WE COULD SUBSTITUTE OTHER  
2 PROGRAMS, BUT REALLY WHAT I'M TRYING TO SHOW YOU IS  
3 THE KINDS OF DOLLARS THAT WE NEED IF WE'RE GOING TO  
4 CONTINUE UNDER ANY ONE OF THESE THREE SCENARIOS.

5 NOW, WE'VE -- BOB, DID YOU WANT TO STOP AT  
6 THIS POINT? YOU WANT ME TO GO AHEAD WITH THESE  
7 RECOMMENDATIONS?

8 DR. AZZIZ: I DON'T MEAN TO INTERRUPT YOU.  
9 I WANT TO JUST MAKE SURE I'M CLARIFIED BEFORE YOU  
10 GET INTO IT. YOU DO HAVE A STATEMENT, AND MAYBE YOU  
11 NEED TO CLARIFY IT. I MUST HAVE MISSED IT.  
12 REPAYMENT OF THE PMI LOAN OF TWO FIFTY IS NOT  
13 INCLUDED. COULD YOU ELABORATE ON THAT?

14 DR. ROBSON: OKAY. SO WE DO HAVE -- YEAH,  
15 I SHOULD HAVE MENTIONED THAT. WE HAVE RECEIVED IN  
16 THE PAST THE LOAN FROM THE GOVERNMENT THAT'S IN THE  
17 PMIA. THAT THEORETICALLY IS DUE THIS APRIL. THE  
18 PAYMENT DUE IS 250,640,000. OUR EXPECTATION IS THAT  
19 THAT LOAN WILL BE CARRIED FORWARD AT THIS POINT.  
20 BUT IT IS -- IT'S SITTING THERE.

21 DR. AZZIZ: SO THE INTEREST PAID THAT YOU  
22 HAVE LISTED HERE INCLUDES THE HYPOTHETICAL INTEREST  
23 ON THIS --

24 DR. ROBSON: THAT'S THE INTEREST ON THAT  
25 LOAN, YES.

**BARRISTERS' REPORTING SERVICE**

1 DR. AZZIZ: -- ON THIS LOAN?

2 DR. ROBSON: BUT WE ONLY HAVE TO PAY THAT  
3 INTEREST, AS I UNDERSTAND IT, THROUGH THE END OF  
4 2010.

5 CHAIRMAN KLEIN: THROUGH THE END OF 2009.

6 DR. ROBSON: END OF 2009, YES. EXCUSE ME.

7 DR. AZZIZ: BUT, AGAIN, WE'RE GOING ON THE  
8 ASSUMPTION THAT THIS \$250 MILLION LOAN --

9 DR. ROBSON: THE FIGURES I GAVE YOU DO NOT  
10 INCLUDE REPAYMENT OF THAT LOAN.

11 DR. AZZIZ: SO IF IT WERE TO BE CALLED IN  
12 APRIL, WE'D CHANGE THESE NUMBERS BY AN ADDITIONAL  
13 \$250 MILLION; AM I CORRECT?

14 DR. ROBSON: CORRECT.

15 CHAIRMAN KLEIN: SO LET ME TRY AND ADDRESS  
16 THAT VERY NARROWLY. AS OF 48 HOURS AGO, IN A  
17 MEETING WITH THE DEPUTY STATE TREASURER, IT IS THEIR  
18 CURRENT EXPECTATION THAT THEY WOULD LIKE TO EXTEND  
19 THIS LOAN. WE DID DISCUSS THE FACT THAT THEY  
20 THOUGHT, AS OF SIX WEEKS AGO, THEY'D BE ABLE TO, IN  
21 FACT, CONTINUE TO ADVANCE PMI LOANS. THEY ARE  
22 CONSTRAINED BY THE REALITIES OF THE BUDGET OR THE  
23 LACK OF A BUDGET THAT THE STATE IS DEALING WITH.

24 THE CURRENT BOND FUNDS ARE SEGREGATED FROM  
25 THE PMI LOAN ACCOUNT AND ARE SPECIFICALLY AVAILABLE

## BARRISTERS' REPORTING SERVICE

1 FOR FUNDING THE PROGRAMS THAT WE HAVE THUS FAR  
2 CONCEPTUALLY APPROVED, BUT NOT ADVANCED FUNDING FOR.

3 THE STATE HAS A VERY LARGE NUMBER OF PMI  
4 LOANS THAT ARE OUT THERE. SO THIS IS NOT AN  
5 ISOLATED FACT PATTERN. I THINK IT MAY NUMBER IN THE  
6 SEVENTIES. SO WHAT THE END RESULT IS OR END  
7 DECISION ON THE PMI LOANS, IT IS NOT OUR CURRENT  
8 INTENT TO USE BOND FUNDS THAT WE HAVE CURRENTLY TO  
9 ADDRESS THE PAYMENT ON THAT PMI ACCOUNT BECAUSE OF  
10 THE SPECIFIC PURPOSES FOR WHICH THE PMI LOAN WAS  
11 MADE AND FOR THE SPECIFIC PURPOSES APPROVED FOR THE  
12 BOND FUNDS.

13 DR. AZZIZ: AND I APPRECIATE THAT, BOB.  
14 JUST TO BE CLEAR, THE CASH ON HAND INCLUDES THAT  
15 \$250 MILLION, CORRECT?

16 DR. ROBSON: NO. THAT 250 MILLION, WE'D  
17 ONLY HAVE 5.8 MILLION OF THAT REMAINING, AND WE  
18 DON'T HAVE ACCESS TO THAT.

19 DR. AZZIZ: VERY WELL, SO THAT'S BEEN  
20 SPENT.

21 CHAIRMAN KLEIN: THAT'S CORRECT. IT WAS  
22 STRUCTURED SPECIFICALLY INTO THE FRONT-END  
23 FACILITIES FUNDING PROGRAM, WHICH WE WERE ALL VERY  
24 EFFECTIVE IN IMPLEMENTING QUICKLY AND FUNDING BY  
25 JUNE 30TH SO THAT IT WAS A FUNDING SOURCE INTENDED

## BARRISTERS' REPORTING SERVICE

1 TO MAKE SURE THOSE FACILITIES MOVE DOWNSTREAM. IT  
2 WAS ABOUT 195 MILLION THAT CAME OUT OF THAT ACCOUNT  
3 FOR FACILITIES.

4 DR. ROBSON: WANT ME TO GO AHEAD WITH OUR  
5 RECOMMENDATIONS, OR DID YOU WANT TO TALK ABOUT  
6 SOMETHING ELSE FIRST?

7 CHAIRMAN KLEIN: WELL, WHAT WE CAN DO,  
8 HOPEFULLY, IS WE WILL NOW GO AND TALK ABOUT THE  
9 STATUS OF THE STATE BUDGET, THE CASE STUDY, AND WE  
10 WILL TALK ABOUT THOSE TWO ITEMS AND COME BACK AND  
11 THEN IN CONTEXT TALK ABOUT THE RECOMMENDATIONS SO  
12 THAT THEY HAVE A FULL SPECTRUM OF INFORMATION IN  
13 THAT DISCUSSION, IF THAT'S ACCEPTABLE TO THE BOARD.

14 DR. SIMPSON: WILL YOU TAKE COMMENTS OR  
15 QUESTIONS FROM THE PUBLIC AT SOME POINT?

16 CHAIRMAN KLEIN: ABSOLUTELY. AND  
17 HOPEFULLY THE PUBLIC WILL BENEFIT AS WELL BY HAVING  
18 THE ENTIRE SPREAD OF INFORMATION. OKAY. THANK YOU  
19 VERY MUCH.

20 SO WITH THIS BACKGROUND ON THE STATE OF  
21 THE AGENCY, SINCE WE HAVE TO FIRST ADDRESS THE STATE  
22 OF THE STATE, AND THE GOVERNOR COULD NOT BE HERE, WE  
23 WILL ASK JAMES HARRISON TO PRESENT.

24 MR. HARRISON: I AM NOT THE TERMINATOR.  
25 BUT I DO WANT TO BRIEFLY DESCRIBE TO YOU THE CURRENT

## BARRISTERS' REPORTING SERVICE

1 STATE OF AFFAIRS IN SACRAMENTO. AS MOST OF YOU  
2 KNOW, THE STATE IS CURRENTLY LOOKING AT A PROJECTED  
3 BUDGET DEFICIT OF APPROXIMATELY \$40 BILLION THROUGH  
4 THE END OF THE FISCAL YEAR 2009-2010. THE GOVERNOR  
5 AND THE LEGISLATURE HAVE BEEN DEEP IN NEGOTIATIONS  
6 SEARCHING FOR A WAY OUT OF THIS CRISIS. AT THIS  
7 POINT IN TIME, WE DON'T KNOW WHAT WILL EMERGE FROM  
8 THOSE NEGOTIATIONS OR WHEN, BUT WE DO HAVE AS A  
9 BASELINE THE GOVERNOR'S PROPOSED BUDGET, WHICH HAS  
10 BEEN AVAILABLE SINCE EARLY THIS YEAR AND WHICH HAS  
11 ALREADY BEEN SUBJECT TO A GREAT DEAL OF ANALYSIS.

12 SO LET ME BRIEFLY DESCRIBE THE GOVERNOR'S  
13 BUDGET AND WHAT IT MEANS FOR CIRM. THE GOVERNOR'S  
14 PROPOSED BUDGET INCLUDES APPROXIMATELY \$17 BILLION  
15 WORTH OF NEW BORROWING. THAT'S IN ADDITION TO \$7  
16 BILLION WORTH OF BONDS THAT ARE PLANNED FOR  
17 INFRASTRUCTURE PROJECTS FOR A TOTAL OF \$24 BILLION  
18 IN PROPOSED BORROWING. THIS DOES NOT INCLUDE ANY  
19 BORROWING FOR CIRM.

20 THE GOVERNOR'S PROPOSED BORROWING,  
21 HOWEVER, DOES INCLUDE APPROXIMATELY \$7 BILLION IN  
22 WHAT ARE CALLED REVENUE ANTICIPATION WARRANTS, WHICH  
23 ARE EFFECTIVELY IOU'S AND WHICH SERVE TO PUSH A  
24 CORRESPONDING AMOUNT OF THE STATE'S DEFICIT INTO THE  
25 FOLLOWING FISCAL YEAR. SOME OF THE BORROWING IS



## BARRISTERS' REPORTING SERVICE

1 DEPENDENT UPON THE SUCCESS OF A SPECIAL ELECTION,  
2 WHICH COULD BE CALLED AS EARLY AS MAY, BUT THERE  
3 WERE RUMORS TWO DAYS AGO THAT IT WOULDN'T HAPPEN  
4 UNTIL SEPTEMBER. SO, AGAIN, WE DON'T REALLY KNOW  
5 WHEN IT WILL OCCUR, BUT WE DO KNOW, BASED ON THE  
6 ANALYSIS, THAT IN ORDER FOR THE GOVERNOR'S PLAN TO  
7 WORK, THREE THINGS WOULD HAVE TO FALL INTO PLACE.

8 ONE, THE VOTERS WOULD HAVE TO APPROVE AN  
9 AMENDMENT TO THE LOTTERY PROGRAM FOR THE  
10 SECURITIZATION OF THAT PROGRAM. AND THE VOTERS  
11 WOULD ALSO HAVE TO APPROVE AMENDMENTS TO TWO  
12 EXISTING BALLOT MEASURES, PROPOSITION 10 AND  
13 PROPOSITION 63, WHICH SET ASIDE FUNDS FOR EARLY  
14 CHILDHOOD DEVELOPMENT AND MENTAL HEALTH  
15 RESPECTIVELY. THE GOVERNOR'S PROPOSAL WOULD TAKE A  
16 PORTION OF THOSE FUNDS AND APPLY THEM TO THE STATE  
17 GENERAL FUND.

18 CHAIRMAN KLEIN: LET ME MAKE IT CLEAR TO  
19 THE BOARD MEMBERS. THOSE ARE TWO INITIATIVES. ONE  
20 OF THEM PASSED IN THE SAME ELECTION OF THIS  
21 INITIATIVE, THAT THE GOVERNOR'S PROPOSED SPECIAL  
22 ELECTION WOULD SWEEP THOSE FUNDS TO UTILIZE FOR THE  
23 BUDGET DEFICIT.

24 MR. HARRISON: THE THIRD THING -- EXCUSE  
25 ME -- THE SECOND THING THAT WOULD HAVE TO FALL INTO

**BARRISTERS' REPORTING SERVICE**

1 PLACE IS THAT THE STATE WOULD HAVE TO OVERCOME LEGAL  
2 QUESTIONS THAT HAVE BEEN RAISED ABOUT THE USE OF  
3 REVENUE ANTICIPATION WARRANTS IN LIGHT OF SOME  
4 CONSTITUTIONAL RESTRAINTS.

5 AND THIRD, THE STATE WOULD HAVE TO ISSUE  
6 BILLIONS OF DOLLARS WORTH OF DEBT IN A CREDIT MARKET  
7 THAT IS IN TURMOIL AT THIS POINT IN TIME.

8 AS I MENTIONED EARLIER, THE GOVERNOR'S  
9 PROPOSAL HAS BEEN SUBJECT TO QUITE A BIT OF  
10 ANALYSIS, INCLUDING A LENGTHY ANALYSIS BY THE STATE  
11 LEGISLATIVE ANALYST'S OFFICE, WHICH WARNED THAT  
12 THERE ARE, IN THE WORDS OF THE LEGISLATIVE ANALYST,  
13 MAJOR UNCERTAINTIES ABOUT THE STATE'S ABILITY TO  
14 ACCESS CAPITAL MARKETS FOR ANYWHERE CLOSE TO THE  
15 LEVEL OF FINANCING THAT THE GOVERNOR HAS PROPOSED  
16 OVER THE COURSE OF THE NEXT 18 MONTHS.

17 SO WHAT THAT MEANS FOR CIRM IS THAT, GIVEN  
18 THE STATE'S OTHER PRIORITIES AND THE CURRENT STATE  
19 OF THE CREDIT MARKET, A RESOLUTION OF THE BUDGET  
20 CRISIS TOMORROW WOULD NOT TRANSLATE INTO IMMEDIATE  
21 ACCESS TO FUNDS FOR CIRM. SO THAT'S THE REALITY OF  
22 THE STATE FISCAL CONDITION THAT WE NEED TO GRAPPLE  
23 WITH AS WE CONSIDER HOW TO PROCEED.

24 CHAIRMAN KLEIN: SO LET ME ASK YOU TO  
25 TOUCH ON THREE ADDITIONAL POINTS. NO. 1, FOR

**BARRISTERS' REPORTING SERVICE**

1 EMPHASIS, EVEN IF THERE IS A BUDGET TRANSACTION  
2 AGREEMENT THAT'S CONCLUDED TOMORROW, PERHAPS YOU  
3 COULD REPORT ON THE CONCLUSION FROM OUR MEETING WITH  
4 THE STATE TREASURER'S OFFICE ON THE ABILITY WITH  
5 THAT BUDGET SOLUTION TO MEET ALL OF THE BONDED  
6 INDEBTEDNESS REQUIREMENTS WITH PUBLIC SALE OF G. O.  
7 BONDS IN THE NEAR FUTURE.

8 MR. HARRISON: THE STATE TREASURER'S  
9 OFFICE INFORMED US THAT IT ALREADY HAS A BACKLOG OF  
10 \$7 BILLION WORTH OF BONDS THAT IT HAS NOT BEEN ABLE  
11 TO ISSUE FOR EXISTING PROGRAMS, NOT INCLUDING OUR  
12 OWN. SO EVEN IF THERE WERE A RESOLUTION OF THE  
13 BUDGET DIFFICULTIES, A, THE RESOLUTION WOULD BE  
14 DEPENDENT UPON ACTION BY THE VOTERS, WHICH WOULDN'T  
15 OCCUR FOR SEVERAL MONTHS; AND, B, WE WOULD THEN  
16 LIKELY BE IN A BLACKOUT PERIOD IN ANY EVENT AND  
17 WOULDN'T BE ABLE TO GO BACK TO THE BOND MARKET UNTIL  
18 LATER IN THE YEAR IN ANY EVENT.

19 AND, AGAIN, CIRM'S BONDS WOULD NOT BE A  
20 HIGH PRIORITY FOR THE STATE AT THAT POINT IN TIME  
21 GIVEN BOTH THE BACKLOG AND THE BORROWING THAT IS  
22 INCLUDED IN THE GOVERNOR'S PROPOSAL.

23 CHAIRMAN KLEIN: SECONDLY, SO THAT THE  
24 INSTITUTIONS THAT ARE REPRESENTED IN THIS ROOM AND  
25 FOR THE TRANSCRIPT AND THE WEBCAST, THOSE

## BARRISTERS' REPORTING SERVICE

1 INSTITUTIONS AND INDIVIDUALS LISTENING TO THIS, IN  
2 SUMMARY, COULD YOU INDICATE THE STRENGTH OF THE  
3 FEDERAL AND STATE CONSTITUTIONAL SECURITY THAT ANY  
4 GRANTEE HAS IN OUR CONTRACTS. THIS IS A SIX WEEKS  
5 AGO SPECIFIC FOCUS I ASKED JAMES TO MAKE SO THAT HE  
6 COULD DO THE RESEARCH AND REPORT WITH A SENSE OF  
7 CONFIDENCE WHAT THAT CONTRACT MEANS AND ITS  
8 STRENGTH.

9 MR. HARRISON: WELL, THERE ARE A COUPLE OF  
10 POINTS TO MAKE. FIRST OF ALL, THE VOTERS APPROVED  
11 PROPOSITION 71 AND AUTHORIZED THE ISSUANCE OF \$3  
12 BILLION WORTH OF BONDS. THAT IS THE LAW OF THE  
13 STATE. BUT IN LIGHT OF THE LITIGATION THAT WE  
14 FACED, THE CALIFORNIA STEM CELL RESEARCH AND CURES  
15 FINANCE COMMITTEE, WHICH IS THE STATE LEVEL FINANCE  
16 COMMITTEE WHICH OVERSEES THE ISSUANCE OF THOSE  
17 BONDS, AUTHORIZED THE ISSUANCE OF THE ENTIRE \$3  
18 BILLION WORTH OF BONDS. SO THE ONLY STEP THAT  
19 REMAINS FOR THE FINANCE COMMITTEE TO TAKE IS TO  
20 DIRECT THE STATE TREASURER'S OFFICE TO ACTUALLY  
21 ISSUES TRANCHES OF BONDS.

22 SO IN OTHER WORDS, WE'RE IN A POSITION  
23 WHERE ALL OF THE ACTIONS THAT NEED TO OCCUR FOR THE  
24 ISSUANCE OF THE BONDS HAVE TAKEN PLACE EXCEPT FOR  
25 THE SALE THEMSELVES.

## BARRISTERS' REPORTING SERVICE

1                   SECONDLY, THE STATE OF CALIFORNIA AS A  
2 SOVEREIGN POWER IS NOT SUBJECT TO FEDERAL BANKRUPTCY  
3 LAWS. WHAT THAT MEANS IS THAT, UNLIKE  
4 MUNICIPALITIES THAT CAN DECLARE BANKRUPTCY AND TRY  
5 TO DISCHARGE THEIR DEBTS, THE STATE DOESN'T HAVE  
6 THAT AVENUE. AND WHAT THAT MEANS IS THAT ULTIMATELY  
7 THE STATE WILL PAY ALL OF ITS OBLIGATIONS.

8                   THE THIRD THING IS THAT EVEN IN THE  
9 WORST-CASE SCENARIO, THE CONSTITUTION DOES PROTECT  
10 CONTRACTS FROM BEING IMPAIRED BY SUBSEQUENT ACTION.  
11 SO THAT IS A BULWARK AGAINST ANY CHANGE EVEN IF  
12 THERE WERE TO BE A CHANGE IN THE LAW, FOR EXAMPLE.

13                   CHAIRMAN KLEIN: SO I WANT TO THANK YOU,  
14 JAMES, BUT ALSO END THIS ON A POSITIVE NOTE FOR THIS  
15 PORTION OF THE DISCUSSION, WHICH WE'LL PICK UP IN  
16 GREATER DEPTH. BUT JAMES AND I AND SCOTT TOCHER AND  
17 LYNN HARWELL MET WITH THE DEPUTY TREASURER AND THE  
18 CHIEF LEGAL COUNSEL FOR THE TREASURER, AS WELL AS  
19 FOR THE CHIEF OF THE PUBLIC FINANCE DIVISION OF THE  
20 TREASURER'S OFFICE TWO DAYS AGO FOLLOWING A SERIES  
21 OF PHONE DISCUSSIONS THAT STRETCHED OVER THE LAST  
22 TWO MONTHS. AND THEY ARE HIGHLY COOPERATIVE AS TO  
23 THE OPTION OF WORKING WITH US ON A PRIVATE PLACEMENT  
24 OF GENERAL OBLIGATION DEBT ON A TAXABLE BASIS  
25 POTENTIALLY AS PROGRAM INVESTMENTS WITH MAJOR

## BARRISTERS' REPORTING SERVICE

1 FOUNDATIONS OR OTHER PURCHASERS THAT ARE NOT  
2 NORMALLY IN THAT PUBLIC MARKET.

3 THEY ARE PREPARED TO HAVE A TERM SHEET FOR  
4 US IN TWO WEEKS AND PLEDGED THEIR FULL COOPERATION.  
5 THEY INDICATED THAT THEY THOUGHT THIS WAS A, AS THEY  
6 HAVE OVER A NUMBER OF WEEKS IN DISCUSSIONS, FELT  
7 THAT THIS WAS A VERY EFFECTIVE WAY TO CONTRIBUTE TO  
8 THE SOLUTION AND POTENTIALLY PROVIDE US THE  
9 OPPORTUNITY TO MAINTAIN OUR MOMENTUM WHILE THE STATE  
10 WORKS ITS WAY THROUGH A PROBLEM THAT IT WILL SOLVE,  
11 BUT WILL NEED SOME SIGNIFICANT TIME TO SOLVE.

12 I'D ALSO EMPHASIZE THAT WHEN THE  
13 LEGISLATIVE ANALYST'S OFFICE SAYS THAT THERE'S A  
14 PROBLEM OF DEALING WITH THIS FULL BONDED  
15 INDEBTEDNESS THAT HAS BEEN OUTLINED, EVEN EXCLUDING  
16 OUR DEBT, BUT IS ANTICIPATED THROUGH THE GOVERNOR'S  
17 BUDGET AND THE REQUIREMENTS THAT ARE ALREADY ON THE  
18 TABLE, WHEN THE LAO'S OFFICE SAYS THEY CAN'T SEE HOW  
19 THE STATE'S GOING TO MOVE THROUGH THAT IN 18 MONTHS,  
20 WE HAVE TO REALIZE THE 18 MONTHS PUTS US INTO A  
21 BLACKOUT PERIOD IN 2010. AND THAT REALLY MEANS THAT  
22 IF THIS PROBLEM IS CLEARED UP BY THE END OF THE  
23 BUDGET CYCLE AND THE DISCLOSURE THAT'S REQUIRED  
24 AFTER A BUDGET IS APPROVED IN 2010, THE EARLIEST  
25 DATE WE COULD EXPECT MAJOR BOND ISSUES IS OCTOBER OF

## BARRISTERS' REPORTING SERVICE

1 2010. AND THERE WILL BE A MAJOR TRAFFIC JAM IN  
2 OCTOBER, NOVEMBER, AND DECEMBER TO TRY AND CLEAR  
3 DEBT.

4 THIS IS WHY WE HAVE SUGGESTED, AND DR.  
5 ROBSON, DR. TROUNSON, AND THEIR STAFFS HAVE WORKED  
6 WITH US OVER THE LAST TWO MONTHS, TO LOOK AT OPTIONS  
7 PRICING OUT AND SIZING THE SCALE OF OUR CHALLENGE  
8 THROUGH DECEMBER OF 2010 BECAUSE WE DON'T THINK IT'S  
9 REASONABLE TO PREDICT THAT WE WOULD HAVE A FULL  
10 RECOVERY, EVEN OPTIMISTICALLY, UNTIL JANUARY OF  
11 2011. THAT IS THE FRAMEWORK FOR THE BUDGET OPTIONS  
12 THAT WE'RE DISCUSSING HERE.

13 WITH THAT, I'D LIKE TO GO TO A QUESTION.  
14 DR. PIZZO.

15 DR. PIZZO: SO I JUST WANT TO HAVE SOME  
16 CLARITY, IF I CAN, BECAUSE I'VE HEARD TWO DIFFERENT  
17 MESSAGES. THE FIRST PART OF JAMES' PRESENTATION TO  
18 ME SOUNDED ENORMOUSLY DIRE, THAT WE WERE PART OF A  
19 HUGE BACKLOG OF BONDS THAT HAD A VERY LOW LIKELIHOOD  
20 OF SEEING THE LIGHT OF DAY IN THE IMMEDIATE FUTURE.  
21 AND THEN THE SECOND PART SOUNDED LIKE THERE WAS AN  
22 ALTERNATIVE METHODOLOGY THAT MAY, IN ESSENCE, GET US  
23 INTO A VERY DIFFERENT PATHWAY.

24 AND SO I'M WONDERING IF, JAMES OR BOB, YOU  
25 COULD PROVIDE KIND OF A SENSITIVITY ANALYSIS BETWEEN

## BARRISTERS' REPORTING SERVICE

1 THE DIRE, WE'RE IN THIS BOAT AND IT'S SINKING  
2 RAPIDLY, AND, YOU KNOW, WE ARE FIRST AMONG EQUALS  
3 AND WE SEEM TO BE SOMEHOW IN A VERY DIFFERENT  
4 POSITION THAN MANY OTHERS, AND WE HAVE A PATH TO, IF  
5 YOU WILL, CONTINUING THESE PROGRAMS. SO THAT'S THE  
6 FIRST PART.

7 THE SECOND PART IS, WHICH I'M SURE WE'RE  
8 GOING TO COME TO, WE HAVE A -- THE WONDERFUL THING  
9 THAT'S HAPPENED IS WE HAVE STIMULATED IN THIS STATE  
10 AN EXTRAORDINARY ARRAY OF IMPORTANT RESEARCH  
11 PROJECTS. AND THEY REQUIRE, OBVIOUSLY AS WE ALL  
12 KNOW, THIS IS JUST SAYING THE OBVIOUS, A CONTINUUM.  
13 IF THERE IS A BREAK IN THE FUNDING, WE WILL, IN  
14 ESSENCE, BE AT RISK FOR LOSING MUCH OF WHAT WE'VE  
15 GAINED. SO AT THE END OF THE DAY, REALLY ZONING IN  
16 ON YOUR, QUOTE, SECOND OPTION AND HOW LIKELY THAT IS  
17 IS GOING TO MAKE A TREMENDOUS DIFFERENCE IN HOW WE  
18 CONTINUE OUR WORK TONIGHT AND TOMORROW.

19 CHAIRMAN KLEIN: SO YOU'VE JUST GIVEN A  
20 GREAT INTRODUCTION TO THE NEXT COMPONENT OF THE  
21 PROGRAM, WHICH IS A CASE STUDY OF THE BAN'S AND ITS  
22 APPLICABILITY TO THIS FACT PATTERN. SO IF WE CAN GO  
23 THROUGH THAT, AND STARTING WITH TWO GUESTS THAT WE  
24 HAVE ON THAT ITEM. AND THE TWO GUESTS ARE DOUG  
25 MONTAGUE. HE'S THE FOUNDER OF MONTAGUE, DEROSE &



## BARRISTERS' REPORTING SERVICE

1 ASSOCIATES. DOUG MONTAGUE AND HIS FIRM WERE  
2 SELECTED BY THE STATE TREASURER'S OFFICE AS THE  
3 FINANCIAL ADVISOR FOR THE BOND ANTICIPATION NOTES.

4 THEY WERE ISSUED OBVIOUSLY IN ANOTHER  
5 PERIOD OF DIRE CHALLENGE. HOPEFULLY WHAT WE CAN  
6 LEARN FROM DOUG'S EXPERIENCE IN TERMS OF OUR CASE  
7 STUDY PERFORMANCE IN THOSE PRIVATE MARKETS, AT THAT  
8 POINT WITHOUT EVEN THE CONSTITUTIONAL APPROVAL OF  
9 THAT DEBT, THAT WE CAN USE THAT TO HELP INFORM AN  
10 EVALUATION OF OUR ABILITY TO PERFORM IN AN  
11 EXTRAORDINARILY DIFFICULT FINANCIAL MARKET, BUT ONE  
12 WHERE WE AT LEAST HAVE A CONSTITUTIONAL VALIDATION  
13 OF THE DEBT.

14 AS DOUG WILL EXPLAIN AND AS STEVE  
15 CHURCHWELL WILL EXPLAIN, WE ARE NOT IN THIS CYCLE AT  
16 LEAST FOCUSED WITH THE PROBLEM THAT STEVE  
17 CHURCHWELL, AS COUNSEL FOR A MAJOR BAN PURCHASER HAD  
18 TO MEET, WHICH WAS TO EXPLAIN CLEARLY TO A CLIENT  
19 THAT IF WE DIDN'T WIN THE LITIGATION, THEY WERE  
20 MAKING A CONTRIBUTION TO THE STATE.

21 SO IN PROVIDING A CASE STUDY APPROACH  
22 WHERE WE ARE VERY, VERY THANKFUL, DOUG, FOR YOUR  
23 PERSONAL APPEARANCE HERE TODAY. AND IF YOU WOULD  
24 BEGIN YOUR PRESENTATION GIVING US, FROM YOUR  
25 PERSPECTIVE, IN HELPING DRIVE FROM THE TREASURER'S

## BARRISTERS' REPORTING SERVICE

1 OFFICE SIDE THE BAN PROGRAM, WHAT THE CHALLENGE WAS  
2 AND HOW THAT VALIDATES THE ABILITY IN AN INNOVATIVE  
3 WAY TO MAYBE FACE THE CHALLENGE WE HAVE TODAY.

4 MR. MONTAGUE: THANK YOU, CHAIRMAN KLEIN.  
5 APPRECIATE IT. IT'S A PLEASURE TO BE HERE. AND  
6 CIRM IS CERTAINLY A GROUP THAT IS NEAR AND DEAR TO  
7 MY HEART AND HAS CREATED, QUITE HONESTLY, A LOT OF  
8 HEARTBURN OVER THE YEARS AS WE'VE REALLY CUT FROM  
9 WHOLE CLOTH YOUR ORGANIZATION'S BORROWING PROGRAM.

10 WE ESSENTIALLY -- AND THIS FIRST SLIDE  
11 ESSENTIALLY TALKS, IS BACKGROUND THAT YOU'VE HEARD  
12 FROM OTHER SPEAKERS ALREADY THIS EVENING.  
13 ESSENTIALLY WE JUST WANT TO TALK ABOUT BRIEFLY WHERE  
14 WE ARE IN TERMS OF YOUR DEBT POSITION OR THE STATE'S  
15 DEBT POSITION ON YOUR BEHALF. CIRM HAS -- WE WERE  
16 ABLE TO SUCCESSFULLY ISSUE, AND I'M TAKING THESE A  
17 LITTLE BIT BACKWARDS, BUT WE WERE ABLE TO ISSUE  
18 LONG-TERM BONDS IN THE FALL OF 2007 IN THE AMOUNT OF  
19 \$250 MILLION. THESE WERE TAXABLE BONDS, WHICH IN  
20 THE MUNICIPAL MARKET IS A LITTLE BIT OF A UNIQUE  
21 INSTRUMENT. MOST BONDS THAT ARE ISSUED BY  
22 MUNICIPALITIES AND STATES ARE TAX-EXEMPT FEDERALLY  
23 AND IN THE STATE IN WHICH THEY'RE ISSUED.

24 IN THIS CASE, BECAUSE OF YOUR USE OF  
25 PROCEEDS, THERE WERE LIMITATIONS THAT MADE IT

## BARRISTERS' REPORTING SERVICE

1 NECESSARY TO MAKE THOSE BONDS TAXABLE. IT'S A  
2 DIFFERENT BUYER AUDIENCE, DIFFERENT BUYER GROUP FOR  
3 TAXABLE BONDS THAN TAX EXEMPT, A SMALLER AUDIENCE  
4 AND MORE CHALLENGING SALE.

5 THOSE BONDS HAVE A MANDATORY TENDER DATE,  
6 WHICH MEANS THAT THE HOLDERS OF THOSE BONDS ARE  
7 REQUIRED TO PUT THEM BACK OR GIVE THEM BACK ON APRIL  
8 1ST, 2010. AND I MADE A MENTAL NOTE NEXT TIME,  
9 MAYBE APRIL FOOL'S DAY ISN'T THE BEST DAY TO BE  
10 REMARKETING YOUR BONDS. WE'LL WORK ON THAT. BUT ON  
11 APRIL 1ST, 2010, THOSE BONDS WILL BE REMARKETED.  
12 AND DEPENDING ON THE USE OF THE PROCEEDS, ULTIMATELY  
13 HOW THEY'RE USED, THEY MAY BE REMARKETED TAX EXEMPT  
14 OR REMARKETED AS TAXABLE BONDS AGAIN.

15 IN ADDITION, AS DISCUSSED, YOU HAVE A  
16 POOLED MONEY INVESTMENT ACCOUNT LOAN FROM THE STATE  
17 IN THE AMOUNT OF \$250 MILLION. AND THAT LOAN IS DUE  
18 IN THE SPRING. I HAVE AN UPDATE EVEN, BOB, AS  
19 RECENTLY AS THIS AFTERNOON THAT IT'S THE STATE'S  
20 INTENTION, BARRING SOME UNFORESEEN CHANGE, TO EXTEND  
21 THAT LOAN. AND IT WILL BE AT THE ORIGINAL RATE.  
22 THIS IS THEIR NORMAL PROCESS. THEY ROLL THESE LOANS  
23 UNTIL LONG-TERM BONDS ARE ISSUED TO TAKE OUT THE  
24 LOAN. SO I THINK AT THIS POINT, AT LEAST BARRING  
25 ANY ADVERSE WORD, YOU CAN EXPECT THAT LOAN TO BE

## BARRISTERS' REPORTING SERVICE

1 ROLLED AT ITS CURRENT RATE.

2 AND WHILE YOU HAVE SIGNIFICANT CASH  
3 RESOURCES, IT'S CLEAR THAT IN ORDER TO CONTINUE WITH  
4 YOUR MISSION, YOU NEED ADDITIONAL FUNDING IN ORDER  
5 TO MAKE SURE THAT THE INTERNATIONAL COMMUNITY  
6 RETAINS ITS CONFIDENCE IN THE INTEGRITY OF YOUR  
7 PROGRAM AND ITS VIABILITY. AND YOUR ABILITY TO  
8 ATTRACT THE BEST RESEARCHERS AND THE BEST MINDS, YOU  
9 NEED TO STAY -- YOU NEED TO HAVE CASH BALANCES.

10 THE PROBLEM IS THE STATE'S ABILITY TO  
11 BORROW, AS CHAIRMAN KLEIN HAS INDICATED AND ALSO  
12 JAMES, THAT THE MARKET IS IN SHAMBLES. AND THIS IS  
13 A RESULT OF THE MORTGAGE CRISIS AND SORT OF THE  
14 DOMINO EFFECT AND THE RIPPLE EFFECT THAT IT'S HAD  
15 THROUGHOUT THE GLOBAL ECONOMY, BUT IT HAS  
16 ESSENTIALLY RESULTED IN A TOTALLY DYSFUNCTIONAL  
17 TAX-EXEMPT MARKET. AND YOU HAVE FEWER BUYERS FOR  
18 TAX-EXEMPT BONDS. AND REALLY EVERYONE IS WANTING TO  
19 BUY U.S. TREASURIES.

20 AND WE'LL TALK A LITTLE BIT ABOUT WHAT  
21 THAT HAS DONE TO THE DYNAMICS OF THIS MARKET, BUT  
22 THE RESULT FOR YOU IS THAT THERE ARE FEWER BUYERS.  
23 AND BECAUSE THE STATE HAS NOT BEEN ABLE TO ACCESS  
24 THE MARKET, PARTLY BECAUSE OF THESE KIND OF GLOBAL  
25 GENERAL -- THIS CHAOS, BUT ALSO NOW BECAUSE OF

## BARRISTERS' REPORTING SERVICE

1 ISSUES RELATED TO THE STATE'S FINANCES SPECIFICALLY,  
2 THERE'S A GROWING BACKLOG IN THE ISSUANCE OF  
3 CALIFORNIA GENERAL OBLIGATION BONDS.

4 AND AS MENTIONED, WHAT WE'VE BEEN TALKING  
5 ABOUT ARE REALLY TWO DIFFERENT TYPES OF SALES, BOND  
6 SALES. A PUBLIC SALE, WHICH IS A SALE IN WHICH THE  
7 STATE HIRES UNDERWRITERS, THINK OF MERRILL LYNCH,  
8 THINK OF J. P. MORGAN, SECURITIES FIRMS TO  
9 ORCHESTRATE A SALE, OR THEY ADVERTISE FOR BONDS AND  
10 TAKE BIDS FOR BONDS AT PUBLIC SALE. THOSE ARE THE  
11 TWO WAYS THAT THEY NORMALLY SELL BONDS. AND USUALLY  
12 THEY'LL DO A BILLION DOLLARS AT A TIME OR A BILLION  
13 AND A HALF OR 750 MILLION.

14 THE MARKET IS SO CONSTRAINED THAT THEY  
15 DON'T HAVE THE ABILITY REALLY TO ACCESS THE MARKET  
16 IN THAT SIZE OR WITH ANY FREQUENCY. THERE ARE  
17 LITERALLY TIMES IN THE LAST 60 DAYS WHEN I'VE GONE  
18 ALL THE WAY TO NEW YORK FOR A BOND SALE ONLY TO FIND  
19 THAT, DUE TO RUMORS ABOUT THE FINANCIAL TROUBLES OF  
20 ONE OF THE MAJOR INVESTMENT BANKS, THE ENTIRE  
21 TAX-EXEMPT MARKET SEIZES UP AND NO BONDS CAN BE  
22 SOLD. THESE ARE TIMES WE'VE NEVER WITNESSED IN OUR  
23 MARKET BEFORE.

24 BUT BECAUSE OF THAT, THE STATE IS HAVING  
25 TROUBLE ACCESSING THE MARKET. AND WHAT CHAIRMAN

## BARRISTERS' REPORTING SERVICE

1 KLEIN IS DISCUSSING IN TERMS OF A PRIVATE PLACEMENT  
2 OF BONDS IS A VERY DIFFERENT PROCESS. AND IT'S THE  
3 PROCESS WE USED TO PLACE THE ORIGINAL \$45 MILLION  
4 WORTH OF BOND ANTICIPATION NOTES BACK IN 2006. AND  
5 THAT PROCESS IS A MUCH SMALLER PROCESS. IT DOESN'T  
6 INVOLVE UNDERWRITERS OR INVESTMENT BANKERS. BUT IN  
7 2005 AND 2006, IT INVOLVED A HERCULEAN EFFORT BY  
8 CIRM STAFF TO ACTUALLY REACH OUT TO VERY WELL-TO-DO  
9 INDIVIDUALS AND FOUNDATIONS WHO BELIEVED IN THE  
10 CAUSE AND WHO WERE WILLING TO ESSENTIALLY PUT ALL  
11 THEIR MONEY AT RISK, THE MONEY THEY WERE INVESTING  
12 AT RISK, RECOGNIZING THAT THE PROP 71 WAS STILL THE  
13 SUBJECT OF SERIOUS, POTENTIALLY FATAL LITIGATION.  
14 YET WE WERE ASKING THEM TO MAKE THIS INVESTMENT EVEN  
15 IN THE FACE OF THAT RISK.

16 WE WERE ABLE TO DO THAT. IT LITERALLY  
17 TOOK OVER A YEAR, AND WE STARTED WITH A LARGE POOL,  
18 THE TREASURER'S OFFICE STAFF, CIRM STAFF, AND OUR  
19 STAFF, WITH A LARGER POOL, BUT IT WHITTLED DOWN. BY  
20 THE END, WE HAD JUST A LITTLE MORE THAN TWO DOZEN  
21 INDIVIDUALS AND FOUNDATIONS WHO PARTICIPATED. AND  
22 WE'LL HEAR A LITTLE MORE ABOUT THE PROCESS FROM THE  
23 INVESTOR SIDE, BUT IT WAS THE FIRST TIME THE STATE  
24 HAD ISSUED BOND ANTICIPATION NOTES. WE WERE CUTTING  
25 FROM WHOLE CLOTH, AND IT WAS A CHALLENGING BUT

## BARRISTERS' REPORTING SERVICE

1 REWARDING PROCESS.

2 THE RISKS, THEN, ARE NOT EXACTLY THE SAME  
3 AS THE RISKS NOW. THINGS HAVE CHANGED DRAMATICALLY.  
4 AS WE MENTIONED, THERE ARE FEWER INSTITUTIONS  
5 REMAINING TO UNDERWRITE OR TO SELL BONDS ON THE  
6 STATE'S BEHALF. AND DUE TO HEAVY LOSSES, YOU HAVE  
7 INVESTORS VERY GUN-SHY ABOUT INVESTING IN ANYTHING  
8 OTHER THAN TREASURIES OR KEEPING THEIR MONEY UNDER  
9 THEIR MATTRESS OR IN INSURED BANK ACCOUNTS. AND  
10 WHAT HAS RESULTED IS EXTREMELY HIGH VOLATILITY IN  
11 ALL MARKETS. YOU SEE IT IN THE STOCK MARKET; YOU  
12 SEE IT IN THE BOND MARKET IN TERMS OF RATES.

13 TAXABLE BONDS, WHEN THEY'RE SOLD, ARE SOLD  
14 AS A SPREAD TO TREASURIES TO A COMPARABLE MATURITY  
15 TREASURY BOND OR NOTE. AND I'M GOING TO GIVE YOU A  
16 LITTLE BACKGROUND JUST BECAUSE IT WILL HELP YOU  
17 UNDERSTAND THE DYNAMICS OF WHERE WE ARE NOW.

18 THIS CHART, ALTHOUGH I'M GOING TO MAKE THE  
19 SAME COMPLAINT, IT LOOKED A LOT BETTER ON MY  
20 COMPUTER THAN IT LOOKS ON THE SCREEN, THIS SHOWS  
21 YOU, AND YOU CAN'T -- WE'VE LOST THE KEY AS WELL,  
22 BUT THESE ARE ESSENTIALLY TWO DIFFERENT WHAT WE CALL  
23 YIELD CURVES. AND THEY'RE THE RATES OF INTEREST  
24 THAT INVESTORS DEMANDED TO PURCHASE TREASURIES IN  
25 DIFFERENT MATURITIES. THE X AXIS HERE IS YEARS FROM

## BARRISTERS' REPORTING SERVICE

1 TWO TO THIRTY. AND ESSENTIALLY YOU CAN SEE THE RED  
2 LINE WAS THE YIELD CURVE AT THE TIME WE SOLD THE  
3 BONDS IN 2007. AND WE WERE AT THE THREE-YEAR --  
4 ACTUALLY THIS ISN'T A LINEAR GRAPH. THREE YEARS IS  
5 ABOUT HALFWAY THROUGH THE CHART, HALFWAY LEFT AND  
6 RIGHT, AND YOU CAN SEE WE WERE ABOUT A 4 PERCENT  
7 TREASURY YIELD FOR A THREE-YEAR INVESTMENT, WHICH IS  
8 WHAT THE TERM OF THE ORIGINAL BONDS, THE ORIGINAL  
9 PUT PERIOD IS FOR CIRM'S BONDS.

10 WE SOLD THOSE BONDS AT, I THINK, ABOUT A  
11 5.17, 5.17 PERCENT YIELD, SO IT WAS ABOUT A 117  
12 BASIS POINT SPREAD TO THE COMPARABLE TREASURY. YOU  
13 CAN SEE NOW, IF YOU LOOK AT THE YIELD CURVE DOWN  
14 BELOW, THE BLUE LINE, THAT AT THREE YEARS WE'RE AT  
15 ABOUT 1 PERCENT. AND THAT'S DRIVEN BY THE DEMAND  
16 FOR TREASURIES, AS WE'VE TALKED ABOUT. THIS IS  
17 REALLY AN UNHEARD OF TYPE OF YIELD CURVE, BUT AT  
18 THAT LEVEL, IF THE STATE COULD BORROW AT THE SAME  
19 1.57-PERCENT SPREAD, WE'D BE BORROWING AT JUST A  
20 LITTLE OVER 2 PERCENT. UNFORTUNATELY THAT'S NOT  
21 WHAT'S HAPPENING BECAUSE THAT ASSUMES THAT THERE'S A  
22 LOT OF CONFIDENCE IN THE STATE AND IN MUNICIPAL  
23 BONDS.

24 THIS SLIDE I WON'T GET INTO A LOT OF  
25 DETAIL, BUT IT'S THE SPREAD BETWEEN MUNICIPAL BONDS



## BARRISTERS' REPORTING SERVICE

1 AND TREASURY BONDS. AND THE BLUE LINE IS  
2 TREASURIES; THE RED LINE IS MUNICIPALS. AND YOU CAN  
3 SEE WHAT'S HAPPENED IN THE LAST FEW MONTHS. IT USED  
4 TO BE, AND IT WOULD BE LOGICAL, THAT A TAXABLE BOND  
5 WOULD HAVE A HIGHER YIELD THAN A TAX-EXEMPT BOND,  
6 BUT THAT HAS REVERSED. AND AS CONFIDENCE HAS BEEN  
7 LOST IN OUR MARKET, YOU CAN SEE NOW THAT MUNICIPAL  
8 BONDS AT 30 YEARS ARE TRADING AT A 5 PERCENT  
9 COMPARED TO -- THE TREASURY ACTUALLY IS A WEIGHTED  
10 TREASURY, BUT YOU CAN SEE THAT THE SPREAD IS VERY  
11 WIDE BETWEEN THE TWO, WHICH MEANS THE MARKET DOESN'T  
12 HAVE THE SAME CONFIDENCE IN MUNICIPALS THAT THEY HAD  
13 RELATIVE TO TREASURIES EVEN A YEAR AND A HALF AGO.

14 SO BUYERS TODAY, THEY HAVE NO RISK OF PROP  
15 71 LITIGATION ANYMORE. THAT'S BEEN RESOLVED. BUT  
16 THEY DO HAVE GENERAL CREDIT RISKS THAT RELATE TO THE  
17 TAX-EXEMPT MUNICIPAL MARKET AND SPECIFIC TO THE  
18 STATE WHICH COME INTO PLAY. WE THINK PROBABLY  
19 COMPARED TO THE 1.17 SPREAD TO TREASURIES WE WERE  
20 ABLE TO ACHIEVE IN 2007, WE MAY BE LOOKING AT A  
21 4-PERCENT SPREAD OR 3.5 TO 4.5. IT'S GOING TO BE  
22 MULTIPLES OF THE CREDIT SPREAD THAT WE SAW.

23 CHAIRMAN KLEIN: DOUG, WHAT THAT MEANS FOR  
24 THIS BOARD IS THAT ON A FOUR-YEAR MATURITY, WE COULD  
25 BE, IF WE HAVE A 450 BASIS POINT SPREAD, WE COULD BE

## BARRISTERS' REPORTING SERVICE

1 AT A 5.50, IN THAT RANGE. BUT STILL, ON A HISTORIC  
2 BASIS, VERY REASONABLE AND QUITE COMPARABLE TO THE  
3 5.17 SPREAD ON THE ORIGINAL PRIVATE PLACEMENT WE  
4 DID.

5 MR. MONTAGUE: THAT'S RIGHT. SO THAT  
6 REALLY IS THE PUNCHLINE IS THAT EVEN THOUGH THE  
7 SPREAD, THE CREDIT SPREAD, THAT'S BEING EXTRACTED BY  
8 THE MARKET IS MULTIPLES OF WHAT IT WAS BEFORE. WE  
9 DO HAVE THE BENEFIT OF TREASURIES BEING AT ABSOLUTE  
10 HISTORIC LOWS. SO THAT SPREAD ADDED TO CURRENT  
11 TREASURY RATES, ASSUMING THEY STAY ROUGHLY WHERE  
12 THEY ARE, BY THE TIME YOU'RE IN THE MARKET, MEANS  
13 YOUR BORROWING RATE WILL NOT BE THAT MUCH DIFFERENT  
14 THAN IT WAS IN 2007.

15 CHAIRMAN KLEIN: AND AS TO THE MARKET  
16 GENERALLY, SEPARATE FROM INDIVIDUALS, OUR GREATEST  
17 POTENTIAL MAY BE WITH MAJOR FOUNDATIONS, WORLD-CLASS  
18 FOUNDATIONS, THAT CAN DO PROGRAM INVESTMENTS BECAUSE  
19 AS A PROGRAM INVESTMENT, DEFINED AS AN INVESTMENT  
20 THAT IS SPECIFICALLY RELEVANT TO ACCOMPLISHING THE  
21 MISSION OF THE FOUNDATION, THE DIRECTORS AND  
22 ADVISORS OF THOSE MAJOR FOUNDATIONS CAN MAKE  
23 INVESTMENTS THAT HAVE MUCH GREATER VOLATILITY THAN  
24 THEY WOULD OTHERWISE HAVE IN THEIR PORTFOLIO THAT  
25 HAVE RISK CHARACTERISTICS ON TIMING OF PAYMENT THAT

## BARRISTERS' REPORTING SERVICE

1 THEY NORMALLY WOULD NOT UNDERTAKE IN THIS VOLATILE  
2 MARKET. BUT BECAUSE THEY'RE SERVING BOTH THEIR  
3 PROGRAM MISSION BY BUYING THESE AND GETTING A  
4 REASONABLE YIELD, THEY REPRESENT AN OPPORTUNITY FOR  
5 US. AND THESE INVESTORS ARE NOT CLASSICALLY GOING  
6 TO BE IN THE PUBLIC MARKETS FOR CALIFORNIA  
7 SECURITIES. IS THAT AN ACCURATE STATEMENT?

8 MR. MONTAGUE: YES, I'M SURE THAT'S RIGHT.

9 CHAIRMAN KLEIN: SO WITH ALL OF THAT, AND  
10 BEFORE HEARING WHAT THE LEGAL ADVISORS ARE GOING TO  
11 SAY FROM STEVE CHURCHWELL TO THEIR CLIENTS, IN  
12 SOMEWHAT OF A COMPARABLE RISK SITUATION WITH  
13 DIFFERENT RISKS AT STAKE, HOW WOULD YOU GENERALLY  
14 EVALUATE OUR ABILITY TO OPERATE IN THIS TAXABLE  
15 MARKET WITH PRIVATE PLACEMENTS?

16 MR. MONTAGUE: I THINK MY SENSE IS, AND  
17 THIS IS AFTER HAVING HAD SOME CONVERSATIONS WITH  
18 TAXABLE DESKS AT SOME OF THE SECURITIES FIRMS, AND I  
19 KNOW WE WON'T BE USING, ASSUMING YOU GO WITH THE  
20 PRIVATE PLACEMENT APPROACH, YOU WON'T BE USING THEM,  
21 BUT I THINK IT'S OUR SENSE THAT, WHILE THE TAXABLE  
22 MARKET IS SMALLER, THE STATE WON'T BE TAPPING IT TO  
23 NEARLY THE EXTENT OR TRYING TO SELL INTO IT TO  
24 NEARLY THE EXTENT THAT THEY WILL THE TAX-EXEMPT  
25 MARKET. THE VAST MAJORITY OF STATE BORROWING IN THE

## BARRISTERS' REPORTING SERVICE

1 FUTURE WILL BE TAX-EXEMPT.

2 SO I THINK WE THINK THERE ARE TRADITIONAL  
3 TAXABLE BUYERS WHO WILL BE INTERESTED. BUT TO  
4 AUGMENT THAT, YOU KNOW, THESE SPECIAL-SITUATION  
5 BUYERS WHO HAVE A SPECIAL INTEREST IN CIRM AND THE  
6 WORK YOU'RE DOING ARE GOING TO MAKE, I THINK, FOR A  
7 COMPELLING CASE. I THINK THE IDEA WOULD BE TO DO  
8 PRIVATE PLACEMENTS PERIODICALLY, TAP THE MARKET  
9 PERIODICALLY FOR SIZE. WE KNOW YOU NEED AT LEAST  
10 133 MILLION IN THE NEAR TERM.

11 CHAIRMAN KLEIN: SO IF YOU HAVE 390  
12 MILLION, YOU MAY DO THREE TRANCHES OF 130 MILLION.

13 MR. MONTAGUE: RIGHT. AND SPREAD THAT OUT  
14 OVER THE TIME PERIOD THAT MAKES SENSE TO YOU.

15 CHAIRMAN KLEIN: AND JUST AS A FINAL DATA  
16 POINT OR INFORMATION POINT, BEFORE TAKING DR.  
17 PIZZO'S QUESTION, IN OUR DISCUSSIONS WITH THE STATE  
18 TREASURER'S OFFICE, I THINK IT'S APPROPRIATE TO SAY  
19 THAT IT WAS VERY CLEAR, GIVEN THEIR OTHER BURDEN OF  
20 WORK, THAT THEY SPECIFICALLY STATED IT WOULD BE OUR  
21 OBLIGATION TO IDENTIFY AND EDUCATE THOSE PURCHASERS,  
22 AND THEN THEY WOULD COMPLETELY COOPERATE IN THE  
23 TRANSACTION PROCESSING OF THOSE AFTER THOSE  
24 INVESTORS HAD BEEN IDENTIFIED AT A LEVEL THEY WERE  
25 PREPARED TO ACCEPT THAT RISK, UNDERSTANDING THAT

## BARRISTERS' REPORTING SERVICE

1 THEY HAVE TO GO THROUGH AN ENTIRE RISK DISCLOSURE  
2 PROCESS WITH THE TREASURER'S OFFICE. IS THAT  
3 APPROPRIATE STATEMENT, JAMES?

4 MR. HARRISON: THAT'S RIGHT. THE MODEL  
5 REALLY IS SIMILAR TO THE ONE THAT WE USED WITH  
6 RESPECT TO THE BAN'S WHERE CIRM STAFF DID THE VAST  
7 BULK OF THE LEGWORK WITH THE HELP OF BOARD MEMBERS  
8 IN IDENTIFYING POTENTIAL PURCHASERS OF THE BAN'S.  
9 AND TREASURER'S OFFICE CAME IN TO HELP ACTUALLY GET  
10 THE DEAL THROUGH.

11 CHAIRMAN KLEIN: OKAY. DR. PIZZO.

12 DR. PIZZO: WELL, YOU KNOW, FIRST OF ALL,  
13 I THINK I, LIKE I'M SURE EVERYONE, LOVE THE NOTION  
14 OR RESPECT THE NOTION THAT THERE MAY BE A PATHWAY  
15 OUT OF WHAT OTHERWISE APPEARS TO BE A ROUTE TO  
16 DARKNESS. BUT I ALSO REMEMBER THE PROCESS WITH THE  
17 BAN'S OF A COUPLE OF YEARS AGO, AND NOT STATED IS  
18 THAT THINGS HAVE CHANGED DRAMATICALLY FOR THOSE WHO  
19 MIGHT MAKE PRIVATE INVESTMENTS. YOU KNOW, JUST  
20 THINKING ABOUT WHERE WE ARE TODAY AS COMPARED TO  
21 THEN, YOU KNOW, I KNOW I AND SHERRY AND OTHERS WITH  
22 YOU, BOB, MADE CONTACTS WITH SOME OF OUR MOST  
23 GRATEFUL, ENTHUSIASTIC SUPPORTERS, BUT THOSE SAME  
24 SUPPORTERS, AT LEAST AS WE TALK TO THEM FOR  
25 DIFFERENT REASONS, ARE FEELING TREMENDOUS PAIN RIGHT

## BARRISTERS' REPORTING SERVICE

1 NOW. AND FOUNDATIONS ARE HARDLY IN A DIFFERENT  
2 PLACE.

3 AND SO WHILE I THINK THIS IS VERY EXCITING  
4 ON THE ONE HAND, WHEN I SPOKE ABOUT SENSITIVITY  
5 ANALYSIS, I SUPPOSE, YOU KNOW, IT'S GOING TO BE  
6 IMPORTANT TO DO REALITY CHECK ANALYSIS AS WELL  
7 BECAUSE AT THE END OF THE DAY, WE REALLY HAVE  
8 SEVERAL TASKS. I MEAN THE FIRST TASK IS WE CLEARLY  
9 WANT TO SUPPORT THE WORK THAT'S CURRENTLY IN PLACE  
10 AND NOT COMPROMISE THAT. THE SECOND IS WE ONLY WANT  
11 TO FUND PROJECTS GOING FORWARD THAT HAVE A CHANCE OF  
12 BEING COMPLETED. YOU KNOW, FOR AN INVESTIGATOR TO  
13 START A PROJECT AND HAVE IT FALL APART IS A PRETTY  
14 UNACCEPTABLE PLACE. WE ALL AGREE WITH THAT. AND  
15 FOR A NEW TRAINEE TO START ON A PROGRAM OF EDUCATION  
16 AND THEN HAVE TO STOP IS A HORRIBLE PLACE TO BE.

17 SO I THINK WE HAVE TO BE CLEARLY PLANNING  
18 WITH HOPEFULNESS. THIS IS POTENTIALLY A WAY OF  
19 DOING IT; BUT, BOY, IT SEEMS LIKE A HIGH MOUNTAIN TO  
20 CLIMB, WHICH MEANS WE NEED TO SPEND AN EQUAL AMOUNT  
21 OF TIME ON PREPARING FOR THAT DARK ROAD AS WELL.

22 CHAIRMAN KLEIN: SO IT IS EXTREMELY  
23 CHALLENGING. AND BEFORE ANY OTHER QUESTIONS TO DOUG  
24 MONTAGUE, WHAT I'D LIKE TO DO IS GET THE OTHER PART  
25 OF THE CHALLENGE BECAUSE --

**BARRISTERS' REPORTING SERVICE**

1 DR. PIZZO: IS THAT GOING TO BE BETTER OR  
2 WORSE?

3 CHAIRMAN KLEIN: YOU KNOW, WHEN YOU GET TO  
4 THE TOP OF ONE MOUNTAIN, YOU LOOK BEYOND IT AND  
5 THERE'S ANOTHER MOUNTAIN. AND YOU NEED TO KNOW SOME  
6 OF THE BIGGER MOUNTAINS THAT YOU ARE GOING TO FACE  
7 IN MAKING YOUR EVALUATION. SO, DOUG, WE HAVE ONE  
8 MORE SLIDE?

9 MR. MONTAGUE: YEAH. AND IT'S REALLY JUST  
10 A SUMMARY SLIDE, JUST INDICATING THE BIGGEST  
11 CHALLENGE IS THE IDENTIFICATION OF THE BUYERS  
12 FOLLOWED BY THE NEGOTIATION OF TERMS. AND WE DO  
13 HAVE EXPERIENCE BOTH IN THAT NEGOTIATION PROCESS,  
14 BUT ALSO DOCUMENTATION. I BELIEVE WE'LL BE ABLE TO  
15 USE ESSENTIALLY THE SAME DOCUMENTATION THAT WE USED  
16 FOR THE PUBLIC BOND SALE IN 2007 AS THE  
17 DOCUMENTATION FOR THIS SALE. I THINK IT'S  
18 DIFFICULT, BUT I WOULD JUST SAY MY CONCLUSION IS  
19 THAT IT'S PROBABLY LIKELY TO BE ACHIEVABLE.

20 CHAIRMAN KLEIN: OKAY. AND I WANT TO SAY  
21 DOUG MONTAGUE IS A PERSON OF EXTRAORDINARY  
22 COMMITMENT AND PERFORMANCE. IF YOU WANT TO FIGHT A  
23 BATTLE IN THE MIDDLE OF THE NIGHT, HE'S GOING TO BE  
24 THERE WITH YOU ALL THE WAY THROUGH THAT BATTLE. SO  
25 WE'RE VERY PRIVILEGED THAT THE STATE TREASURER

## BARRISTERS' REPORTING SERVICE

1 SELECTED HIS FIRM AS ADVISOR ON THOSE BONDS. AND  
2 THERE'S PRELIMINARY INDICATION THAT THEY WOULD BE  
3 SELECTED AS ADVISOR ON THIS PRIVATE PLACEMENT.

4 DR. AZZIZ: MR. MONTAGUE, THAT WAS VERY  
5 ENLIGHTENING. I JUST HAVE JUST TO GET A SENSE, AND  
6 I'M GOING TO FOLLOW UP ON PHIL'S QUESTION. YOU'VE  
7 PRESENTED SOME DATA THAT OBVIOUSLY, AS ALL OF US  
8 KNOW, THE MARKET IS A TOUGH ONE. WE HAVE 133  
9 MILLION AT A MINIMUM TO KEEP FUNCTIONING WITH WHAT  
10 WE ALREADY HAVE. WE HAVE ANOTHER 250 MILLION THAT  
11 IS OUT THERE THAT WE HOPE THE STATE WILL PROBABLY  
12 ALLOW US TO CARRY FORWARD. WE WOULDN'T HAVE ANY  
13 OTHER NEW PROGRAM UNLESS WE ACTUALLY GO BEYOND THE  
14 133 MILLION.

15 CONSIDERING A FAIR SPREAD, WHAT DO YOU  
16 THINK, IF YOU DON'T MIND GIVING US YOUR PROFESSIONAL  
17 ESTIMATE, AS TO WHAT THE PROBABILITIES WILL BE THAT  
18 WE WILL BE ABLE TO SELL SOMETHING IN THE  
19 NEIGHBORHOOD OF \$250 MILLION WORTH OF BONDS BETWEEN  
20 NOW AND 2010 OR THEREABOUTS?

21 MR. MONTAGUE: I'D SAY IT WILL DEPEND A  
22 LITTLE BIT ON THE BUYER BASE. AND THE UNKNOWN IS --

23 DR. AZZIZ: BUT THE BUYER BASE YOU ARE  
24 FAMILIAR WITH.

25 MR. MONTAGUE: THERE'S NO QUESTION IN MY



## BARRISTERS' REPORTING SERVICE

1 MIND THAT YOU COULD SELL THAT AMOUNT OF BONDS. I  
2 THINK THE GOAL, THOUGH, IS TO TRY NOT TO CANNIBALIZE  
3 OR TO USE CAPACITY THAT THE TREASURER'S OFFICE IS  
4 TRYING TO PRESERVE FOR OTHER STATE NEEDS. AND  
5 THAT'S WHERE THE TENSION IS. BUT I THINK THEY'RE  
6 ACTIVELY WORKING ON OTHER CREATIVE SOLUTIONS TO  
7 THEIR NEED FOR ISSUANCE AS WELL. AND MY SENSE IS  
8 THAT CIRM OUGHT TO BE ABLE TO MANAGE THAT. DO YOU  
9 WANT ODDS? I DON'T KNOW.

10 DR. AZZIZ: I LIKE ODDS, YOU KNOW.

11 MR. MONTAGUE: EIGHTY PERCENT.

12 DR. AZZIZ: I'M A PHYSICIAN.

13 MR. GOLDBERG: YOU OUGHT TO TAKE THE  
14 FIFTH.

15 DR. AZZIZ: I GOT ODDS. YOU KNOW, YOU ARE  
16 GOING -- CHANCES YOU'RE GOING TO LIVE IS 90 PERCENT.  
17 THE 10 PERCENT IS A DIFFERENT THING.

18 DR. PIZZO: EXCEPT WE'RE GOING TO BREAK  
19 DOWN TO A ZERO OR A HUNDRED AT THE END OF THE DAY.

20 CHAIRMAN KLEIN: ALL RIGHT. SO, DOUG,  
21 WE'RE GOING TO GO WITH STEVE CHURCHWELL. AND THANK  
22 YOU VERY MUCH FOR THAT PRESENTATION. YES.

23 DR. PRIETO: JUST ONE QUESTION. WOULDN'T  
24 WE BE IN A DIFFERENT MARKET THAN THE STATE FOR THE  
25 MOST PART IF THEY'RE NONTAXABLE BONDS AND THESE

**BARRISTERS' REPORTING SERVICE**

1        WOULD BE TAXABLE?

2                    CHAIRMAN KLEIN:    THE STATE HAS BEEN MAKING  
3        CALLS THE LAST TWO MONTHS TO CONFIRM THE TAXABLE  
4        MARKET.    IN FACT, DOUG'S OFFICE HAS BEEN DOING A  
5        NUMBER OF THOSE.    SO THERE'S PORTIONS OF THE TAXABLE  
6        MARKET THAT THEY WOULD BE OCCUPYING.    AND ONE OF THE  
7        GOALS IS TO MAKE SURE THAT THE VITAL CORE FUNCTIONS  
8        OF THE STATE CONTINUE.    ONE OF OUR GOALS WOULD BE TO  
9        OCCUPY THAT PORTION OF THE TAXABLE MARKET HEAVILY  
10       THAT THEY ARE NOT IN, WHICH IS, IN FACT, MAJOR  
11       FOUNDATIONS WHERE THIS CAN BE A PROGRAM INVESTMENT.

12                    AND WHAT'S IMPORTANT ABOUT A PROGRAM  
13        INVESTMENT IS UNDER CERTAIN RULES IT CAN BE COUNTED  
14        AGAINST WHAT THEY HAVE TO EXPEND IN THAT PARTICULAR  
15        YEAR.    NOW, FOR FOUNDATIONS THAT HAVE LOST A LOT OF  
16        ASSETS AND ARE TRYING TO REBUILD, THERE MAY BE SOME  
17        STRATEGIC BENEFITS TO THAT POSITIONING.    AND ONE OF  
18        THE THINGS WE DID IN OUR IDENTIFICATION OF POTENTIAL  
19        PURCHASERS WAS STRATEGIC ANALYSIS OF PORTFOLIOS,  
20        UNENCUMBERED COMMITMENT CAPACITY, ALTERNATIVE  
21        COMMITMENT OPPORTUNITIES, AND THEN LOOKED AT THE  
22        POTENTIAL MISSION CONTRIBUTION WE COULD MAKE.

23                    WE CAN MAKE A VERY GOOD STRATEGIC CASE  
24        THAT WE CAN HELP SOME OF THESE FOUNDATIONS THROUGH A  
25        VERY DIFFICULT TIME AS THEY'RE TRYING TO MEET THEIR

**BARRISTERS' REPORTING SERVICE**

1 REPORTING GOALS AND REBUILD PORTFOLIO.

2 DR. PRIETO: A FOLLOW-UP QUESTION. AT THE  
3 END OF THE DAY OR AT THE END OF THE \$10 BILLION OR  
4 THE TEN YEARS OR THE \$3 BILLION, WOULD THE INCREASED  
5 INTEREST COSTS OF THAT KIND OF BORROWING HAVE AN  
6 IMPACT ON WHAT WE WERE ABLE TO ACHIEVE OR WHAT WE  
7 WERE ABLE TO FUND IN TOTAL?

8 CHAIRMAN KLEIN: CERTAINLY. SO IN THE  
9 BALLOT ARGUMENT, THE LEGISLATIVE ANALYST'S OFFICE  
10 ESTIMATED AN EFFECTIVE AVERAGE INTEREST COST OF 5  
11 PERCENT. NOW, EVEN WITH THE CONSTITUTIONAL  
12 CHALLENGE, WE WERE AT 5.17 PERCENT, THANKS IN PART  
13 TO SOME VERY COMMITTED INDIVIDUALS AND FOUNDATIONS.  
14 HERE, BECAUSE THE BASE RATE IS SO LOW, EVEN IF YOU  
15 ADD 450 BASIS POINTS, WE'RE IN THE 5.50, 5.80 RANGE,  
16 FAIRLY CLOSE IN AN EXTRAORDINARILY TOUGH TIME TO THE  
17 AVERAGE RATE EXPECTED. SO THIS WOULD NOT  
18 EFFECTIVELY PROVIDE OR CREATE AN OBSTACLE FOR US IN  
19 REACHING OUR MISSION OBJECTIVES. THAT ASSUMES A  
20 FOUR- TO FIVE-YEAR MATURITY NOTE, NOT A LONG-TERM  
21 BOND ISSUE.

22 MR. SERRANO-SEWELL: I HAD A QUICK  
23 QUESTION. FIRST OF ALL, THIS REALLY DOES HIGHLIGHT  
24 WHAT AN IMPORTANT ROLE THE TREASURER'S OFFICE PLAYS  
25 BEYOND A MINISTERIAL RESPONSIBILITY UNDER THE

**BARRISTERS' REPORTING SERVICE**

1 CONSTITUTION, BUT REALLY ON A DETAILED POLICY LEVEL  
2 HOW CRUCIAL IT IS TO HAVE THEIR WORKING IN COALITION  
3 WITH THE OFFICE.

4 CHAIRMAN KLEIN: ABSOLUTELY.

5 MR. SERRANO-SEWELL: SECONDLY, IN A  
6 HEALTHY YEAR OR GOOD YEAR, WHAT SORT OF -- HOW MUCH  
7 DEBT WOULD THE STATE ISSUE? I HEARD THE NUMBER 700  
8 BILLION. SEEMS LIKE A LOT. SO IN A GOOD YEAR,  
9 WOULD IT BE --

10 CHAIRMAN KLEIN: NO. SEVEN BILLION. THEY  
11 HAVE A \$7 BILLION BACKLOG.

12 MR. SERRANO-SEWELL: LIKE ON THE AVERAGE  
13 YEAR, WOULD IT BE LIKE 3 BILLION THEY WOULD -- WHAT  
14 WOULD THEY DO --

15 CHAIRMAN KLEIN: NO. THEY HAVE A GREATER  
16 CAPACITY. DOUG, \$10 BILLION IS AN AVERAGE YEAR ON A  
17 SUSTAINABLE LEVEL.

18 WHAT I'D LIKE TO DO IS INTRODUCE STEVE  
19 CHURCHWELL. WHEN YOU'RE DEALING WITH THE LARGEST  
20 LAW FIRM IN THE WORLD THAT STEVE IS A PARTNER IN,  
21 AND THEY HAVE A CLIENT WHICH WILL GO UNNAMED, AND  
22 IT'S A MAJOR CLIENT, YOU HAVE A HUGE RESPONSIBILITY  
23 IN ADVISING THAT CLIENT. AND I'D LIKE TO SAY THAT,  
24 AS YOU WILL HEAR, STEVE CHURCHWELL, I MUST HAVE  
25 SPENT AT THE BEGINNING OF THIS WITHOUT EVEN A

## BARRISTERS' REPORTING SERVICE

1 DISCLOSURE OF WHO THE CLIENT WAS, BECAUSE HE  
2 COULDN'T DISCLOSE THE CLIENT UNTIL WE GOT THROUGH  
3 THE ENTIRE FIRST PHASE OF LITIGATION FEASIBILITY  
4 ANALYSIS, HE WAS ON THE PHONE WITH ME AT 9 O'CLOCK  
5 AT NIGHT OR SEVEN IN THE MORNING FOR HOURS. SO THIS  
6 IS AN INDIVIDUAL OF HUGE DEDICATION TO OUR MISSION  
7 MUCH BEYOND WHAT ANYONE WOULD ASK IF HE WERE JUST  
8 FUNCTIONALLY FULFILLING HIS ADVISORY ROLE AS A  
9 COUNSEL. STEVE CHURCHWELL.

10 MR. CHURCHWELL: THANK YOU, MR. CHAIRMAN.  
11 TO QUOTE A -- I SHOULD SAY TO BORROW A QUOTE FROM A  
12 FORMER VICE PRESIDENTIAL CANDIDATE AT HIS FIRST AND  
13 LAST DEBATE, "WHO AM I AND WHAT AM I DOING HERE?"  
14 WELL, FIRST OF ALL --

15 DR. PIZZO: THINK OF WHERE HE WOUND UP.

16 MR. CHURCHWELL: EXACTLY. I THINK HE  
17 LIVES IN THIS NEIGHBORHOOD, IN FACT, IF I'M CORRECT.

18 BUT ABOUT THREE YEARS AGO, I WAS SITTING  
19 AT MY DESK IN SACRAMENTO MINDING MY OWN BUSINESS.  
20 AND YOU HAVE TO UNDERSTAND ALL OF WHAT HAS BEEN  
21 TALKED ABOUT TONIGHT IS SORT OF GREEK TO ME. I'M  
22 NOT A FINANCIAL LAWYER. I DON'T INVEST IN  
23 INDIVIDUAL STOCKS EVER. SO I BASICALLY DO A COUPLE  
24 SPECIALTIES WHICH ARE CALLED GOVERNMENT LAW AND  
25 POLITICAL LAW. AND SO IT MAKES IT EVEN CURIOSER

## BARRISTERS' REPORTING SERVICE

1 THAT I RECEIVED THAT PHONE CALL FROM AN ESTATE  
2 PLANNING ATTORNEY IN OUR SAN DIEGO OFFICE SAYING,  
3 "ONE OF OUR CLIENTS IS THINKING ABOUT INVESTING FIVE  
4 TO \$10 MILLION IN SOMETHING CALLED A BAN. AND I'VE  
5 BEEN DOING ESTATE PLANNING FOR 35 YEARS, AND I HAVE  
6 NO IDEA WHAT HE'S TALKING ABOUT."

7 AND I SAID, "WELL, WHY WOULD YOU THINK I,  
8 A GOVERNMENT LAW ATTORNEY, WOULD HAVE ANY MORE CLEAR  
9 UNDERSTANDING OF THAT?" "WELL, THE MANAGING  
10 PARTNER, WE TRIED EVERYONE ELSE, AND WE'RE  
11 DESPERATE, SO WE'RE CALLING YOU." AND SO OVER THE  
12 NEXT, I DON'T KNOW, BOB, PROBABLY SIX MONTHS, I  
13 DON'T THINK IT WAS ANY SHORTER THAN THAT, I MEAN I  
14 QUICKLY, AS MOST LAWYERS WHO DO RESEARCH, WENT ON  
15 WICKIPEDIA AND REALIZED THAT WASN'T GOING TO WORK,  
16 AS GOOD AS THAT IS. AND GOOGLE, UNBELIEVABLY  
17 NOTHING, QUOTES, NO QUOTES, BOND ANTICIPATION NOTES  
18 WITHOUT QUOTES, NOTHING.

19 I CALLED OUR NEW YORK OFFICE. I THINK ONE  
20 PERSON SAID IT THEORETICALLY IS POSSIBLE, BUT IT  
21 WON'T HAPPEN AND HUNG UP. LITERALLY, MY OWN  
22 PARTNER. BEFORE HE HUNG UP, HE TOLD ME TO CALL  
23 SOMEONE IN OUR LONDON OFFICE WHO SAID, "IT'S  
24 THEORETICALLY POSSIBLE. IT WON'T HAPPEN. THAT  
25 PERSON'S RIGHT," BUT AT LEAST WAS ABLE TO TELL ME

## BARRISTERS' REPORTING SERVICE

1 WHAT IT IS. SO HE'D HEARD THIS IN HIS SCHOOLING IN  
2 HIS DAYS AT OXFORD, HAD HEARD SOMEONE DESCRIBE HOW  
3 THIS COULD OCCUR.

4 SO THAT'S WHAT I HAD TO WORK WITH. AND  
5 LAWYERS, YOU HAVE TO UNDERSTAND, BY NATURE ARE  
6 EXTREMELY CAUTIOUS PEOPLE. WE DON'T LIKE MOSTLY  
7 BECAUSE WE'VE LEARNED AT THE SCHOOL OF HARD KNOCKS.  
8 IT'S NOT BECAUSE WE START OFF THAT WAY. WE START  
9 OFF VERY ALTRUISTIC AND AMBITIOUS AND QUICKLY LEARN  
10 THAT DOESN'T GET YOU VERY FAR. SO I ENDED UP AND I  
11 ACTUALLY ASKED MY ASSISTANT TO TRY TO FIND A MEMO.  
12 IN SOME WAYS THIS SEEMED SORT OF LIKE A DREAM.  
13 MAYBE IT DIDN'T REALLY HAPPEN UNTIL BOB CALLED AND  
14 ME ASKED ME TO COME TONIGHT. AND MY ASSISTANT SAID,  
15 YES. IN FACT, I THINK THERE IS A MEMORANDUM YOU  
16 WROTE TO THE CLIENT. AND, IN FACT, THIS MEMORANDUM  
17 WAS WIDELY DISTRIBUTED TO OTHER POTENTIAL INVESTORS,  
18 WHICH I DIDN'T EVEN KNOW AND WAS SHOCKED TO FIND OUT  
19 THIS WEEK.

20 AND BASICALLY WHAT THAT -- TO JUST KIND OF  
21 TELL YOU HOW CRAZY IT REALLY WAS, FOR THOSE OF YOU  
22 WHO HAVEN'T BEEN TOLD, THE THREE POSSIBLE SCENARIOS  
23 FOR MY CLIENT'S \$10 MILLION, ONE WAS THAT HE WOULD  
24 SEE THE RETURN OF HIS PRINCIPAL WITH INTEREST IN A  
25 SET PERIOD OF TIME THAT WAS DESCRIBED IN SOME KIND

## BARRISTERS' REPORTING SERVICE

1 OF WRITTEN DOCUMENT. THE SECOND ONE WAS THAT HIS  
2 FIVE TO \$10 MILLION WOULD CONVERT INTO A CHARITABLE  
3 CONTRIBUTION. NOT SO BAD REALLY. THE THIRD ONE WAS  
4 THAT, IF OUR TIMING WAS OFF JUST SLIGHTLY WHEN THE  
5 COURT RULED ON YOUR LITIGATION, WAS THAT ALL THE  
6 MONEY WOULD BE GONE. AND THAT'S NOT SOMETHING YOU  
7 LIKE TO TELL YOUR CLIENT, THAT IT JUST COULD  
8 DISAPPEAR. AND YOU JUST HAVE TO SAY THAT WAS A  
9 REALLY GOOD -- I MEAN THAT'S SOMETHING I REALLY WANT  
10 TO DO.

11 SO ULTIMATELY THE -- I WILL TELL YOU THAT  
12 GOING BACK TO MY -- THERE ARE A LOT OF HEROES IN THE  
13 PROCESS. I'M CERTAINLY NOT ONE OF THEM. THE PEOPLE  
14 WHO ULTIMATELY, GIVEN THESE MEMOS, INVESTED THEIR  
15 MONEY, THE ESTATE PLANNING ATTORNEY, MY OWN PARTNER  
16 WHO WASN'T SPEAKING TO ME FOR ABOUT SIX MONTHS,  
17 STARTED OUT AS A REALLY GOOD FRIEND, AND IT KIND OF  
18 GOT STRAINED, TO BE HONEST WITH YOU, BECAUSE THERE  
19 WERE A LOT OF QUESTIONS I DIDN'T HAVE ANSWERS FOR.  
20 WE ULTIMATELY GOT THOSE FOR THEM.

21 IF YOU GO TO THE END OF THE PROCESS, YOU  
22 WON'T BELIEVE THIS, I'LL JUST END WITH THIS. WE  
23 THOUGHT WE HAD EVERYTHING IRONED OUT, AND THEN WE  
24 REALIZED THAT WE COULDN'T EVEN FIGURE OUT HOW TO  
25 TRADE THE CHECK FOR THE BOND. IT'S LIKE, NO, GIVE



## BARRISTERS' REPORTING SERVICE

1 ME THE CHECK FIRST. NO DELIVERY SERVICE WOULD DO  
2 THIS ESCROW BECAUSE THEY DIDN'T KNOW WHAT WE WERE  
3 TALKING ABOUT. SO WE ENDED UP, I THINK, WITH -- I'M  
4 ORIGINALLY FROM MEMPHIS. I GOT SOMEONE AT FEDERAL  
5 EXPRESS THAT I HAD GONE TO HIGH SCHOOL WITH TO GO  
6 OUT ON A LIMB AND SAY, "THIS SOUNDS CRAZY TO ME, BUT  
7 I TRUST YOU. WE'LL DO THAT WORK. AND WE'LL GO TO  
8 THE DOOR AND GET THE CHECK AND GIVE THEM THE BOND,  
9 AND YOU'RE TELLING ME NOTHING WILL GO WRONG."

10 AND ULTIMATELY SO EACH ONE OF THESE  
11 DETAILS, THERE WAS THIS KIRKGARDIAN LEAP OF FAITH,  
12 AND EVERY TIME WE LEAPT OFF, THERE WAS ABOUT A  
13 ONE-FOOT JUMP TO THE LEDGE, THANK HEAVEN. SO WHY  
14 WOULD CHAIRMAN KLEIN WANT ME TO TELL YOU ALL THIS?  
15 I GUESS IT IS TO SAY THAT AT THE END OF THE PROCESS,  
16 THAT IT ALL WORKED OUT. AND IT WILL ALL WORK OUT  
17 AGAIN. AND I HAVE GREAT FAITH IN THE PEOPLE, THE  
18 STAFF HERE, AND FAITH IN YOU, AND YOU HAVE A LOT OF  
19 SUPPORTERS FOR A LOT OF DIFFERENT REASONS OUT THERE  
20 WHO WILL MAKE IT SUCCESSFUL.

21 SO WITH THAT, THANK YOU VERY MUCH.

22 (APPLAUSE.)

23 CHAIRMAN KLEIN: SO THE POLITICS THAT  
24 STEVE FACED WITHIN HIS FIRM WITH ATTORNEYS NOT  
25 WANTING TO GO OUT ON A LIMB ON A NEW CONCEPT FOR A

## BARRISTERS' REPORTING SERVICE

1 VERY MAJOR CLIENT ARE SOME OF THE SAME POLITICS THAT  
2 LAWYERS WILL FACE WITH FOUNDATIONS WHERE THEY' RE  
3 MAKING AN INVESTMENT, A PROGRAM INVESTMENT, IN A  
4 VOLATILE SECURITY BECAUSE, AS THE STATE'S BUDGET  
5 BATTLES GO BACK AND FORTH FOR THE NEXT 24 MONTHS,  
6 THE PRICE OF THESE SECURITIES WILL VARY  
7 SUBSTANTIALLY, AND THE VALUE OF THEM MAY VARY.

8 THE KEY IS IF THESE FOUNDATIONS CAN HOLD  
9 THEM TO TERM, AS A RELATIVELY SHORT TERM AT FOUR  
10 YEARS, THEY KNOW THAT THEY CAN REALIZE THE FULL  
11 VALUE OF THAT SECURITY. AS JAMES HAS SAID, UNDER  
12 FEDERAL LAW, THE STATE CANNOT GO BANKRUPT. SO THERE  
13 IS AN ULTIMATE PAYMENT.

14 ONE OF THE THINGS WE NEED TO DO IS SET  
15 THESE MATURITIES OUT LONG ENOUGH SO THAT THE STATE  
16 HAS HOPEFULLY WORKED ITS WAY THROUGH THE MORE  
17 DIFFICULT CHALLENGES AT THE TIME THESE MATURE.

18 DR. PIZZO: BOB, COULD YOU CLARIFY THAT  
19 FOR A SECOND? I MEAN WHY CAN'T A STATE -- IT COULD  
20 GO BANKRUPT. IT JUST CAN'T DECLARE BANKRUPTCY.

21 CHAIRMAN KLEIN: IT CAN FAIL TO BE ABLE TO  
22 MEET A CURRENT OBLIGATION, BUT IT CANNOT GO  
23 BANKRUPT. IT CANNOT BE RELIEVED OF ITS  
24 INDEBTEDNESS.

25 DR. PIZZO: I UNDERSTAND THAT, BUT IT

**BARRISTERS' REPORTING SERVICE**

1 COULD BE BANKRUPT.

2 CHAIRMAN KLEIN: IT COULD.

3 (SIMULTANEOUS VOICES.)

4 DR. PIZZO: GOT IT. I THOUGHT MAYBE THERE  
5 WAS SOME MATH HERE THAT I WAS MISSING.

6 CHAIRMAN KLEIN: DR. PRIETO. DR. AZZIZ.

7 DR. AZZIZ: THIS IS ACTUALLY FOR JOHN  
8 ROBSON, BUT MAYBE I CAN ASK A QUESTION. AGAIN, THE  
9 CALCULATIONS, THE ESTIMATIONS, AND I KNOW YOU'RE  
10 GOING TO CONTINUE TALKING ABOUT RECOMMENDATIONS, THE  
11 SCENARIOS YOU PLANNED WERE PLANNED WITH INTEREST  
12 RATES, BOND INTEREST RATES BASED ON CURRENT SPREAD,  
13 PAST SPREAD, FUTURE SPREAD? BECAUSE IT SOUNDS LIKE  
14 THE SPREAD CERTAINLY IS GOING TO HAVE TO GO UP TO  
15 GET BUYERS.

16 DR. ROBSON: THEY'RE NOT BASED ON NEW BOND  
17 ISSUES. THEY'RE BASED ON WHAT WE OWE FROM PREVIOUS  
18 LOANS.

19 DR. AZZIZ: JUST ON WHAT YOU OWE.

20 DR. ROBSON: IT'S ALREADY SET.

21 CHAIRMAN KLEIN: DR. AZZIZ, WE HAVE THE  
22 ABILITY, SUBJECT TO THE TREASURER'S OFFICE  
23 RECOMMENDATIONS, SUBJECT TO THE CALIFORNIA STATE  
24 STEM CELL RESEARCH AND CURES BOND COMMITTEE  
25 APPROVAL, TO CREATE CAPITALIZED INTEREST POTENTIALLY

## BARRISTERS' REPORTING SERVICE

1 SO THAT WHAT WE SELL HAS AN INTEREST COMPONENT  
2 WITHIN THE BOUND SO THAT THOSE INSTITUTIONS KNOW  
3 THAT IF THEY NEED INTEREST ON A CURRENT BASIS, THEY  
4 CAN RECEIVE THAT INTEREST. BUT, AGAIN, THE INTEREST  
5 RATES THAT WE'RE LOOKING AT, BECAUSE TREASURIES ARE  
6 SO DEPRESSED, EVEN THOUGH IT'S A BIG SPREAD TO  
7 TREASURIES, ARE IN THE SAME RANGE AS ORIGINALLY  
8 PROJECTED FOR THE WHOLE PROGRAM.

9 ALL RIGHT. SO AT THIS POINT, IN TERMS OF  
10 THE VERY SPECIFIC QUESTION THAT WAS PUT TO DOUG  
11 MONTAGUE, DOUG, JUST SO THAT WE CAN AGAIN PUT THIS  
12 IN CONTEXT AS A PRINCIPAL POINT, WHEN YOU SAID YOU  
13 HAD GREAT CONFIDENCE AND GAVE IT AN 80-PERCENT  
14 NUMBER, I WON'T HOLD YOU TO THE PERCENTAGE, WHEN YOU  
15 GO FOR SURGERY, THEY DON'T GIVE YOU A PERCENTAGE.

16 DR. AZZIZ: WE DO.

17 CHAIRMAN KLEIN: BUT THE KEY IS WHEN YOU  
18 WERE GIVING THAT ASSESSMENT, IT'S BASED UPON THE  
19 ENTIRE TEAM, CIRM'S TEAM, THE TREASURER'S TEAM,  
20 INCLUDING YOUR FIRM, THE COUNSEL THAT YOU'RE AWARE  
21 OF, OUR MISSION, AND THE BODY OF FOUNDATIONS AND  
22 VERY STRONG WEALTHY INDIVIDUALS THAT ARE THERE, WHO  
23 ARE A GENERAL SUPPORT BASE FOR OUR MISSION, AND  
24 COULD YOU JUST EVALUATE, IN TERMS FOR THIS BOARD,  
25 HOW WOULD YOU EVALUATE THE COMPARATIVE ABILITY OF

## BARRISTERS' REPORTING SERVICE

1 SOME OTHER AGENCY OF THE STATE TO GO OUT AND USE  
2 THIS SAME APPROACH? IN OTHER WORDS, IS THIS A  
3 SPECIFIC OPPORTUNITY BECAUSE OF THE TEAM AND THE  
4 MISSION, OR IS THIS A GENERAL OPPORTUNITY?

5 MR. MONTAGUE: I THINK IT'S A UNIQUE  
6 OPPORTUNITY FOR CIRM. IT HAS TO DO WITH YOUR  
7 MISSION. IT HAS TO DO WITH THE USE OF THE BOND  
8 PROCEEDS. AND YOU'RE HELPED BY THE FACT THAT IT'S A  
9 SHORT-TERM BORROWING. YOU AREN'T ASKING FOR A  
10 30-YEAR COMMITMENT. YOU'RE ASKING FOR A THREE-YEAR,  
11 A FOUR-YEAR, A FIVE-YEAR COMMITMENT OF PEOPLE'S  
12 MONEY. AND TOO, YOU WILL HAVE -- IT IS NOT THE SAME  
13 RISK PROFILE AS THE BAN'S WERE BACK IN 2006.

14 SO I THINK THERE ARE GOING TO BE LEGAL  
15 ISSUES TO BE HAMMERED OUT. AND ONE THAT JUST  
16 SURFACED IS MAKING SURE THAT FOR FOUNDATIONS THAT AN  
17 INVESTMENT IN THESE BONDS ACTUALLY COUNTS AGAINST  
18 THEIR -- I'M NOT EVEN SURE TECHNICALLY WHAT IT IS,  
19 BUT THEIR PROGRAMMATIC OBJECTIVES FOR TAX PURPOSES.  
20 BUT THOSE THINGS WILL NEED TO BE ADDRESSED, BUT MY  
21 SENSE IS THAT WE HAVE A MUCH BROADER POTENTIAL  
22 UNIVERSE OF BUYERS THAN WE HAD FOR THE BAN'S BECAUSE  
23 OF THE DIFFERENCE IN THE RISKS.

24 MR. ROTH: SO I THINK THAT'S PROBABLY THE  
25 CRUX OF THE QUESTION. HAVE WE LOOKED AT THAT FROM A

**BARRISTERS' REPORTING SERVICE**

1 LEGAL STANDPOINT, AND WE'RE FAIRLY SURE THEY CAN USE  
2 THIS AS PART OF THEIR ANNUAL OBLIGATION?

3 CHAIRMAN KLEIN: IT DEPENDS ON THE  
4 FOUNDATION AND WHAT THEIR PRACTICE IS GOING TO BE  
5 AND HOW THEY'RE GOING TO TREAT IT. SOME FOUNDATIONS  
6 MAY BE REVISING THEIR POLICIES BASED UPON THE  
7 CURRENT FACT PATTERN. AND ED PENHOET INDICATED THAT  
8 THEY SPECIFICALLY HAVE TAKEN THAT APPROACH IN THE  
9 PAST AT THE GORDON AND BETTY MOORE FOUNDATION, BUT  
10 IT'S GOING TO VARY BY PRACTICE.

11 MR. ROTH: BUT WE'RE NOT BREAKING NEW  
12 GROUND?

13 CHAIRMAN KLEIN: WE ARE IN MANY WAYS  
14 BREAKING NEW GROUND, BUT WE ARE --

15 MR. ROTH: LEGALLY I'M TALKING ABOUT.

16 CHAIRMAN KLEIN: NO. NOT LEGALLY. OKAY.  
17 THANK YOU.

18 SO JUST FOR LOGISTICS PURPOSES, LET ME ASK  
19 THE QUESTION. ARE WE GOING TO ADJOURN FOR DINNER?

20 MS. KING: WE CAN IF THAT IS THE DESIRE OF  
21 THE BOARD.

22 DR. TROUNSON: MR. CHAIR, I WOULD LIKE  
23 JOHN ROBSON TO FINISH HIS PRESENTATION TO YOU, IF  
24 YOU WOULDN'T MIND BECAUSE I THINK WE'VE GOT TWO  
25 PARTS, AND WE HAVEN'T GOT THE THIRD PART.

## BARRISTERS' REPORTING SERVICE

1 CHAIRMAN KLEIN: WHAT I WAS THINKING, DR.  
2 TROUNSON, IF THIS IS ACCEPTABLE, IS HAVE DR. ROBSON  
3 FINISH HIS PRESENTATION, BUT IT MIGHT BE A LONG  
4 DISCUSSION AFTER THAT. AND WHAT WE COULD DO IS GO  
5 TO DINNER AND COME BACK FOR THE DISCUSSION BOTH OF  
6 THE BOARD AND THE PUBLIC. IS THAT REASONABLE?

7 AND I'D LIKE TO, JUST SO THAT WE HAVE THE  
8 ABILITY FOR DOUG MONTAGUE AND STEVE CHURCHWELL TO BE  
9 ABLE TO LEAVE, THEY'VE COMMITTED A LOT OF HOURS TO  
10 THIS. THEY WERE ON THE FINANCE CALL THE OTHER DAY  
11 OF WHICH WE'RE VERY APPRECIATIVE, FINANCE COMMITTEE  
12 CALL. ARE THERE MEMBERS OF THE PUBLIC THAT WOULD  
13 LIKE TO DIRECT QUESTIONS TO EITHER OF THEM AT THIS  
14 POINT? THERE ARE NONE. DR. ROBSON.

15 MR. SHEEHY: COULD I JUST ASK ONE  
16 QUESTION? THANK YOU SO MUCH FOR COMING IN. BUT YOU  
17 SAID THE THREE THINGS THAT YOU HAD TO TELL YOUR  
18 CLIENTS LAST TIME. WHAT ARE THOSE -- WHAT IS YOUR  
19 GUESS OF WHAT THAT WOULD BE THIS TIME? I MEAN I  
20 FIGURE THE FIRST ONE IS STILL OPERATIVE. WHAT ARE  
21 THE RISKS THAT YOUR CLIENT --

22 MR. CHURCHWELL: IT WILL COME AS NO  
23 SURPRISE THAT I DON'T KNOW BECAUSE I REALLY, AGAIN,  
24 WOULD HAVE TO GET MORE STEEPED IN WHAT YOU'RE  
25 PLANNING TO DO. HOWEVER, I DO BELIEVE YOU'RE RIGHT,

## BARRISTERS' REPORTING SERVICE

1 THAT THE THIRD OPTION, I THINK WE CAN SAY, WOULD BE  
2 OFF THE TABLE, THAT THE MONEY JUST SIMPLY IS GIVEN  
3 WITHOUT ANY -- WITHOUT ANY HOPE OF EVEN A CHARITABLE  
4 DEDUCTION. AND I DON'T THINK -- AGAIN, BECAUSE  
5 BAN'S ARE SO UNIQUE, I'M NOT SURE WHETHER A  
6 CHARITABLE DEDUCTION WOULD APPLY TO SOMETHING LIKE A  
7 NORMAL G.O. BOND BECAUSE, AGAIN, WITH THE CONDITION  
8 PRECEDENT OR SUBSEQUENT, FOR THOSE OF YOU WHO STUDY  
9 SUCH THINGS, DEPENDING ON WHICH ONE IT IS, IF IT  
10 DIDN'T OCCUR WITH A BAN, THERE WAS SOME -- WE DID  
11 HAVE CONFIDENCE FROM SOME PRIOR TAX RULINGS THAT YOU  
12 COULD AT LEAST TAKE A CHARITABLE DEDUCTION IF WE DID  
13 SO BEFORE THE JUDGMENT BECAME FINAL IN THE COURT IF  
14 IT WENT THE WRONG WAY.

15 SO IT WAS WASN'T A HUGE RISK. BUT I  
16 JUST -- I DON'T KNOW THE ANSWER TO THAT QUESTION.

17 MR. SHEEHY: WHAT ARE OUR -- DO WE KNOW  
18 WHAT THE RISKS ARE TO AN INVESTOR?

19 CHAIRMAN KLEIN: JEFF, IF WE CAN -- THIS  
20 IS PROBABLY A DOUG MONTAGUE QUESTION MORE THAN A  
21 STEVE CHURCHWELL QUESTION. BUT, DOUG, AMONG THE  
22 RISKS THAT I WOULD LIST ARE VERY HIGH VOLATILITY  
23 RESULTING IN -- VOLATILITY AS TO VALUE AS THE  
24 STATE'S FINANCES VACILLATE IN THIS PERIOD OF TWO  
25 BUDGET CYCLES UNDER TREMENDOUS PRESSURE. THE



## BARRISTERS' REPORTING SERVICE

1 QUESTION AS TO THE TIMING OF RECEIPT OF PAYMENT IS A  
2 RISK, ALTHOUGH WE WOULD HOPE THAT THAT RISK CAN BE  
3 MANAGED PROPERLY. AND THE RISK THAT INTEREST  
4 PAYMENTS, IF NOT CAPITALIZED, MIGHT BE RECEIVED AT  
5 MATURITY OR IT MIGHT NOT BE RECEIVED AS REGULARLY  
6 SCHEDULED.

7 BUT WHAT OTHER KEY RISKS WOULD YOU FOCUS  
8 THEM ON?

9 MR. MONTAGUE: I THINK THE RISKS FOR AN  
10 INVESTOR ARE SORT OF THE SAME AS THEY ARE FOR ANY  
11 SECURITY EXCEPT WHAT WE'RE CURRENTLY THINKING ABOUT  
12 SELLING IS A LONG-TERM BOND WITH A SHORT-TERM  
13 MANDATORY PUT OR TENDER. SO THE RISK TO THE  
14 INVESTOR IS, FIRST OF ALL, THAT THEIR PERIODIC  
15 INTEREST PAYMENTS UNTIL THE TENDER DATE AREN'T MADE  
16 TIMELY. AND THEN THE REAL RISK OR MAJOR RISK IS  
17 THAT AT THE PUT DATE, THAT THE STATE IS NOT IN A  
18 POSITION TO REPAY THEIR PRINCIPAL AT THAT POINT.  
19 AND THAT WOULD MEAN THAT WOULD OCCUR IF FOR SOME  
20 REASON THE STATE EITHER DIDN'T HAVE THE CASH  
21 RESOURCES TO PAY THE HOLDER FOR HIS BOND AND THEN  
22 REMARKET IT AT A SUBSEQUENT DATE OR THE RISK THAT  
23 THE STATE DOESN'T HAVE MARKET ACCESS AT THAT POINT  
24 IN ORDER TO REMARKET THOSE BONDS TO A LATER DATE OR  
25 TO THE FINAL MATURITY.

**BARRISTERS' REPORTING SERVICE**

1 CHAIRMAN KLEIN: AND, DOUG, I THINK YOU  
2 POTENTIALLY WOULD PUT ON THAT LIST THE LACK OF  
3 LIQUIDITY UP TO THAT PUT DATE BECAUSE OF THE VALUE  
4 FLUCTUATION BASED UPON INTEREST RATE ISSUES RELATED  
5 TO THE STATE'S BUDGET AND RATINGS.

6 MR. MONTAGUE: YEAH. THERE ARE MARKET --  
7 THERE ARE CREDIT AND MARKET ISSUES THAT MIGHT MAKE  
8 THESE SECURITIES DIFFICULT TO SELL IN THE SECONDARY  
9 MARKET. AND THERE MAY BE RESTRICTIONS PLACED UPON  
10 THE SALE, YOU KNOW, BY THE STATE AS PART OF THIS  
11 PROCESS. THE FACT THAT IT'S A PRIVATE PLACEMENT  
12 RATHER THAN A PUBLIC SALE, THERE ARE OFTENTIMES MORE  
13 RESTRICTIVE RULES ON TRANSFER.

14 MR. GOLDBERG: QUESTION WITH RESPECT TO  
15 LONG-TERM BONDS WITH MANDATORY THREE-YEAR PUTS.  
16 COULD YOU ELABORATE ON WHETHER THAT'S A DISTINCTION  
17 WITH A DIFFERENCE OR NOT VERSUS A THREE-YEAR NOTE?

18 MR. MONTAGUE: IT'S ESSENTIALLY A  
19 THREE-YEAR NOTE FROM AN INVESTOR'S STANDPOINT. IT  
20 HAS ALL THE SAME MECHANICS AS A THREE-YEAR BOND OR A  
21 THREE-YEAR NOTE.

22 CHAIRMAN KLEIN: OKAY. ANY OTHER  
23 QUESTIONS?

24 MR. SIMPSON: JOHN SIMPSON FROM CONSUMER  
25 WATCHDOG. JUST I'M CURIOUS, MAYBE I MISSED THIS,

**BARRISTERS' REPORTING SERVICE**

1 BUT HAS THERE BEEN, TO YOUR KNOWLEDGE, ANY PRIVATE  
2 PLACEMENT OF GENERAL OBLIGATION BONDS ANYWHERE IN  
3 THE UNITED STATES BEFORE EVER?

4 MR. MONTAGUE: I'M NOT SURE THAT -- I MEAN  
5 THE NORMAL PROCESS IS OBVIOUSLY A PUBLIC SALE, AND  
6 I'M NOT SURE OF ANY. I DON'T KNOW OF ANY OTHER  
7 CASES, BUT I DO KNOW THAT THE STATE IS IN THE  
8 PROCESS OF NEGOTIATING THE PRIVATE PLACEMENT OF G.O.  
9 BONDS NOW WITH ENTITIES IN THE STATE. SO IT'S  
10 OCCURRING NOW. THIS IS NOT THE ONLY PROGRAM.

11 MR. SIMPSON: THEY'RE THINKING OF DOING  
12 THIS WITH THE OTHER OBLIGATIONS?

13 MR. MONTAGUE: YES.

14 MR. SIMPSON: OTHER STATES, THOUGH? I'M  
15 JUST LOOKING FOR PRECEDENT.

16 MR. MONTAGUE: OFFHAND I CAN'T THINK OF A  
17 LOT OF PRECEDENT, BUT THERE HAVE BEEN LOTS OF  
18 PRIVATE PLACEMENTS OF DEBT, JUST NOT NECESSARILY  
19 GENERAL OBLIGATION.

20 MR. SIMPSON: THANK YOU.

21 CHAIRMAN KLEIN: THE TWO TRANSACTIONS THAT  
22 I THINK DOUG IS THINKING OF ARE BEING POTENTIALLY  
23 PLACED WITH GROUPS THAT WE WOULD NOT BE PURCHASERS  
24 THAT I WOULD EXPECT FOR THE SECURITIES WE'RE TRYING  
25 TO PRIVATELY PLACE. IT'S A VERY SPECIALIZED MARKET.

**BARRISTERS' REPORTING SERVICE**

1 IS THAT APPROPRIATE?

2 MR. MONTAGUE: YES. I THINK THEY'RE NEAR  
3 TERM TRANSACTIONS.

4 CHAIRMAN KLEIN: MISSION RELEVANT  
5 TRANSACTIONS. SO, DUANE, I THINK IF I UNDERSTOOD,  
6 IF I NOW UNDERSTAND, THINKING BACK ON YOUR QUESTION,  
7 THERE'S BOTH A PRACTICE AND LEGAL QUESTIONS AS TO  
8 TREATMENT OF PROGRAM INVESTMENTS. AND I DON'T THINK  
9 WE HAVE FULL RESOLUTION AS TO WHICH INSTITUTIONS CAN  
10 TAKE A PROGRAM CREDIT FOR A CURRENT DISTRIBUTION  
11 SPECIFICALLY.

12 MR. ROTH: THAT WAS REALLY MY QUESTION.

13 CHAIRMAN KLEIN: THANK YOU.

14 MS. LANSING: WELL, I THINK WE'RE ALL  
15 SITTING HERE. AND THE INGENUITY OF THIS IS VERY  
16 CLEVER. WE ALL UNDERSTAND THE RISKS OF IT. I JUST  
17 DON'T THINK WE HAVE ANY OTHER CHOICE. I THINK  
18 THAT'S REALLY WHERE WE ARE AS A BOARD. I MEAN WE  
19 WOULD BE IRRESPONSIBLE NOT TO TRY AND DO THIS.

20 CHAIRMAN KLEIN: OKAY. A STATEMENT OF  
21 COURAGE.

22 MS. LANSING: YES. AND BELIEF IN OUR  
23 MISSION.

24 DR. PIZZO: A STATEMENT OF HOPE.

25 MS. LANSING: YES.

## BARRISTERS' REPORTING SERVICE

1 CHAIRMAN KLEIN: WELL, WE'RE VERY MUCH IN  
2 TUNE WITH THE NEW ADMINISTRATION.

3 MR. LANSING: YES, WE CAN.

4 CHAIRMAN KLEIN: YOU KNOW, WASHINGTON MAY  
5 COPY US IF WE PUT OUT YES WE CAN STEM CELL BONDS.

6 SO WITH THAT, I'D LIKE DR. ROBSON TO PUT  
7 ON THE TABLE SOME OF THE POLICY AND MANAGEMENT  
8 OPTIONS THAT WE'VE DISCUSSED IN ENHANCING OUR  
9 ABILITY TO MANAGE AND REDUCE OUR LIQUIDITY  
10 REQUIREMENTS DURING THIS PERIOD, AS WELL AS TO  
11 STRETCH OUR FUNDS GENERALLY.

12 DR. ROBSON: SO I KNOW FROM MARIE CSETE  
13 PERSONALLY THAT SHE'S ABOUT TO FAINT FROM HUNGER,  
14 AND I SUSPECT THERE ARE OTHERS IN THAT SIMILAR  
15 SITUATION, SO I'LL TRY TO BE BRIEF HERE.

16 OF COURSE, WE HAVE A LOT OF FAITH THAT WE  
17 CAN RAISE MONEY, AND WE ARE CERTAINLY HOPEFUL THAT  
18 WE CAN CARRY ON WITH OUR MOST AMBITIOUS PROGRAMS,  
19 BUT WE ALSO FEEL AS A STAFF THAT IT'S ESSENTIAL FOR  
20 US TO LOOK AT SOME PLAN B, SOME FALLBACK OPTIONS  
21 THAT WILL MINIMIZE THE PAIN AND ALLOW US TO CONTINUE  
22 TO GO FORWARD. SO THAT'S SOME OF THE  
23 RECOMMENDATIONS, THAT'S WHAT I'M GOING TO PRESENT TO  
24 YOU.

25 NOW, THE FIRST ONES ARE REALLY RELATIVELY

## BARRISTERS' REPORTING SERVICE

1 PAINLESS. THEY HAVE VERY LITTLE EFFECT ON PROGRAMS.  
2 AND THOSE ARE -- TWO OF THEM WOULD REQUIRE ACTION BY  
3 THE BOARD. THESE RECOMMENDATIONS THAT WE ARE MAKING  
4 TO YOU IS TO NOT FUND ANY OF THE TIER 2 APPLICATIONS  
5 IN TOOLS AND TECHNOLOGIES THAT YOU WILL BE  
6 CONSIDERING. IF YOU REMEMBER, AT THE LAST MEETING,  
7 YOU APPROVED APPLICATIONS IN TIER 1, AND THAT TOOK  
8 YOU UP PRETTY MUCH TO YOUR BUDGET LIMIT. SO OUR  
9 RECOMMENDATION IS THAT WE HOLD THE LINE THERE AT THE  
10 BUDGET.

11 AND THAT WE DO NOT FUND ANY RFA'S IN THE  
12 FUTURE BEYOND RECOMMENDED BUDGETS, AT LEAST IN THE  
13 NEAR FUTURE. AND THAT WOULD INCLUDE, THEN, THE  
14 PROGRAMS THAT YOU WILL BE CONSIDERING IN THE NEXT  
15 COUPLE OF DAYS.

16 NOW, THERE ARE SOME ADMINISTRATIVE ACTIONS  
17 THAT WE CAN TAKE THAT WILL HELP IN OUR CASH FLOW  
18 THAT WILL EXTEND THE AMOUNT OF MONEY THAT WE WOULD  
19 STILL HAVE AVAILABLE OVER A LONGER PERIOD OF TIME,  
20 AGAIN WITH A TARGET OF LOOKING AT THAT DATE OF  
21 DECEMBER 31, 2010.

22 ONE WOULD BE IS NO MORE ADDITIONAL FUNDING  
23 FOR -- UP-FRONT FUNDING, EXCUSE ME, FOR MAJOR  
24 FACILITIES PROJECTS. AND THAT WE HAVE REQUESTS FOR  
25 UP TO BETWEEN 55 AND 60 MILLION. THAT WOULD HELP,

## BARRISTERS' REPORTING SERVICE

1 AGAIN, WITH OUR CASH FLOW A LITTLE BIT, BUT STILL  
2 THAT MONEY WOULD BE AVAILABLE. THE COMMITMENT IS  
3 STILL THERE TO THOSE PROJECTS.

4 CHAIRMAN KLEIN: LET ME EXPAND SO IT'S  
5 CLEAR WHAT THAT MEANS. WE MADE IT AVAILABLE FOR  
6 UP-FRONT FUNDING. ONE OF THE OBJECTIVES THAT'S  
7 CLEAR AT THIS POINT WAS TO GET THE FUNDING OUT THE  
8 DOOR SO THAT THE INSTITUTIONS HAD THE MONEY IN A  
9 DEPENDABLE WAY BECAUSE WE HAD A FORESEEABLE  
10 DIFFICULT TIME PERIOD. WE COULD RAISE THE MONEY,  
11 PUT IT OUT, AND THE INSTITUTIONS HAD THE BENEFIT OF  
12 THE CERTAINTY THAT THEY COULD HAVE THAT FUNDING.

13 WITH OTHER INSTITUTIONS, OF WHICH WE'VE  
14 MADE COMMITMENTS, WE HAVE THE ABILITY TO PROVIDE  
15 THEM A VERY STRONG LEGAL OPINION ON A CONTRACT WE'VE  
16 ISSUED, AND THAT CONTRACT BEING PROTECTED AGAINST  
17 SUBSEQUENT ACTION. BUT WE DO NOT HAVE THE CASH FLOW  
18 AVAILABLE TO CHANGE WHAT WAS AN AGREEMENT THAT WE'D  
19 BE THE LAST FUNDS IN TO UP-FRONT FUNDING. SO WE'RE  
20 MERELY STATING THAT WE WOULD STAY WITH OUR CURRENT  
21 BOARD APPROVED POLICY ON THOSE INSTITUTIONS THAT DID  
22 NOT RECEIVE UP-FRONT FUNDING.

23 DR. PIZZO: TWO THINGS, BOB. JUST ONE  
24 MODIFICATION OF YOUR STATEMENT. I THOUGHT THAT THE  
25 REASON WE DID THE UP-FRONT FUNDING WAS TO ACHIEVE

## BARRISTERS' REPORTING SERVICE

1 NOMINAL PRESENT VALUE TO SPREAD OUT THE DOLLARS TO  
2 FUND MORE PROGRAMS. WASN'T THAT WE FORESAW THE  
3 ECONOMIC CRISIS.

4 CHAIRMAN KLEIN: WE ACTUALLY IN EXECUTIVE  
5 COMMITTEE MADE A DECISION AND DISCUSSED THIS  
6 EVENTUALITY IN APRIL OF LAST YEAR. AND SPECIFICALLY  
7 IN ORDER TO DRAW DOWN BOTH BOND FUNDS AND PMI FUNDS,  
8 WE HAD TO HAVE PLANNED TO IMMEDIATELY USE THOSE  
9 FUNDS, WHICH --

10 DR. PIZZO: BUT WE HAD MORE REQUESTS THAN  
11 WE COULD FUND, AND THIS WAS ONE WAY OF ALSO  
12 SPREADING THAT.

13 CHAIRMAN KLEIN: ABSOLUTELY. THERE WAS  
14 A -- THERE WAS A SECONDARY BENEFIT OF REACHING  
15 ADDITIONAL FUNDING BY DOING AN UP-FRONT PRESENT  
16 VALUE DISCOUNT, WHICH WAS PART OF THIS.

17 DR. PIZZO: BUT THE REAL ISSUE THAT I  
18 WANTED TO TALK ABOUT IS WHAT'S THE IMPACT OF THIS ON  
19 PROGRAMS? DOES IT MEAN -- IS THIS FOR -- IS THIS  
20 BASICALLY ONE FACILITY? IS IT FIVE FACILITIES?  
21 HAVE THEY STARTED THEIR PROJECTS?

22 DR. TROUNSON: I JUST WONDER IF I COULD  
23 FILL YOU IN ON IT? IN TWO OF THE INSTITUTIONS THAT  
24 WEREN'T PLANNING TO COME AS UP-FRONT FUNDING,  
25 BECAUSE OF THE ECONOMIC CLIMATE, THE BANKS HAVE



**BARRISTERS' REPORTING SERVICE**

1 ACTUALLY GOT A DIFFERENT VIEW AT THE MOMENT. AND  
2 THEY'RE SAYING TO THEM, EVEN THOUGH THEY DON'T NEED  
3 TO USE CIRM MONEY TO INITIATE THE BUILDING WORK, THE  
4 BANKS ARE NOT PREPARED TO PROVIDE THE LOAN UNLESS  
5 THE CIRM MONEY IS IN THE BANK.

6 NOW, I'VE ASKED COUNSEL TO WORK THROUGH  
7 THIS ISSUE BECAUSE I THINK WE CAN PROVIDE WRITTEN  
8 REASSURANCE TO THOSE INSTITUTIONS WHICH HOPEFULLY  
9 THEY WILL BE ABLE TO USE.

10 DR. PIZZO: OTHERWISE, THE PROJECTS COULD  
11 GO FORWARD. THAT'S REALLY WHAT I'M DRIVING AT  
12 OBVIOUSLY.

13 DR. TROUNSON: SO THAT'S WHAT WE BELIEVE  
14 WE CAN DO; BUT UNTIL WE'VE DONE IT, WE CAN'T BE  
15 CERTAIN. BUT WE BELIEVE THAT THAT'S THE APPROPRIATE  
16 THING. AND HENCE, THE RECOMMENDATION HERE IS TO NOT  
17 EXPEND SOME HIGHLY CRITICAL FUNDS IN THIS SPACE IF  
18 WE CAN SOLVE THOSE ISSUES IN ANOTHER WAY.

19 CHAIRMAN KLEIN: ALL RIGHT.

20 DR. ROBSON: SO --

21 DR. HAWGOOD: DOES THIS ASSUME, THEN, THAT  
22 THESE DOLLARS WOULD NOT BE CALLED ON AS LAST FUND  
23 DOLLARS BEFORE DECEMBER OF '10?

24 DR. ROBSON: WELL, THE FACT IS WE EXPECT  
25 THAT MANY OF THEM WOULD BE CALLED BEFORE THEN, BUT

## BARRISTERS' REPORTING SERVICE

1 IT DOES HELP US -- IT DOESN'T HELP US NECESSARILY  
2 GETTING TO DECEMBER 31ST OF 2010, BUT IT COULD HELP  
3 US IN THE PERIOD IN BETWEEN ASSUMING WE'RE GOING TO  
4 GET SOME MONEY ALONG THE WAY.

5 DR. TROUNSON: SAM, IT ACTUALLY -- SORRY.  
6 THESE WOULD BE LAST DOLLARS IN. SO, IN FACT, THEY  
7 ACTUALLY DON'T COME IN UNTIL -- BECAUSE THESE  
8 PROGRAMS HAVEN'T BEGUN AT THIS POINT IN TIME.

9 DR. ROBSON: IT DEPENDS ON HOW FAST THEY  
10 MOVE THE PROJECT ALONG.

11 DR. TROUNSON: SO THEY WOULDN'T BE ON  
12 CALL, I THINK, UNTIL THE END OF THAT 2010 PERIOD.

13 CHAIRMAN KLEIN: SO TO EXTEND DR.  
14 TROUNSON'S COMMENTS, IT ALSO HELPS US SUBSTANTIALLY  
15 IN OUR CASH-FLOW PROGRAM BECAUSE THESE PROGRAMS TAKE  
16 A LONG TIME TO LAUNCH THE INITIAL COMPONENT.  
17 THERE'S A GREAT DEAL OF EDUCATION AND WORK WITH  
18 THESE CLIENTS BEFORE THEY EVER CAN BE BROUGHT TO THE  
19 TREASURER'S OFFICE. AND SO BY NOT PUTTING AS HEAVY  
20 A CASH-FLOW LOAD IN THE EARLY PERIOD, IT HELPS US  
21 STRATEGICALLY IN ACCOMPLISHING THE -- IN SCALING  
22 DOWN THE TRANCHE WE NEED IN THE FRONT END.

23 DR. ROBSON: SO ANOTHER ADMINISTRATIVE  
24 ACTION WE CAN TAKE HAS TO DO WITH TRAINING GRANTS.  
25 MANY OF THE INSTITUTIONS THAT RECEIVED -- WERE

## BARRISTERS' REPORTING SERVICE

1 AWARDED -- THEIR PROGRAMS FUNDED IN TRAINING GRANTS  
2 I ARE NOW APPLICANTS IN TRAINING GRANTS II, WHICH  
3 YOU WILL SEE OVER THE NEXT COUPLE OF DAYS. SOME OF  
4 THOSE PROGRAMS, A LOT OF THOSE PROGRAMS, TOOK A  
5 WHILE TO RAMP UP. AND THEY HAVE CONSIDERABLE  
6 CARRY-OVER FUNDS REMAINING. SO WHAT WE ARE PLANNING  
7 TO DO THEN IS WE WON'T ISSUE NEW FUNDS TO THOSE  
8 PROGRAMS UNTIL THEY'VE USED UP THEIR CARRY-ON FUNDS.

9 THE NUMBERS AREN'T CLEAR TO US BECAUSE,  
10 FIRST OF ALL, WE DON'T KNOW WHICH ONES YOU WILL  
11 APPROVE TOMORROW, AND WE DON'T HAVE THE FINAL  
12 ACCOUNTING FROM THEM ON HOW MUCH CARRY-OVER MONEY  
13 THEY HAVE STILL. BUT WE'RE ESTIMATING THAT THAT  
14 COULD SAVE US EIGHT TO 10 MILLION OVER THIS TWO-YEAR  
15 PERIOD.

16 AND FINALLY, WE COULD CHANGE FROM AN  
17 ANNUAL PAYMENT SCALE TO A QUARTERLY PAYMENT SCALE.  
18 THE WAY WE DO OUR GRANT FUNDING NOW, WHEN A GRANT IS  
19 AWARDED, WE PAY ONE YEAR IN ADVANCE AND WE PAY ON AN  
20 ANNUALIZED BASIS. IF WE SWITCH TO A QUARTERLY  
21 BASIS, WE DON'T CHANGE THE AMOUNT OF MONEY THAT WE  
22 GIVE. WE JUST STRETCH IT OUT OVER A LONGER PERIOD  
23 OF TIME. EASIEST WAY FOR ME TO ILLUSTRATE THIS IS  
24 IF SOMEONE HAS A MILLION-DOLLAR GRANT AND WE AWARD  
25 THAT GRANT ON AN ANNUAL BASIS ANY TIME DURING THE

## BARRISTERS' REPORTING SERVICE

1 YEAR, WE WOULD THEN PAY A MILLION DOLLARS DURING  
2 THAT YEAR. HOWEVER, IF WE PAID ON A QUARTERLY  
3 BASIS, IF WE AWARDED IT IN THE FIRST QUARTER, WE  
4 WOULD PAY THEM A MILLION DOLLARS OVER THE YEAR, FOUR  
5 QUARTERLY PAYMENTS; BUT IF WE AWARDED IT IN THE LAST  
6 QUARTER, WE WOULD ONLY PAY 250,000 DURING THAT YEAR.  
7 WE WOULD PAY THE REMAINING IN THE FOLLOWING YEAR.

8 SO JUST LET ME SHOW YOU ON A SLIDE HERE  
9 WHAT THAT WOULD DO TO THOSE SCENARIOS THAT I'VE  
10 SHOWN YOU. SO IN THE FIRST SCENARIO, WHICH IS JUST  
11 FUNDING ONGOING PROJECTS, THAT CALCULATION, THAT  
12 SCENARIO WE HAD A BALANCE AT THE BOTTOM OF NEGATIVE  
13 \$133 MILLION. IF WE WENT TO QUARTERLY PAYMENTS ON  
14 THOSE PROGRAMS NOW, WE WOULD SAVE \$21 MILLION OVER  
15 THAT TWO-YEAR PERIOD. AND SO WE WOULD ONLY NEED 112  
16 MILLION DURING THE NEXT TWO YEARS, THE REMAINING  
17 BEING PAID IN 2011.

18 IF WE DID THE SAME FOR SCENARIO 2, WE  
19 WOULD SAVE \$67 MILLION OVER THIS TWO-YEAR PERIOD, SO  
20 THE BALANCE WE WOULD OWE WOULD FALL FROM 320, OR  
21 WHAT WE NEED WOULD FALL FROM 320 TO 250. AND IN  
22 SCENARIO 3, IT WOULD BE \$109 MILLION THAT WE COULD  
23 DELAY PAYMENTS ON. SO THAT OUR OBLIGATION OVER THAT  
24 TWO-YEAR PERIOD AGAIN WOULD FALL FROM 377 MILLION  
25 DOWN TO 267.

## BARRISTERS' REPORTING SERVICE

1           THESE DON'T REALLY HAVE EFFECT --  
2           SHOULDN'T HAVE ANY IMPACT ON THE SCIENTISTS OR THE  
3           PROGRAMS THAT WE'RE DOING. THEY JUST STRETCH THE  
4           PAYMENTS OUT TO HELP US GET THROUGH THIS TIME PERIOD  
5           WHEN WE HAVE A CASH-FLOW PROBLEM.

6           SO THE NEXT SLIDE, NOW WE GET INTO THINGS  
7           THAT WE HAVE TO CONSIDER THAT ARE A BIT MORE  
8           PAINFUL. THIS FIRST ONE, WHICH IS POSTPONE BASIC  
9           RESEARCH II, IS SOMETHING THAT'S VERY UNPOPULAR  
10          AMONG OUR SCIENCE OFFICERS. AND THE REASON FOR THAT  
11          IS THAT YOU HAVE ALREADY APPROVED THIS. A DATE IS  
12          OUT THAT THIS WILL BE OFFERED IN AUGUST. AND MANY  
13          OF OUR SCIENTISTS HAVE MADE THEIR PLANNING BASED ON  
14          THE ASSUMPTION THAT THIS WOULD BE DONE. THEY WERE  
15          TOLD THAT THEY COULD APPLY IN BASIC SCIENCE I OR  
16          THEY COULD APPLY FOR BASIC SCIENCE II. MANY OF THEM  
17          MADE THEIR PLANS BASED ON THE EXPECTATION THAT THIS  
18          WOULD BE AVAILABLE, BUT WE MAY JUST HAVE TO DELAY  
19          IT, AND THAT'S JUST THE REALITY OF WHERE WE ARE  
20          RIGHT NOW.

21          AND THEN THE OTHER THING WE ARE  
22          RECOMMENDING IS THAT WE NOT BRING ALONG ANY NEW  
23          RFA'S UNTIL OUR FINANCES IMPROVE, FOR CONCEPT  
24          APPROVAL.

25          MR. SHEEHY: I WANTED TO ASK. WOULDN'T

## BARRISTERS' REPORTING SERVICE

1 THEY BE ABLE TO SEND THOSE APPLICATIONS INTO THE  
2 NIH, WHICH IS GOING TO GET, PRESUMABLY, A MAJOR  
3 CHUNK OF MONEY? WOULDN' T THOSE BE VERY APPROPRIATE  
4 FOR FUNDING BY THE NIH FROM THE MONEY THAT' S BEING  
5 SUPPLIED THROUGH THE STIMULUS PACKAGE?

6 CHAIRMAN KLEIN: HE' S ASKING ABOUT THE  
7 BASIC SCIENCE.

8 DR. ROBSON: YES, THE BASIC SCIENCE. IT  
9 HASN' T HAPPENED YET, BUT IF THINGS OPENED UP, IT' S  
10 CONCEIVABLE THAT COULD BE ELIGIBLE FOR THAT.

11 MR. SHEEHY: SO THOSE SCIENTISTS MIGHT NOT  
12 BE ABSOLUTELY TOTALLY CRUSHED IF WE DIDN' T DO THAT?

13 DR. ROBSON: THOSE POLICIES ARE STILL --

14 DR. PIZZO: THEY' RE GOING TO BE CRUSHED.  
15 THEY' LL BE DISTRESSED.

16 DR. ROBSON: IT' S GOING TO BE A  
17 SIGNIFICANT BLOW TO THEM, I THINK.

18 DR. TROUNSON: IT' S REALLY TOO DIFFICULT  
19 TO ANSWER THAT QUESTION, I THINK, BECAUSE THE  
20 ALLOCATION OF FUNDING WITHIN THE NIH USUALLY TAKES,  
21 YOU KNOW, MORE THAN AN IMMEDIATE POINT IN TIME. IT  
22 USUALLY TAKES A YEAR TO SORT OF REFORMAT THE BUDGETS  
23 AND ALLOCATE THEM TO THE PROGRAMS. SO I THINK THERE  
24 WILL BE STRESS IN THE SYSTEM.

25 DR. PIZZO: WOULD YOU CONSIDER ACTUALLY

## BARRISTERS' REPORTING SERVICE

1 PROCEEDING -- SINCE THE RFA WAS ANNOUNCED, AND WOULD  
2 YOU CONSIDER PROCEEDING AND INFORM EVERYONE THAT  
3 THEY' RE NOT GOING TO BE FUNDED IF WE DON' T HAVE THE  
4 MONEY?

5 DR. TROUNSON: ONE OF THE THINGS THAT WE  
6 WOULD IN MY VIEW DO AND WHICH IS NECESSARY TO DO, I  
7 THINK, IS TO SAY THAT IF IT WAS AGREED TO, THE  
8 PROJECT, THAT WE COULD ONLY FUND BASICALLY IF WE HAD  
9 THE MONEY TO DO IT. SO THAT WITHIN THE CONTRACT, WE  
10 MAY HAVE TO SAY, AS MANY OTHER ORGANIZATIONS DO,  
11 IT' S REALLY SUBJECT TO AVAI LABLE.

12 DR. PIZZO: OF COURSE, I UNDERSTAND THAT,  
13 BUT IT' S TWOFOLD. ONE IS IF WE HAVE THE MONEY NOW,  
14 BUT THE OTHER IS HOPEFULLY WE' RE GOING TO GET OUT  
15 FROM UNDER THIS, AND THEN THERE' LL BE A POINT WHEN  
16 WE HAVE IT. AT LEAST HOPEFULLY AT THAT TIME THE  
17 PROCESS WILL BE DONE. WHAT I' M SORT OF WORRIED  
18 ABOUT IS SORT OF PUTTING THINGS OFF, AND THEN WE' LL  
19 HAVE THIS HUGE, YOU KNOW, PIPELINE. WE' LL HAVE THE  
20 MONEY THAT COULD HAVE BEEN SPENT THAT COMES INTO THE  
21 BUCKET, AND WE WON' T HAVE ANY OF THE PROJECTS  
22 AVAI LABLE.

23 DR. TROUNSON: THIS COMES DOWN TO YOUR  
24 JUDGMENT. THIS IS WHAT YOU GET PAID SO MUCH TO DO  
25 BECAUSE YOU' VE GOT TO WEIGH ALL OF THIS UP. I MEAN

**BARRISTERS' REPORTING SERVICE**

1 ESSENTIALLY THAT'S WHAT IT'S ABOUT, I THINK, ABOUT  
2 THE RELATIVE MERITS AND PROBABILITIES.

3 CHAIRMAN KLEIN: I'M GOING TO CALL ON  
4 SHERRY. WHEN WE COME BACK AND HAVE A FULL  
5 DISCUSSION, THERE ARE DECISION POINTS THAT WILL COME  
6 OVER THE TIME PERIOD. FOR EXAMPLE, IN APRIL WHEN WE  
7 COME TO APPROVE TRANSLATION II, THERE ARE OTHER  
8 OPTIONS THAT WE HAVEN'T YET DISCUSSED, INCLUDING  
9 APPROVING THESE WITH A PROVISION IN THE CONTRACT  
10 THAT SAYS SUBJECT TO AVAILABLE FUNDS. SO THEN THERE  
11 CAN BE AN INSTITUTIONAL DECISION ABOUT WHETHER TO  
12 FUND IT IF THEY BELIEVE THE STATE OF CALIFORNIA IS  
13 GOING TO CONTINUE TO EXIST, BUT THEY KNOW THAT THEY  
14 HAVE A CONTRACT THAT IS BINDING WHICH WE COULD PUT A  
15 DATE CERTAIN IN.

16 DR. PIZZO: WE CAN MOVE TO ALASKA.

17 MS. LANSING: YOU'RE BASICALLY BOTH SAYING  
18 WHAT I WAS GOING TO SAY, WHICH IS THAT I THINK TO  
19 STOP OUR WORK AND STOP SOMETHING THAT WE STARTED IS  
20 A VERY, VERY BAD SIGNAL. WE DIDN'T DO THAT WHEN WE  
21 WENT OUT TO GET THE BAN'S IN THE BEGINNING. SO I  
22 THINK WE SHOULD CONTINUE WITH EVERYTHING THAT WE HAD  
23 PLANNED SO FAR, AND I THINK IT'S PERFECTLY RIGHT TO  
24 SAY, YOU KNOW, WE APPROVE THIS SUBJECT TO HAVING THE  
25 FUNDS, PERIOD, YOU KNOW. I THINK TO STOP MIDWAY, IT



## BARRISTERS' REPORTING SERVICE

1 WOULD BE A TERRIBLE THING. AND IT WOULD ALSO THEN  
2 MAKE ME FEEL LIKE WE REALLY DIDN'T HAVE THIS  
3 89-PERCENT CHANCE TO GET THIS FUNDING.

4 DR. ROBSON: WE'RE PUTTING THESE OUT FOR  
5 YOUR CONSIDERATION BECAUSE WE HAVE TO --

6 MS. LANSING: I RESPECT THAT.

7 DR. ROBSON: -- TO BE PRUDENT. SO THEN  
8 FINALLY, I THINK WHAT DO I HAVE NEXT? WE DO HAVE  
9 SOME PROGRAMS THAT WE DO THINK ARE MISSION CRITICAL  
10 HERE THAT WE ARE HOPEFUL WE CAN CONTINUE WITH.  
11 BRIDGES, THE BRIDGES PROGRAM, WE THINK, IS IMPORTANT  
12 FOR MEETING AN UNMET NEED IN THE STATE TO HELP  
13 POPULATE OUR STEM CELL SCIENCE LABS. AND THE EARLY  
14 TRANSLATION AND DISEASE TEAM PROGRAMS, WE THINK, ARE  
15 REALLY SORT OF THE MEAT OF WHAT WE'RE TRYING TO DO.  
16 SO WE THINK IT WOULD REALLY BE A MISTAKE TO PUT  
17 THOSE ON HOLD.

18 NOW, WHAT WE MAY HAVE TO DO OVER THE NEXT  
19 FEW MONTHS AS THESE THINGS COME, AS THEY'RE BROUGHT  
20 FORWARD, IS A DECISION MAY HAVE TO BE MADE TO FUND  
21 FEWER OR TO FUND -- TO PROVIDE A SMALLER BUDGET,  
22 OVERALL BUDGET, THAN ORIGINALLY CONCEIVED. THAT'S,  
23 AGAIN, A DECISION THAT YOU WILL HAVE TO MAKE.  
24 YOU'LL HAVE TO PUT THAT INTO CONSIDERATION. WE  
25 WOULD LIKE TO SEE THOSE PROGRAMS MOVE FORWARD.

## BARRISTERS' REPORTING SERVICE

1 AND THEN THERE'S ALWAYS THE POSSIBILITY,  
2 THIS IS NOT A RECOMMENDATION WE'RE MAKING, THIS IS A  
3 BIT OF A LAST-DITCH THING, WOULD BE REDUCE BUDGETS  
4 ON ALL GRANTS BY A FIXED PERCENTAGE. AGAIN, I JUST  
5 PUT THAT OUT SO THAT YOU ARE AWARE THAT THAT IS --  
6 REMIND YOU THAT THAT IS A POSSIBILITY, NOT SOMETHING  
7 THAT WE HOPE WE EVER HAVE TO DO.

8 CHAIRMAN KLEIN: GREAT. SO THIS IS LIKE  
9 PREPARING EVERYONE FOR THE VIBRANT DISCUSSION THAT  
10 WILL FOLLOW WHEN WE RECONVENE. WE'VE ENTICED THE  
11 AUDIENCE TO REMAIN WITH US, AND WE WILL LOOK FORWARD  
12 TO THAT DISCUSSION. MELISSA KING, COULD YOU TELL US  
13 WHERE WE ARE ADJOURNING?

14 MS. KING: YOU WILL BE ADJOURNING TO THE  
15 ROOM ACROSS THE HALL WHERE SOME OF YOU MAY HAVE  
16 GOTTEN COFFEE EARLIER, SO JUST OUT THIS DOOR HERE  
17 AND ACROSS THE HALL.

18 DR. SIMPSON: MR. CHAIRMAN, HOW LONG DO  
19 YOU ANTICIPATE ADJOURNING?

20 DR. PIZZO: THREE HOURS.

21 CHAIRMAN KLEIN: I WOULD SAY APPROXIMATELY  
22 40 MINUTES, 40 MINUTES.

23 (A RECESS WAS TAKEN.)

24 CHAIRMAN KLEIN: OKAY. IF WE COULD  
25 RECONVENE. ALL RIGHT. COULD THE STAFF PLEASE HELP

## BARRISTERS' REPORTING SERVICE

1 ASSEMBLE THE BOARD MEMBERS? WE'RE GOING TO COMMENCE  
2 THIS SESSION AS THE REMAINING MEMBERS ASSEMBLE. AND  
3 I'M GOING TO TAKE A MOMENT BECAUSE -- I'D LIKE TO  
4 TAKE A MOMENT TO INTRODUCE JACQUELINE KENNY, WHO IS  
5 THE CONSULTANT TO STATE SENATOR GLORIA ROMERO, WHO'S  
6 WRITTEN THE LETTER THAT IS AVAILABLE IN THE BACK OF  
7 THE ROOM ON THE BRIDGES PROGRAM. SHE HAS TO LEAVE,  
8 SO I'M GOING TO TAKE HER COMMENTS AT THIS TIME.

9 AND I THANK YOU VERY MUCH FOR BEING HERE  
10 AS I THANKED THE SENATOR EARLIER TODAY FOR HER  
11 LETTER. QUITE UNEXPECTED, BUT DEFINITELY AND  
12 ABSOLUTELY WELCOME. THANK YOU.

13 MS. KENNY: AS HE SAID, MY NAME IS JACKIE  
14 KENNY, CONSULTANT TO SENATOR ROMERO, WHO'S THE CHAIR  
15 OF THE SENATE EDUCATION COMMITTEE AND CHAIR OF THE  
16 SENATE BUDGET FISCAL REVIEW SUBCOMMITTEE ON  
17 EDUCATION FINANCE.

18 SO ON BEHALF OF HER AND SENATOR STEINBERG,  
19 THE PRESIDENT OF THE SENATE, I JUST WANT TO EXPRESS  
20 APPRECIATION FOR THE OPPORTUNITY TO WORK WITH YOU ON  
21 STEM CELL EDUCATION. IT'S A MAJOR POLICY FOCUS IN  
22 THE SENATE THIS YEAR TO LINK EDUCATION TO THE  
23 ECONOMY, ESPECIALLY EMERGING INDUSTRIES. IT'S THE  
24 SENATOR'S BELIEF THAT OUR PUBLIC SCHOOLS MUST BE  
25 CLOSELY LINKED TO THE NEEDS OF THE NEW ECONOMY IF WE

## BARRISTERS' REPORTING SERVICE

1 ARE TO PRODUCE ENOUGH WORKERS WITH THE PROPER  
2 EDUCATION AND TECHNICAL TRAINING TO FILL THE JOBS IN  
3 EMERGING INDUSTRIES. AND THE STEM CELL INDUSTRY, OF  
4 COURSE, BEING A PRIME EXAMPLE OF WHY THIS IS SO  
5 ESSENTIAL.

6 AN EDUCATED AND PROPERLY TRAINED WORKFORCE  
7 IS ESSENTIAL IF CALIFORNIA IS TO RETAIN ITS PREMIERE  
8 POSITION IN STEM CELL RESEARCH AND TO FULLY REALIZE  
9 THE MEDICAL AND ECONOMIC BENEFITS FROM THIS EMERGING  
10 INDUSTRY.

11 SO AS STATED IN THE LETTER, SENATORS  
12 ROMERO AND STEINBERG JUST WANT TO CONGRATULATE YOU  
13 ON MAKING THE BRIDGES AWARDS, WHATEVER FORM THEY  
14 MIGHT TAKE AND TO WHOEVER THE RECIPIENTS ARE, AND  
15 ALSO JUST EXPRESS THEIR SUPPORT FOR OTHER EDUCATION  
16 INITIATIVES, PARTICULARLY AT THE HIGH SCHOOL LEVEL.

17 WE'VE HAD A MEETING AND ARE WORKING WITH  
18 DON GIBBONS ON YOUR STAFF TO HELP IDENTIFY EXISTING  
19 PROGRAMS AND RESOURCES SO THAT MORE HIGH SCHOOL  
20 STUDENTS WILL BE EXPOSED TO A PATHWAY TO CAREER  
21 OPPORTUNITIES IN REGENERATIVE MEDICINE. WE'VE  
22 TALKED ABOUT PROPOSALS FOR HIGH SCHOOL CURRICULUM  
23 DEVELOPMENT, POSSIBILITIES WITH MAGNET PROGRAMS OR  
24 CHARTER SCHOOLS THAT HAVE A MATH/SCIENCE FOCUS,  
25 THERE'S PARTNERSHIP ACADEMIES, AND DISTANCE LEARNING

## BARRISTERS' REPORTING SERVICE

1 OPPORTUNITIES WITH THE K-12 HIGH SPEED NETWORK,  
2 WHICH IS A BROADBAND NETWORK CONNECTING SCHOOLS  
3 THROUGHOUT CALIFORNIA.

4 FOR SENATOR ROMERO, SHE LOOKS AT ALL  
5 EDUCATION ISSUES, NOT JUST IN TERMS OF WORKFORCE  
6 DEVELOPMENT, BUT HOW WILL THIS INITIATIVE HELP CURB  
7 THE HIGH SCHOOL DROPOUT RATE OR HELP CLOSE THE  
8 ACHIEVEMENT GAP, BOTH OF WHICH ARE ALARMING AND  
9 UNACCEPTABLE IN OUR STATE.

10 SO IN CLOSING, AGAIN, I JUST WANT TO  
11 REITERATE THEIR COMMITMENT TO WORKING ON STEM CELL  
12 EDUCATION INITIATIVES AND ENCOURAGE YOU TO KEEP THE  
13 LONG-RANGE VISION EVEN IN THESE VERY DIFFICULT  
14 TIMES. THANK YOU.

15 CHAIRMAN KLEIN: THANK YOU VERY MUCH.

16 (APPLAUSE.)

17 CHAIRMAN KLEIN: IT'S A GREAT WAY TO START  
18 THE SECOND PART OF THIS MEETING TONIGHT, AND IT IS  
19 TREMENDOUS WHAT SENATOR ROMERO IS DOING IN THE AREA  
20 OF ADVANCING TECHNICAL SKILLS FOR STUDENTS IN THE  
21 NEW ECONOMY.

22 I'D LIKE TO --

23 MR. GOLDBERG: JUST TO ADD TO THAT, THE  
24 CALIFORNIA HEALTHCARE INSTITUTE IN COOPERATION WITH  
25 PRICEWATERHOUSECOOPERS HAS JUST PUBLISHED THEIR NEW

## BARRISTERS' REPORTING SERVICE

1 ANNUAL REPORT ON THE STATE OF THE LIFE SCIENCE  
2 INDUSTRY IN CALIFORNIA, WHICH NOW EMPLOYS OVER  
3 270,000 CALIFORNIANS AT AN AVERAGE SALARY OF \$70,000  
4 A YEAR COMPARED TO A STATE AVERAGE OF APPROXIMATELY  
5 HALF OF THAT. SO I'M ALL FOR WHAT SENATOR ROMERO IS  
6 PROMOTING, AND I THINK ALL OF US AS CALIFORNIANS  
7 SHOULD BE AS WELL.

8 CHAIRMAN KLEIN: YOU WOULD ALSO FIND THAT  
9 IN SENATOR ROMERO'S LETTER ITSELF, SHE REFERENCES A  
10 STUDY BY BAYBIO. AND BAYBIO, IN FOCUSING ON THE  
11 CONSTRAINTS ON THE DEVELOPMENT OF BIOTECH IN THE  
12 FUTURE OF CALIFORNIA, THEIR NO. 1 PRIORITY FOR  
13 WORKFORCE AND EDUCATION IS TO INCREASE STATE  
14 TRAINING AND PRODUCTION OF LICENSED CLINICAL  
15 LABORATORY SCIENTISTS AND MEDICAL LAB TECHNICIANS.  
16 SO THERE'S A CONFLUENCE HERE FROM A NUMBER OF  
17 SOURCES ABOUT THE IMPORTANCE OF BUILDING THIS  
18 INFRASTRUCTURE TO SUPPORT THE RESEARCHERS AND THE  
19 BIOTECH SECTOR.

20 AT THIS POINT I'D LIKE TO GO INTO THE  
21 DISCUSSION SECTION OF THE EVENING, LOOKING AT THE  
22 INFORMATION THAT WE'VE HEARD PREVIOUSLY. AND I'D  
23 LIKE TO MAKE IT CLEAR THAT IN TERMS OF THE ABILITY  
24 OF FOUNDATIONS TO TREAT THESE AS PROGRAM INVESTMENTS  
25 TO MITIGATE RISK -- EXCUSE ME -- TO PROVIDE RISK

## BARRISTERS' REPORTING SERVICE

1 TOLERANCE FOR THE DECISIONS TO INVEST IN THESE  
2 SECURITIES, WE'VE HAD DISCUSSIONS WITH DOUG MONTAGUE  
3 ON THIS SUBJECT AND THE TREASURER'S OFFICE ON THIS  
4 SUBJECT. AND THAT'S VERY MUCH, I THINK, IN THE  
5 FRAMEWORK OF DOUG MONTAGUE'S INDIVIDUAL EVALUATION.

6 I WOULD LIKE TO SAY THAT THE LEGAL ISSUE  
7 OF WHETHER OR NOT THE PARTICULAR FOUNDATION CAN  
8 COUNT THIS TOWARDS ANY PROGRAMMATIC GOAL IS  
9 SOMETHING THAT HAS NOT BEEN DISCUSSED IN TERMS OF  
10 EVALUATING THE PROBABILITY OF FULFILLING THAT  
11 OBJECTIVE. IF THAT IS POSSIBLE, IT WOULD BE AN  
12 ENHANCEMENT. AND IT IS POSSIBLE THAT ONLY IF  
13 THEY'RE ABOVE THE 5-PERCENT THRESHOLD CAN THEY COUNT  
14 IT AGAINST THE GOAL.

15 SO WE NEED TO GET A SPECIAL TAX COUNSEL AT  
16 ORECK TO LOOK AT THIS IN ADDITION TO AT LEAST TWO  
17 FOUNDATION COUNSELS. DESPITE INFORMATION WE HAVE AS  
18 TO THE POTENTIAL FOR THIS APPLICATION, THAT'S AN  
19 ENHANCEMENT THAT HASN'T BEEN TAKEN INTO ACCOUNT IN  
20 THE MATH THAT'S BEEN DISCUSSED HERE TONIGHT.

21 OKAY. I WOULD ALSO LIKE TO SAY THAT IN A  
22 RISK ASSESSMENT OF WHETHER WE CAN COMPLETE THIS,  
23 IT'S IMPORTANT TO REALIZE THAT TIMEFRAME MAY BE A  
24 MAJOR ISSUE. SO THAT WHILE WE MAY BE ABLE TO  
25 COMPLETE IT, THE QUESTION IS CAN WE SELL A TRANCHE

## BARRISTERS' REPORTING SERVICE

1 OF THESE SECURITIES IN THE TIME WE NEED TO FUND THE  
2 SPECIFIC PROGRAM. AND IN THAT CONTEXT, JAMES  
3 HARRISON, I'D LIKE YOU TO ADDRESS THE SPECIFIC ISSUE  
4 WE REFERENCED EARLIER OR THE OPTION WE REFERENCED  
5 EARLIER OF PUTTING A CONDITIONAL TERM IN THE  
6 CONTRACTS THAT WILL DEAL WITH THE TIMING RISK.

7 MR. HARRISON: YES. WHAT WE'VE DISCUSSED  
8 INTERNALLY IS INCLUDING IN OUR NOTICE OF GRANT  
9 AWARDS GOING FORWARD A PROVISION ACTUALLY VERY  
10 SIMILAR TO THE ONE THAT WE INCLUDED IN OUR FIRST  
11 GRANT AWARDS FOR TRAINING GRANT I AWARDS, WHICH  
12 EFFECTIVELY WOULD PROVIDE THAT THE TIMING OF THE  
13 DISBURSEMENT OF FUNDS PURSUANT TO THE GRANT AWARD  
14 WOULD BE CONTINGENT UPON THE AVAILABILITY OF FUNDS  
15 IN CIRM'S SOLE DISCRETION WITH A CAP OF PERHAPS 24  
16 OR 36 MONTHS SO THAT THERE WAS SOME CERTAINTY OF  
17 PAYMENT. IN OTHER WORDS, THE OBLIGATION WOULDN'T  
18 JUST CARRY ON FOREVER. SO THAT'S ONE OF THE ITEMS  
19 THAT'S UNDER CONSIDERATION CURRENTLY.

20 CHAIRMAN KLEIN: SO THE TIMING ISSUE IS  
21 IMPORTANT BECAUSE ASKING AN INSTITUTION TO CARRY THE  
22 RISK OF PAYMENT FOR A DEFINED TIME PERIOD IS  
23 DIFFERENT THAN ASKING THEM TO CARRY IT WITHOUT A  
24 DEFINED TIME PERIOD.

25 MS. LANSING: I UNDERSTAND WHAT YOU'RE



**BARRISTERS' REPORTING SERVICE**

1 TRYING TO DO, BUT I HAVE A QUESTION. IF THE  
2 INSTITUTION, WHAT YOU'RE SAYING IS --

3 MR. SHESTACK: HELLO.

4 MS. LANSING: -- WE WILL FUND THIS, I WANT  
5 TO BE SURE I UNDERSTAND THIS, NO LATER THAN 36  
6 MONTHS. I'M MAKING -- THAT'S THE TIME YOU SAID.

7 CHAIRMAN KLEIN: SHERRY, IF YOU COULD  
8 SPEAK CLOSER TO THE MIC.

9 MS. LANSING: WHAT I THINK YOU'RE SAYING,  
10 I WANT TO BE SURE I UNDERSTAND THIS, IS THAT WE WILL  
11 FUND THIS NO LATER THAN 36 MONTHS. OKAY. MY  
12 QUESTION IS IF THE INSTITUTION, AN INSTITUTION COULD  
13 SAY, WELL, WE'RE NOT GOING TO CARRY IT TILL THEN,  
14 THERE'S A SHORTAGE OF FUNDS, IF WE STILL ARE  
15 OBLIGATED TO FUND IT AT NO LATER THAN 36 MONTHS, THE  
16 SCIENCE PERHAPS WILL HAVE MOVED AHEAD OF THE GRANT.  
17 SO I DON'T THINK -- I THINK WE HAVE TO HAVE THE  
18 CAVEAT THAT THEN THE INSTITUTION HAS TO AGREE TO  
19 FUND IT.

20 CHAIRMAN KLEIN: THAT'S RIGHT. THE  
21 SCIENCE, THERE'LL BE A CONDITION THAT YOU WOULD NEED  
22 TO --

23 DR. PIZZO: I THINK THAT'S A NONSTARTER.

24 MS. LANSING: THAT'S WHAT I'M SAYING.  
25 THAT'S WHAT I'M ASKING YOU.

**BARRISTERS' REPORTING SERVICE**

1 DR. PIZZO: THERE WOULD BE SIMPLY NO WAY  
2 THAT INSTITUTIONS CAN DO THIS.

3 MS. LANSING: I AGREE WITH YOU. SO WHAT  
4 I'M TRYING TO UNDERSTAND IS IT'S LIKE A CATCH 22.  
5 WHAT I'M TRYING TO UNDERSTAND IS I WANT TO MOVE  
6 AHEAD, OKAY, AND I WANT US TO MOVE AHEAD SUBJECT TO  
7 THERE BEING MONEY AVAILABLE. BUT IF WE'RE  
8 GUARANTEEING, SEE, THAT MEANS -- I'M TRYING TO BE  
9 ARTICULATE. OKAY. YOU PUT IN A GRANT, IF THERE'S  
10 MONEY AVAILABLE AND WE APPROVE IT, WE FUND IT. BUT  
11 IF THERE ISN'T MONEY AVAILABLE, THEN I DON'T WANT TO  
12 HAVE TO FUND IT THREE YEARS FROM NOW OR A YEAR FROM  
13 NOW BECAUSE EVERYTHING THAT I'M HEARING FROM  
14 EVERYONE IS THE SCIENCE -- THE GRANT COULD BE  
15 IRRELEVANT OR DATED.

16 CHAIRMAN KLEIN: THERE'S A VERY IMPORTANT  
17 POINT SHERRY IS MAKING HERE, BUT THIS ISSUE IS IF  
18 IT'S AN OPTION FOR THE INSTITUTION SO THAT IF THEY  
19 ACCEPT THE GRANT WITH AN AGREEMENT THAT IT WOULD BE  
20 FUNDED NO LATER THAN 36 MONTHS, IF IT WAS AN OPTION  
21 TO ACCEPT IT, BUT IF THEY DID ACCEPT IT, THEN THEY  
22 HAD TO PROVIDE GAP FUNDING FOR IT.

23 MS. LANSING: AND EVERYONE HERE IS SAYING  
24 THEY WON'T DO THAT.

25 DR. PIZZO: THERE'S NOT A CHANCE THAT WILL

**BARRISTERS' REPORTING SERVICE**

1 HAPPEN.

2 DR. POMEROY: IT WOULD BE IRRESPONSIBLE OF  
3 THOSE OF US WHO HAVE INSTITUTIONAL RESPONSIBILITY TO  
4 AGREE TO THAT.

5 CHAIRMAN KLEIN: SHERRY HAS GOT AN  
6 IMPORTANT --

7 DR. PIZZO: IT'S UNAFFORDABLE.

8 MS. LANSING: THAT'S WHAT I HEARD WHEN WE  
9 WERE TALKING AT DINNER. SO THIS IS A WRINKLE, TO  
10 SAY THE LEAST. SO IN OTHER WORDS, THE BEST THAT WE  
11 CAN DO, I THINK, AND I THINK -- I COULD BE WRONG,  
12 BUT I THINK, MAYBE THERE ISN'T, A LOT OF US ANYWAYS  
13 WOULD LIKE TO MOVE FORWARD, OKAY, WITH THE HOPE THAT  
14 WE WILL GET THE FUNDING FOR THESE GRANTS.

15 NOW, IF WE CAN'T GET THE FUNDING FOR THESE  
16 GRANTS, I PERSONALLY DO NOT THINK WE SHOULD BE  
17 RESPONSIBLE FOR FUNDING THEM. THAT MEANS WE TRIED  
18 AND WE DIDN'T GET IT.

19 DR. PIZZO: CAN I PUT A POINT ON THAT? I  
20 MEAN IF THIS GOES ON SO THAT WE DON'T GET FUNDING,  
21 LET'S SAY, WITHIN A YEAR OR MAKE IT TWO YEARS AS THE  
22 WORST SCENARIO, WE'RE NOT GOING TO EXIST ANYWAY.  
23 LET'S BE --

24 MS. LANSING: I -- I, AGAIN --

25 DR. PIZZO: -- CLEAR. YOU KNOW, REALLY

## BARRISTERS' REPORTING SERVICE

1 WE'RE TALKING ABOUT A PRETTY CRITICAL TIME, RIGHT.

2 MS. LANSING: BUT NO ONE ELSE WILL BE  
3 DOING FUNDING EITHER, SO YOU COULD MAKE A CASE WE  
4 WOULD THEN PICK IT UP.

5 DR. PIZZO: THE NIH IS GOING TO BE DOING  
6 FUNDING. IT WON'T AT THIS -- IT WON'T BE WITH THIS  
7 FOCUS. THEY WILL HAVE FUNDING. IT'S NOT GOING TO  
8 BE WITH THIS INTENSE FOCUS ON STEM CELL BIOLOGY.  
9 EVEN WITH EXECUTIVE ORDER CHANGES, IT WON'T BE THE  
10 DEPTH THAT WE WERE ABLE TO DO.

11 CHAIRMAN KLEIN: I THINK IT WOULD BE  
12 APPROPRIATE TO SAY, DR. PIZZO, THAT DISEASE TEAMS  
13 AND FUNDING OF PHASE I AND PHASE II CLINICAL TRIALS  
14 IN THIS AREA IS NOT A HIGH PROBABILITY FOR STEM CELL  
15 FUNDING.

16 DR. PIZZO: CERTAINLY NOT THE LEVELS THAT  
17 WE'VE BEEN TALKING ABOUT.

18 MS. LANSING: I AGREE WITH YOU, BUT CAN WE  
19 JUST GO BACK BECAUSE THIS IS REALLY --

20 IF WE MOVE FORWARD AND IF WE SAY WE'RE  
21 ONLY GOING TO FUND WHAT WE CAN PAY FOR, THEN THE  
22 IDEA OF SAYING, SINCE WE KNOW THE INSTITUTIONS CAN'T  
23 DO IT, THE IDEA OF SAYING BUT NO MATTER WHAT, YOU'LL  
24 BE FUNDED EVEN IN A YEAR IS TOO LATE.

25 DR. PIZZO: THERE ARE BOUNDARIES. I MEAN

## BARRISTERS' REPORTING SERVICE

1 I THINK WE CAN HAVE SOME CONDITIONAL CLAUSES. I  
2 DON'T THINK A YEAR IS GOING TO BE TOO LATE, BUT I  
3 THINK TWO YEARS DEPENDING UPON WHERE YOU ARE.

4 MS. LANSING: I'LL DEFER TO YOU.

5 DR. TROUNSON: SO SORRY, MR. CHAIR, I  
6 THINK THE SCIENTISTS AND MANAGEMENT WOULD HAVE SOME  
7 PROBLEM IF A PROJECT WAS DELAYED EVEN 12 MONTHS  
8 BECAUSE THE RATE AT WHICH PROGRESS HAPPENS IN THIS  
9 FIELD WOULD MEAN THAT YOU WOULD HAVE TO REVIEW THOSE  
10 PROJECTS AGAIN. SO MY OWN VIEW IS THAT WE HAVE TO  
11 PUT IN A PHRASE "FUNDS SUBJECT TO FUNDS AVAILABLE"  
12 BECAUSE I THINK THAT'S JUST WHAT IS PRUDENT.

13 DR. PIZZO: ALAN, HOW ABOUT THIS AS AN  
14 ALTERNATIVE, WHICH IS THAT IF WE REVIEWED THE  
15 PROJECTS AND SOMEONE WAS FUNDED, THEY'D KNOW THAT IT  
16 WAS FUNDED CONDITIONAL UPON TWO THINGS. ONE IS THE  
17 AVAILABILITY OF FUNDING, BUT THE SECOND WOULD BE  
18 THAT THEY WOULD KNOW THAT IF IT WAS BEYOND SOME  
19 POINT IN TIME, LET'S JUST ARBITRARILY SAY NINE  
20 MONTHS, A YEAR, THAT THEY WOULD NEED TO UPDATE THE  
21 PROJECT. AND IT WOULD BE REVIEWED INTERNALLY. WE  
22 WOULDN'T GO BACK OUTSIDE JUST TO BE SURE THAT IT WAS  
23 STILL REASONABLY CURRENT.

24 CHAIRMAN KLEIN: LET'S GO HERE IN  
25 SEQUENCE. WE HAVE SOME SPEAKERS HERE. JAMES, TO

## BARRISTERS' REPORTING SERVICE

1 PROVIDE THE INSTITUTIONS HERE WHO HAVE TREMENDOUS  
2 AMOUNT TO OFFER IN TERMS OF THEIR CASH-FLOW  
3 MANAGEMENT, SOME BACKGROUND INFORMATION, COULD YOU  
4 STATE THE CONSTITUTIONAL BASIS OF THE G.O. BOND  
5 CLAIM ON REVENUES OF THE STATE AND ITS PRIORITY  
6 RELATIVE TO PROP 98?

7 MR. HARRISON: YES. THERE ARE A NUMBER OF  
8 WHAT THE STATE DESCRIBES AS PRIORITY PAYMENTS.  
9 THESE ARE, AS THE PHRASE IMPLIES, PAYMENTS THAT HAVE  
10 PRIORITY OUT OF THE GENERAL FUND AHEAD OF OTHER  
11 PAYMENTS. AND AMONG THOSE PAYMENT PRIORITIES ARE  
12 PAYMENTS ON GENERAL OBLIGATION BONDS.

13 CHAIRMAN KLEIN: AND THEIR RELATIONSHIP TO  
14 THE CONSTITUTIONAL MANDATE FOR PROP 98.

15 MR. HARRISON: WELL, PROP 98 PAYMENTS ARE  
16 ALSO CONSIDERED PRIORITY PAYMENTS AS WELL.

17 CHAIRMAN KLEIN: SO OTHER THAN -- THE  
18 POINT IS THAT IN TERMS OF GETTING PAID, THESE  
19 CONTRACT OBLIGATIONS ARE EXTREMELY SENIOR IN THE  
20 STATE'S HIERARCHY OF CASH FLOW. SO THERE'S A VERY  
21 HIGH PREDICTABILITY AS A PAYMENT TO THESE  
22 OBLIGATIONS.

23 NOW, WITH THAT, DR. HAWGOOD.

24 DR. HAWGOOD: IF I UNDERSTAND SCENARIO 1,  
25 WE HAVE, EVEN IF WE PUSH TO THE QUARTERLY PAYMENTS,

## BARRISTERS' REPORTING SERVICE

1 WE HAVE ABOUT 112 MILLION THAT WE'RE OBLIGATED TO  
2 FIND TO HONOR COMMITMENTS THAT WE'VE ALREADY MADE.  
3 I THINK THE MOST DISASTROUS SITUATION WOULD BE TO  
4 HAVE TO WITHDRAW FROM COMMITMENTS THAT WE'VE ALREADY  
5 MADE. SO WE'RE GOING TO HAVE TO TEST WHATEVER  
6 STRATEGY WE COME UP WITH IN ORDER TO JUST DEAL WITH  
7 THAT 112 MILLION. AND I THINK THAT WILL GIVE US  
8 SOME SENSE AS TO HOW SUCCESSFUL WE'RE GOING TO BE.  
9 AND MY BIAS WOULD BE TO PUSH BACK A LITTLE SOME OF  
10 THE OTHER RFA'S, BE PREPARED TO GO FORWARD WITH  
11 THEM; BUT IF WE CAN'T SUCCEED IN THIS 112 MILLION, I  
12 THINK WE'VE GOT A FAR GREATER PROBLEM THAN DELAYING  
13 AN RFA BECAUSE TO PULL BACK ON COMMITMENTS THAT  
14 WE'VE ALREADY MADE WOULD CREATE EVEN BIGGER CRISIS.

15 CHAIRMAN KLEIN: SO LOOKING STRATEGICALLY  
16 AT DECISION POINTS, IN APRIL WE HAVE CALENDARED A  
17 RFA REVIEW AND APPROVAL FOR TRANSLATIONAL GRANTS.  
18 AT THE TIME OF THAT APRIL MEETING, IT IS ONE OF  
19 THE -- IT IS A VERY -- IT'S A SIGNIFICANT AMOUNT OF  
20 FUNDS. IT'S \$60 MILLION. AND WE WILL HAVE AN  
21 OBLIGATION AT THAT MEETING TO TEST WHERE WE ARE IN  
22 TERMS OF THE VIABILITY OF PLACING THIS FIRST TRANCHE  
23 OF FUNDS. AND IF WE ARE NOT COMFORTABLE THAT WE CAN  
24 PLACE IT, WE WILL HAVE SEVERAL DECISIONS AT THAT  
25 POINT. DO WE APPROVE THEM, BUT HAVE A 90-DAY PERIOD

## BARRISTERS' REPORTING SERVICE

1 WHERE WE DECIDE WHETHER WE CAN FUND THEM AND HAVE  
2 FULL TRANSPARENCY? DO WE EVALUATE THEM, BUT NOT, IN  
3 FACT, APPROVE THEM? BUT THERE'S A DECISION POINT  
4 THERE.

5 AND I'D LIKE TO ASK DR. TROUNSON. IN THE  
6 \$133 MILLION, WAS IT CONSIDERED, THE BRIDGES AND  
7 TRAINING GRANTS II, ARE THEY IN THE \$133 MILLION  
8 NUMBER?

9 DR. TROUNSON: NO, THEY'RE NOT, CHAIR.  
10 THERE WAS NO DECISION MADE, YOU KNOW, BY THE ICOC ON  
11 THOSE PROGRAMS, SO THEY'VE NOT BEEN INCLUDED IN  
12 THAT. SO THAT YOU HAVE TO MOVE SCENARIO 2 BEFORE  
13 YOU PICK UP AGREEMENT UPON BRIDGES AND THE TRAINING  
14 GRANTS II.

15 CHAIRMAN KLEIN: OKAY. OR INCREMENTALLY  
16 YOU CAN ADD THEM TO THE FIGURE. AND IS THERE AN  
17 ESTIMATE OF THE UNEXPENDED TRAINING GRANT I FUNDS TO  
18 ANALYZE THE TIME PERIOD?

19 DR. TROUNSON: WITH RESPECT TO THE END OF  
20 2010, WE WOULD THINK THERE COULD BE A SAVING OF  
21 EIGHT TO 10 MILLION. IT'S NOT MASSIVE, BUT  
22 EVERYTHING COUNTS CLEARLY IN THIS SCENARIO. IT'S  
23 NOT A MASSIVE SAVING, BUT I THINK IT CAN BE  
24 SIGNIFICANT. IT DEPENDS WHERE YOU PUT THAT LINE.  
25 OF COURSE, IF YOU MOVE THE LINE AROUND ON THE



**BARRISTERS' REPORTING SERVICE**

1     TIMELINE, THEN IT WILL CHANGE. BUT BY THE END OF  
2     DECEMBER, WE THINK EIGHT TO 10 MILLION.

3             CHAIRMAN KLEIN: COULD YOU PUT UP THE  
4     CHART SHOWING WITH QUARTERLY ADVANCES WHAT THE  
5     OBLIGATIONS ARE IN EACH TIME PERIOD?

6             DR. TROUNSON: YEAH.

7             MR. SHEEHY: I JUST HAD A QUESTION. I  
8     UNDERSTAND THE CAVEAT ABOUT THE SCIENTIFIC GRANTS,  
9     BUT ACTUALLY BRIDGES AND TRAINING II ARE NOT ONES  
10    THAT ARE SO CUTTING-EDGE SCIENCE. THEY'RE MORE  
11    REFLECTIVE OF THE CAPACITY OF THE INSTITUTIONS. I'M  
12    WONDERING IF THEY KIND OF FALL INTO A GRAY AREA  
13    WHERE WE DON'T HAVE ALL THIS ANGST ABOUT APPROVING  
14    THESE WHEN FUNDS ARE AVAILABLE BECAUSE THE REVIEWS  
15    HAVE TAKEN PLACE, AND ACTUALLY WE LOSE THE  
16    INVESTMENT WE'VE MADE IN THE REVIEWS TO NOT.

17            MS. LANSING: THAT'S A GOOD POINT.

18            MR. SHEEHY: SO MAYBE THESE ARE ONES THAT  
19    WE -- BUT ANYTHING THAT MIGHT INVOLVE SCIENCE, I  
20    THINK WE MIGHT HAVE TO TAKE A STEP BACK DEPENDING ON  
21    HOW PEOPLE FEEL.

22            DR. AZZIZ: I'D LIKE TO HAVE SOME  
23    DIRECTION FROM THE CHAIR. ARE WE DISCUSSING NOW  
24    POTENTIAL SOLUTIONS TO A PROBLEM THAT YET IS  
25    UNCLEAR? OR ARE WE SIMPLY PROVIDING DIALOGUE FOR

## BARRISTERS' REPORTING SERVICE

1 OURSELVES, AND THEN THE SOLUTIONS WILL BE PRESENTED  
2 PERHAPS AT A LATER TIME WITH BETTER ANALYSIS? I'M  
3 JUST TRYING TO MAKE SURE, BEFORE I MAKE ANY  
4 COMMENTS, THAT I KNOW WHAT THE INTENT OF TODAY'S  
5 DISCUSSION IS.

6 CHAIRMAN KLEIN: THERE IS NOT AN AGENDIZED  
7 CONSIDERATION FOR A DECISION. AND, IN FACT,  
8 INFORMATION IS GOING TO DEVELOP HERE BEFORE OUR NEXT  
9 MEETING, HOPEFULLY, THAT WILL HELP US EVALUATE OUR  
10 LEVEL OF RISK WITH MORE ACUITY. SO WHAT WE'RE  
11 TRYING TO DO IS GIVE, FIRST OF ALL, TRANSPARENCY  
12 WITH THE PUBLIC, TRANSPARENCY WITH THE GRANTEE  
13 ORGANIZATIONS, AND THE BOARD OF WHAT THE CHALLENGES  
14 ARE, BUT ALSO GET THE KIND OF FEEDBACK WE ARE ON  
15 WHAT OUR REAL OPTIONS ARE. WE WOULD COME BACK AT  
16 THE NEXT MEETING WITH A SERIES OF PROPOSALS  
17 FASHIONED FROM THIS DISCUSSION.

18 NOW, ON AN ADMINISTRATIVE LEVEL, THERE CAN  
19 BE FEEDBACK FROM THIS MEETING CERTAINLY THAT IS  
20 INSTRUCTIVE IMMEDIATELY AS TO GOING TO QUARTERLY  
21 IN-ADVANCE PAYMENTS INSTEAD OF ANNUALLY IN-ADVANCE  
22 PAYMENTS BECAUSE WE'RE CURRENTLY ABLE TO DO THAT  
23 WITHOUT HAVING A BOARD ACTION. WE'RE NOT OBLIGATED  
24 TO PAY ANNUALLY IN ADVANCE.

25 DR. AZZIZ: SO TO CONCLUDE, THEN, WHAT I

## BARRISTERS' REPORTING SERVICE

1 WAS GOING TO SAY, AND YOU SAID IT VERY WELL, BUT I  
2 DO THINK WE DON'T HAVE THE INFORMATION WHICH IS  
3 CRITICAL, WHICH IS THE MARKET INFORMATION AS TO HOW  
4 WELL WE'RE GOING TO BE ABLE TO SELL WHATEVER  
5 INSTRUMENT WE DECIDE THAT WE'RE GOING TO SELL. AND  
6 THAT INFORMATION WILL BE IMPORTANT FOR US TO HAVE TO  
7 MAKE LARGER DECISIONS ABOUT PROGRAMS.

8 BUT THERE ARE SOME ADMINISTRATIVE  
9 SOLUTIONS THAT APPEAR TO BE RELATIVELY, I WOULDN'T  
10 SAY PAINLESS, BUT RELATIVELY NONCOMPLICATED. AND I  
11 DON'T KNOW IF THE ICOC NEEDS TO MAKE A DECISION ON  
12 THAT OR SIMPLY SORT OF GIVE YOU TACIT APPROVAL AND  
13 YOU MAKE THAT INTERNALLY. THAT'S ANOTHER QUESTION  
14 BECAUSE, OTHERWISE, IF WE NEED TO MAKE A DECISION  
15 ABOUT THE ADMINISTRATIVE ISSUES, WHICH I THINK ARE  
16 FAIRLY CLEAR, THEN WE CAN CERTAINLY GIVE DIRECTION.

17 CHAIRMAN KLEIN: I THINK WE NEED A  
18 DISCUSSION ON THE ADMINISTRATIVE ISSUES. WE WON'T  
19 HAVE A FORMAL RESOLUTION, BUT IT GIVES US REAL-TIME  
20 FEEDBACK TO BE ABLE TO MAKE REAL-TIME ADMINISTRATIVE  
21 CORRECTIONS AND TO COME BACK TO YOU WITH A MORE  
22 FINELY FORMULATED PROPOSAL.

23 DR. TROUNSON: WELL, SORRY, CHAIR. WITH  
24 RESPECT, ACTUALLY I'M NOT SURE I REALLY AGREE THERE.  
25 THE ADMINISTRATIVE ACTIONS WE CAN TAKE CLEARLY. YOU

## BARRISTERS' REPORTING SERVICE

1 KNOW, I THINK WHAT'S IMPORTANT IS TO -- YOU'VE GOT A  
2 SET OF DECISIONS HERE WITH RESPECT TO BRIDGES AND  
3 TRAINING GRANTS. YOU HAVE TO ACTUALLY HAVE, I  
4 THINK, A VIEW AS A BOARD ABOUT WHAT YOU ARE GOING TO  
5 RECOMMEND BECAUSE THEY'RE GOING TO BE PUT IN FRONT  
6 OF YOU NOW, AND YOU'VE ALREADY HEARD ABOUT IT. SO I  
7 THINK, YOU KNOW, THEY'RE THE THINGS THAT ARE REALLY  
8 QUITE IMPORTANT IMMEDIATELY.

9 CHAIRMAN KLEIN: IN TERMS OF THE TOTAL  
10 DOLLARS WE'RE DEALING WITH AND THE LEVEL OF  
11 OBLIGATIONS, THOSE DECISIONS ON THOSE TWO PROGRAMS  
12 SHOULD NOT BE TAKEN TO BIND US ON FUTURE DECISIONS  
13 WHICH ARE MUCH LARGER FINANCIAL DECISIONS.

14 DR. TROUNSON: I UNDERSTAND THAT, BUT I DO  
15 THINK THAT THE BOARD'S DECISIONS REALLY START TO  
16 REFLECT IN WHAT YOU ARE GOING TO DO IMMEDIATELY  
17 AFTER THIS ITEM IS FINISHED.

18 CHAIRMAN KLEIN: BUT WHAT I'M SAYING IS  
19 THAT I'M GOING TO CALL ON SOME BOARD MEMBERS FOR  
20 OPINIONS ON THIS, BUT BRIDGES AND TRAINING GRANTS  
21 II, WHICH CAME TO THIS BOARD WITHOUT THE ADVANCE  
22 DISCUSSION OF THESE ISSUES, CAN BE TREATED AS AN  
23 INDIVIDUAL CASE AND WITH A VERY SPECIFIC DIRECTION  
24 OPENLY, IF THIS BOARD SO CHOOSES, THAT DOES NOT BIND  
25 US TO FUTURE DECISIONS THAT WE'RE NOW CONSIDERING.

## BARRISTERS' REPORTING SERVICE

1 I'M GOING TO GO FIRST TO DR. PRIETO AND  
2 THEN -- EXCUSE ME -- DR. PULIAFITO, AND THEN I'M  
3 GOING TO COME BACK OVER TO THIS SIDE.

4 DR. PULIAFITO: WELL, I'D LIKE TO  
5 COMPLIMENT MR. ROBSON ON HIS PRESENTATION. AND ALSO  
6 I THINK THAT THE PRESIDENT REALLY HAS COME TO THE  
7 MAIN POINT HERE. WE HAVE A FINANCIAL CRISIS LOOMING  
8 FOR US, A SHORTFALL. SOLUTIONS HAVE BEEN PROPOSED.  
9 AND IN THE FULLNESS OF TIME, WE WILL LEARN MORE  
10 EVERY MONTH ABOUT WHETHER OR NOT THESE SOLUTIONS  
11 WILL BE FORTHCOMING.

12 THE QUESTION FOR US REALLY IS WHETHER OR  
13 NOT WE'RE GOING TO TAKE ACTION ON THE BRIDGES AND  
14 THE TRAINING II OR DEFER THEM TO THE NEXT TIME.  
15 BECAUSE IT'S A \$44 MILLION OBLIGATION, AS MY  
16 COLLEAGUES NEXT DOOR HAVE REMINDED US, AND IT MAKES  
17 THINGS A BIT MORE COMPLICATED. IS THAT THE ISSUE?

18 CHAIRMAN KLEIN: THAT IS THE ISSUE. AND  
19 OBVIOUSLY THAT DECISION CAN BE BIFURCATED, SO WE  
20 HAVE A CHOICE OF BOTH OR ONE OR THE OTHER.

21 DR. PULIAFITO: AND THE TOTAL FINANCIAL --  
22 WHAT'S THE SPEND ON THOSE OVER THE NEXT TWO YEARS?

23 DR. TROUNSON: THE TOTAL PROGRAMS ARE  
24 THREE YEARS, SO THERE'S 64 TOTAL, SO THE COMMITMENT  
25 WOULD BE IN THE 40 SOMETHING MILLION.

**BARRISTERS' REPORTING SERVICE**

1 DR. PULI AFITO: FOR TWO YEARS.

2 DR. TROUNSON: FOR TWO YEARS.

3 CHAIRMAN KLEIN: WHY DON'T YOU GIVE HIM  
4 THE INDIVIDUAL BREAKDOWNS AS WELL.

5 DR. TROUNSON: WE CAN DO THAT, BUT WE  
6 DON'T REALLY HAVE THAT CAPACITY RIGHT NOW.

7 CHAIRMAN KLEIN: YES, WE DO.

8 DR. POMEROY: THIRTY-TWO AND TWELVE.

9 DR. ROBSON: THIRTY-TWO AND TWELVE IS  
10 WHAT'S SHOWN IN OUR CHARTS. THE QUARTERLY PAYMENTS,  
11 THOSE PAYMENTS, THE FIRST PAYMENTS WOULD GO OUT IN  
12 THE SECOND QUARTER. SO IF WE WENT TO QUARTERLY  
13 PAYMENTS, WE WOULD DROP -- I NEED A PENCIL TO DO  
14 THIS. BOB, YOU CAN DO THIS STUFF IN YOUR HEAD. WE  
15 WOULD -- TWO YEARS, IT'S 16. WE WOULD DROP A  
16 MILLION AND A HALF FOR ONE, AND WE WOULD DROP, THE  
17 OTHER ONE IS 16, WE WOULD DROP FOUR MILLION FOR THE  
18 OTHER. SO IF WE WENT TO QUARTERLY PAYMENTS, INSTEAD  
19 OF BEING 42 MILLION, IT WOULD BE ABOUT 37.

20 DR. PULI AFITO: MR. CHAIRMAN, CAN I EXTEND  
21 MY COMMENTS? I THINK THAT IT'S FAIRLY  
22 STRAIGHTFORWARD THAT QUARTERLY -- THERE IS NO OPTION  
23 BUT TO GO TO QUARTERLY PAYMENTS.

24 CHAIRMAN KLEIN: I'M GOING TO GO TO DR.  
25 POMEROY.

## BARRISTERS' REPORTING SERVICE

1 DR. POMEROY: I ALSO WOULD LIKE TO COMMEND  
2 THE PRESENTATIONS THAT WE HEARD EARLIER. THESE  
3 CHARTS IN PARTICULAR ARE VERY HELPFUL. I WOULD HAVE  
4 TO AGREE THAT IT SEEMS VERY STRAIGHTFORWARD THAT WE  
5 SHOULD BE SUPPORTIVE OF STAFF TAKING THE  
6 ADMINISTRATIVE, THE PROPOSED ADMINISTRATIVE THINGS,  
7 THE PAY FORWARD AND THE QUARTERLY PAYMENTS. THOSE  
8 SEEM VERY EASY TO ME.

9 WE HAVE TO COME UP WITH A \$112-MILLION  
10 SOLUTION JUST TO MAINTAIN THE PROGRAMS THAT WE'VE  
11 ALREADY COMMITTED TO, WHICH HAS TO BE THE FIRST  
12 PRIORITY. AND UNTIL I PERSONALLY UNDERSTAND THE  
13 FEASIBILITY OF COMING UP WITH AN ADDITIONAL 112  
14 MILLION BEFORE DECEMBER OF 2010, I DON'T FEEL  
15 COMFORTABLE COMMITTING ADDITIONAL EXPENDITURES. I  
16 AM A GREAT SUPPORTER OF BRIDGES AND TRAINING II. I  
17 THINK THEY'RE VERY IMPORTANT PROGRAMS, BUT I'M ALSO  
18 DESIROUS OF BEING FISCALLY RESPONSIBLE. AND TO  
19 RAISE OUR INDEBTEDNESS FROM 112 TO 150 WITHOUT A  
20 PLAN AND WITHOUT ANY KNOWLEDGE OF THE FEASIBILITY OF  
21 SELLING MORE BONDS SEEMS NOT RESPONSIBLE TO ME, BUT  
22 I'M WILLING TO LISTEN IF SOMEONE CAN TALK ME INTO IT  
23 BECAUSE I'D LOVE TO SEE THESE PROGRAMS HAPPEN.

24 DR. AZZIZ: SO ONE IS A QUESTION AND THEN  
25 I'LL MAKE A COMMENT. ALAN, YOU MAY WANT TO COMMENT

## BARRISTERS' REPORTING SERVICE

1 ON THIS. I MEAN I THINK THAT IN GENERAL, AND I'M  
2 SPEAKING JUST FOR MYSELF, BUT THE SENSE I'M GETTING  
3 IS THAT PEOPLE ARE RELATIVELY, THE BOARD IS  
4 RELATIVELY SUPPORTIVE OF ADMINISTRATIVE ISSUES. THE  
5 QUESTION IS DO WE NEED A MOTION TO APPROVE THAT, OR  
6 IS THAT UP THE INSTITUTE? YOU'RE FINE.

7 I'D LIKE TO THEN MOVE THE CONVERSATION TO  
8 WHAT BASICALLY CLAIRE WAS POINTING OUT. I DO THINK  
9 THAT WE DON'T HAVE A CRITICAL PIECE OF INFORMATION,  
10 WHICH IS WE DON'T REALLY KNOW HOW ACCESSIBLE CAPITAL  
11 WILL BE TO US. WE DON'T KNOW. AND I KNOW THAT YOU  
12 KNOW THE MARKET MUCH BETTER THAN I DO AND YOU'RE  
13 SURE; BUT AS A FISCALLY RESPONSIBLE ENTITY, WE NEED  
14 THAT PIECE OF INFORMATION.

15 SO I DO AGREE THAT WE SHOULD BEGIN TO  
16 THINK ABOUT DELAYING BRIDGES AND TRAINING GRANTS AT  
17 LEAST ONE CYCLE, WHICH WON'T THROW US OFF  
18 COMPLETELY, WON'T POLITICALLY JEOPARDIZE THE  
19 PROGRAM, BUT WILL GIVE A SENSE TO OURSELVES AND THE  
20 PUBLIC THAT WE ARE BEING FISCALLY PRUDENT. SO I DO  
21 THINK WE NEED TO HAVE THAT CONVERSATION. I DON'T  
22 THINK THAT WE SHOULD SAY IT'S ONLY 40 MILLION, IT'S  
23 A SMALL AMOUNT COMPARED TO WHAT WE REALLY OWE, SO  
24 WHY DON'T WE DO THAT? IT'S SORT OF NOT QUITE WHAT  
25 I'D LIKE TO PROPOSE.



## BARRISTERS' REPORTING SERVICE

1 MR. ROTH: I HAVE A QUESTION AND THEN A  
2 POTENTIAL RECOMMENDATION OR A SOLUTION POTENTIALLY  
3 ON HOW WE MIGHT HANDLE THESE TWO GRANTS. BUT THE  
4 QUESTION DEALS WITH OUR OBLIGATIONS. I AGREE WITH  
5 SAM. OUR FIRST OBLIGATION IS TO WHAT WE'VE ALREADY  
6 COMMITTED.

7 AND A QUESTION IS IN THE ADMINISTRATIVE  
8 PART, DOES ANY OF THE DEFERRED PAYMENTS, THAT  
9 LAST-IN MONEY ON THE FACILITIES, IMPACT THIS NUMBER?

10 DR. TROUNSON: NO, IT DOESN'T. IT DOESN'T  
11 MAKE A SIGNIFICANT IMPACT. A LOT OF THE MONEY WENT  
12 OUT FRONT UP, THE BULK OF IT.

13 MR. ROTH: SPECIFICALLY ON THESE TWO OR  
14 THREE THAT YOU SAID.

15 CHAIRMAN KLEIN: HE'S TALKING ABOUT MAJOR  
16 FACILITIES.

17 DR. TROUNSON: BUT I THINK THE END  
18 PAYMENTS WILL BE HAPPENING AFTER THE END OF 2010 IS  
19 OUR ESTIMATE FROM ALL OUR COLLEAGUES, THAT IT'S  
20 UNLIKELY TO PLAY INTO THIS TIME.

21 CHAIRMAN KLEIN: SO LET ME TAKE A CAVEAT  
22 TO THAT. I'M RELATIVELY FAMILIAR WITH THOSE CASH  
23 FLOWS, DR. TROUNSON. AND THE BUCK PROJECT IS PAD  
24 READY AND WOULD PROBABLY GO UP PRETTY QUICKLY. SO  
25 THAT I THINK THAT THAT PAYMENT COULD WELL HIT BEFORE

**BARRISTERS' REPORTING SERVICE**

1 THE END OF 2010.

2 SECONDLY, THE SAN DIEGO CONSORTIUM  
3 PROJECT, WE HAVE LAST DOLLARS IN, BUT THAT DOESN'T  
4 MEAN THAT THE PROJECT IS FINALLY COMPLETE. IT'S  
5 LAST DOLLARS IN. AND ON A CASH FLOW, I THINK THEY  
6 MAY END UP AT THE END OF OR IN THE FIRST SIX MONTHS  
7 OF THAT FISCAL YEAR.

8 DR. HAWGOOD: CAN I COMPLETELY UNDERSTAND?  
9 BUT IF THOSE DOLLARS WERE NOT FACTORED INTO THE --

10 DR. TROUNSON: NO, THEY WEREN'T FACTORED  
11 IN.

12 DR. HAWGOOD: SO IF THEY'RE CALLED BEFORE  
13 2010, IT JUST MAKES THE SITUATION WORSE.

14 DR. TROUNSON: THAT'S RIGHT. IF THEY  
15 NEEDED TO BE ADDED BACK IN, SAM. I STILL -- I  
16 THINK -- I STILL THINK IT'S UNLIKELY FROM OUR  
17 ANALYSIS, BUT, YOU KNOW, WE'RE TRYING TO GIVE YOU  
18 THE BEST INFORMATION ON THIS TWO-YEAR TIMEFRAME.  
19 AND SO YOU HAVE TO TAKE WHATEVER PROBABILITIES THAT  
20 WE HAVE IN OUR MIND. AND BOB MIGHT BE RIGHT, BUT I  
21 ACTUALLY THINK, YOU KNOW, THAT IT'S PROBABLY  
22 UNLIKELY IF THEY HAVEN'T YET STARTED, AND THEY'VE  
23 NOT STARTED EITHER OF THOSE PROJECTS YET.

24 MR. ROTH: BOB, SO THAT'S PART 1. I THINK  
25 WE NEED TO CONSIDER THAT BECAUSE THAT'S AN

**BARRISTERS' REPORTING SERVICE**

1 OBLIGATION. AND WHAT I HEARD EARLIER, WE ARE GOING  
2 TO GET SOME BEST GUARANTEE SO THEY CAN GET THEIR  
3 FINANCING. SO WE NEED TO FIGURE OUT HOW WE HANDLE  
4 THAT.

5 CHAIRMAN KLEIN: AND WE CAN POTENTIALLY,  
6 IN WORKING WITH THEIR BANKS, POTENTIALLY, JUST BEING  
7 SPONTANEOUSLY CREATIVE, SIT DOWN AND CREATE A DATE  
8 CERTAIN. BUT SINCE WORKING WITH THEM TO PROVIDE  
9 GREATER ASSURANCE, BY BOOKING A SPECIFIC DATE ON A  
10 NOTE, THEY COULD GET A PRIORITY UNDER THE PUBLIC  
11 OFFERINGS OF THE STATE. IT'S A RELATIVELY SMALL  
12 AMOUNT. COULD GIVE THE BANKS CERTAINTY, AND IT  
13 COULD MAYBE GIVE US SIX MONTHS' RELIEF IN THIS  
14 TIMEFRAME, SO IT PUTS IT INTO A PERIOD WHEN WE  
15 SHOULD BE ABLE TO ACCESS THE PUBLIC MARKETS AGAIN.

16 MR. ROTH: SO THE SUGGESTION I HAVE ON THE  
17 BRIDGES AND THE TRAINING GRANTS WOULD BE THAT WE  
18 COULD GO AHEAD AND MAKE THE RECOMMENDATIONS SINCE  
19 IT'S ALL REVIEWED, IT'S FRESH, AND THEN PUT A LEDGER  
20 THAT SAYS WE WILL CONSIDER IN APRIL OR JUNE OR  
21 WHENEVER APPROPRIATE WHEN WE'RE GOING TO FUND. BUT,  
22 YOU KNOW, INSTEAD OF WAITING TO MAKE THE DECISION,  
23 MAKE THE DECISION, BUT A LEDGER THAT GOES WITH IT  
24 THAT SAYS VERY CLEARLY THESE WILL NOT BE FUNDED  
25 UNTIL ICOC DETERMINES THEY HAVE THE CASH TO DO IT.

## BARRISTERS' REPORTING SERVICE

1 MR. SERRANO-SEWELL: WE HAVE THE CASH NOW  
2 TO DO IT.

3 MR. ROTH: WELL, I THINK WE NEED TO  
4 PROBABLY WAIT TILL APRIL AT MINIMUM TO GET MORE  
5 INFORMATION. THAT'S THE SUGGESTION. I'M NOT IN  
6 FAVOR OF TWO YEARS OR THREE YEARS, BUT SOMETHING  
7 SHORTER.

8 CHAIRMAN KLEIN: UNDERSTAND TOO IT'S,  
9 FRANKLY, AT MY SUGGESTION THAT THE STAFF HAS GIVEN  
10 YOU OUT THROUGH 2010 BECAUSE I DON'T THINK WE CAN  
11 LOOK AT THIS AS A ONE-YEAR PROBLEM. BUT WE ARE  
12 BEING CONSERVATIVE BECAUSE OF TWO VERY IMPORTANT  
13 FACTS. ONE IS, AS JAMES HARRISON OPENED THIS  
14 CONVERSATION AND STATED, IS THAT ALL \$3 BILLION OF  
15 OUR BONDS HAVE BEEN AUTHORIZED. RIGHT. NOT ONLY  
16 CONSTITUTIONALLY APPROVED, NOT ONLY APPROVED BY THE  
17 VOTERS, BUT AUTHORIZED BY THE CALIFORNIA STATE STEM  
18 CELL RESEARCH AND CURES BOND COMMITTEE. SO WE  
19 ACTUALLY HAVE A RIGHT TO ACCESS THE PUBLIC MARKET  
20 SIDE.

21 WE'RE TRYING TO BE RESPONSIBLE HERE, GIVEN  
22 THE STATE'S OTHER CHALLENGES, IN RAISING FUNDS ON  
23 THE PRIVATE PLACEMENT MARKET. IT IS EXPECTED THAT  
24 BY THE BEGINNING OF 2010, MUCH LESS THE END, THE  
25 STATE WILL BE ABLE TO ACCESS THOSE PUBLIC MARKETS TO

## BARRISTERS' REPORTING SERVICE

1 SOME EXTENT. SO THE ULTIMATE FALLBACK POSITION IS  
2 THAT WE ACTUALLY SAY WE'VE DONE EVERYTHING WE CAN TO  
3 MITIGATE THE OBLIGATION OF THE STATE, WE HAVE A CORE  
4 MISSION WE HAVE TO MAINTAIN, AND WE WILL ACCESS  
5 THOSE PUBLIC MARKETS WITH EVERYONE ELSE, AND WE HAVE  
6 AN AUTHORIZED PRIORITY TO DO SO. SO REALIZE THE  
7 CONTEXT IN WHICH WE'RE DISCUSSING THIS. DR. PIZZO.

8 DR. PIZZO: I'M GOING TO DEFER TO DAVID  
9 AND THEN I'LL COME BACK.

10 MR. SERRANO-SEWELL: I SAID SOMETHING AND  
11 THERE WAS A CHORUS OF NOES WHICH I WELCOME. IT'S  
12 GOOD BECAUSE OBVIOUSLY IT WAS SOMETHING I DIDN'T  
13 GET. SO I WANT TO MAKE SURE I GET IT, SO EVERYONE  
14 JUST WALK ME THROUGH IT ONE MORE TIME.

15 THIS HAS TO DO WITH SORT OF THE DECISION  
16 ABOUT BRIDGES AND THE TRAINING BECAUSE I'M HEARING  
17 IT SUGGESTED THAT THAT DECISION SOMEHOW GET DEFERRED  
18 IN SOME WAY OR WE DO A LEDGER OR SOME CAVEATS OR  
19 SOMETHING LIKE THAT. AND I THOUGHT, BASED ON  
20 STAFF'S RECOMMENDATION IN IDENTIFYING THE BRIDGES AS  
21 A MISSION CRITICAL PROGRAM THAT SHOULD BE DECIDED ON  
22 TOMORROW AND FUNDED, THAT THERE WAS THE MONEY TO  
23 FUND IT. SO I WAS WORKING UNDER THAT ASSUMPTION.

24 I GUESS THAT FELL UNDER, BOB, SCENARIO 1?

25 CHAIRMAN KLEIN: LET'S DIFFERENTIATE HERE.

**BARRISTERS' REPORTING SERVICE**

1 WE HAVE CASH AVAI LABLE --

2 MR. SERRANO-SEWELL: YES. THAT' S THAT 158  
3 OR SOMETHING.

4 CHAIRMAN KLEIN: -- TO FUND THAT PROGRAM  
5 AND GET US THROUGH 2009, DECEMBER OF 2009. AS LONG  
6 WE MAKE A DECISION IN APRIL, IF WE DO NOT HAVE THE  
7 FUNDS AVAILABLE FOR TRANSLATION, TO NOT FUND THAT  
8 PROGRAM. THE OBLIGATIONS IN 2010, WE WOULD HAVE AN  
9 ADDITIONAL SHORTAGE THAT WOULD SHOW UP IN 2010 IN  
10 OUR FUNDING BECAUSE --

11 MR. SERRANO-SEWELL: BECAUSE WE FUNDED.  
12 SO SOME ARE SUGGESTING THAT WE DELAY IN SOME WAY  
13 FUNDING THE BRIDGES AND THE TRAINING UNTIL WE HAVE  
14 MORE INFORMATION ABOUT WHERE THE SOURCES OF REVENUE  
15 MIGHT COME FROM OR WHERE THE MONEY MIGHT BE?

16 CHAIRMAN KLEIN: THEY ARE SUGGESTING THAT  
17 BECAUSE THE PUBLIC -- BECAUSE IT' S CLEAR THE PUBLIC  
18 BOND MARKETS ARE A SUBSTANTIAL CHALLENGE.

19 MR. SERRANO-SEWELL: YES.

20 CHAIRMAN KLEIN: THAT IF WE WERE TO MAKE A  
21 DECISION THAT WE WILL NOT FORCE -- IF WE WILL NOT  
22 TAKE OUR PREVIOUSLY AUTHORIZED ALLOCATION OF  
23 WHATEVER BONDS THEY CAN RAISE IN THE PUBLIC MARKET,  
24 IF WE MAKE A POLICY DECISION WE'RE NOT GOING TO DO  
25 THAT, THEN WE WILL BE IN A POSITION THAT WE CAN' T ON

**BARRISTERS' REPORTING SERVICE**

1 TIME FUND THE OBLIGATIONS WE'VE ALREADY INCURRED IN  
2 2010.

3 MR. SERRANO-SEWELL: WE HEARD FROM  
4 INDIVIDUALS TONIGHT THAT GAVE US INFORMATION THAT  
5 THERE IS A POSSIBILITY THAT WE COULD GO TO THE  
6 MARKET IN A PRIVATE PLACEMENT THAT MAY PROVIDE SOME  
7 RELIEF TO US. THAT'S RIGHT. THAT SHOULD BE A  
8 FACTOR IN OUR DECISION AS WELL, SHOULD IT NOT?  
9 SHOULD IT BE A FACTOR THAT I'M THINKING ABOUT IN  
10 DECIDING ON THE BRIDGES ISSUE?

11 CHAIRMAN KLEIN: IT SHOULD BE A FACTOR,  
12 BUT IT IS NOT A GUARANTEE.

13 MR. SERRANO-SEWELL: OBVIOUSLY. I GET  
14 THAT. THAT WAS MADE VERY CLEAR REPEATEDLY.

15 CHAIRMAN KLEIN: THE BASIC POINT HERE IS  
16 THAT WE ARE TAKING A POSITION THAT EVERY STATE  
17 AGENCY WOULD HAVE TO CONSIDER BECAUSE THERE IS NO  
18 STATE FUNCTION THAT CAN FUND ITSELF RIGHT NOW TO THE  
19 END OF 2009 OTHER THAN OUR AGENCY AND MAYBE THE  
20 CALIFORNIA HOUSING FINANCE AGENCY. SO ALL STATE  
21 AGENCIES ARE GOING TO BE MAKING COMMITMENTS BASED  
22 UPON THE FACT THAT THE STATE GOVERNMENT WILL  
23 CONTINUE TO FUNCTION.

24 I THINK WE NEED TO BE VERY CAREFUL IN WHAT  
25 WE DO, AND WE NEED TO LOOK FORWARD AND ANALYZE HOW

## BARRISTERS' REPORTING SERVICE

1 WE'RE GOING TO MEET THESE OBLIGATIONS IN A TIMELY  
2 FASHION, NOT JUST MEET THEM, BUT IN A TIMELY  
3 FASHION, BUT REALIZE THERE ISN'T ANY STATE AGENCY  
4 THAT I'M AWARE OF, THERE ARE PROBABLY SOME BECAUSE  
5 THERE ARE A LOT OF STATE AGENCIES, THAT HAS ANY  
6 ABILITY RIGHT NOW TO FUND INTO 2010.

7 MR. SERRANO-SEWELL: THAT'S VERY HELPFUL.  
8 LET ME JUST SAY GENERALLY THEN, THIS IS THE BROADER  
9 POINT I WANTED TO MAKE BECAUSE I ACCEPT -- I WOULD  
10 ACCEPT STAFF'S RECOMMENDATIONS IN TERMS OF  
11 IDENTIFYING WHAT THOSE MISSION CRITICAL FUNDING  
12 PROGRAMS ARE, AND I WOULD ARGUE THAT WE STAY WITH IT  
13 FOR A LOT OF REASONS. ONE OF THEM FOR ME IS ONE OF  
14 THE HALLMARKS OF THIS AGENCY AND THIS BOARD HAS BEEN  
15 WE DON'T SURRENDER. OKAY. WE JUST KEEP GOING. AND  
16 THERE'S MANY OBSTACLES PLACED IN FRONT OF US. THIS  
17 IS MAYBE OUR BIGGEST. THAT IS NOT TO SAY WE CAN'T  
18 FIND A WAY AROUND IT.

19 BOB, YOU KNOW, I THINK YOU DESERVE A  
20 LOT -- SOME CREDIT HERE, AND WE'RE THINKING AHEAD OF  
21 TIME, AND LET'S BRING THE RIGHT PEOPLE IN, LET'S GET  
22 SOME EXPERT OPINIONS HERE. BRAVO.

23 SO WITH THAT INFORMATION, I WOULD SAY, YOU  
24 KNOW, WE NEED TO FORGE AHEAD HERE BECAUSE WE HAVE  
25 DONE THAT CONSISTENTLY. AND I THINK IT'S GIVEN A



## BARRISTERS' REPORTING SERVICE

1 LOT OF PEOPLE -- WE'VE BEEN LUCKY TOO BECAUSE WE'VE  
2 BEEN SMART. BUT IT GIVES PEOPLE FAITH. IT'S  
3 FUNDING THE SCIENCE. IT'S FULFILLING OUR STATUTORY  
4 MANDATE. AND TO SOMEHOW STOP OR WE DON'T KNOW AND  
5 I'M NOT SURE, IT JUST SEEMS TO ME WEAK. I WANT TO  
6 BE STRONG, BUT SMART AND NOT FOOLISH, AND I DON'T  
7 THINK WE ARE OR WOULD BE IF WE ACCEPTED STAFF  
8 RECOMMENDATIONS.

9 DR. PIZZO: DAVID, I KNOW THAT YOU ARE  
10 BOTH STRONG AND SMART. BUT I JUST -- I WOULD JUST  
11 LIKE TO, BOB, IF YOU COULD JUST WORK THROUGH THIS  
12 WITH ME IN TERMS OF WHAT I THINK WE KNOW AND MAYBE  
13 NOT. I THINK WHAT WE SEEM TO KNOW WITH CERTAINTY IS  
14 THAT WE HAVE APPROXIMATELY \$158 MILLION OF CASH IN  
15 HAND PLUS INTEREST, GETTING AROUND \$160 MILLION. I  
16 THINK THAT'S THE ONLY THING WE KNOW, AND WE KNOW  
17 THAT WE HAVE OUTSTANDING OBLIGATIONS. AND I THINK  
18 WHAT WE'RE SAYING AS WELL IS THAT WE WANT TO FOLD  
19 INTO THOSE OUTSTANDING OBLIGATIONS THE CAPITAL COSTS  
20 IN ADDITION TO THE PROGRAM COSTS.

21 AND I THINK THAT'S IMPERATIVE BECAUSE IF  
22 INSTITUTIONS HAVE ALREADY STARTED PROJECTS AND ARE  
23 EXPECTING FUNDING FOR THOSE PROJECTS, WE NEED TO  
24 MEET THAT. SO THOSE SEEM TO ME TO BE THE THINGS WE  
25 KNOW.

## BARRISTERS' REPORTING SERVICE

1            THEN WHERE WE HAVE RELATIVE DEGREES OF  
2            UNCERTAINTY IS TO WHAT DEGREE WILL WE BE SUCCESSFUL  
3            WITH CREATIVE INTERIM FUNDING? I MEAN, YOU KNOW,  
4            THE WAY IT'S BEEN CONVEYED TONIGHT, AS I SAID  
5            EARLIER, IS WITH PRETTY DARK SIDES TO IT AND THEN  
6            SOME BRIGHT SIDES; BUT AT THE END OF THE DAY, IT'S A  
7            GUESS. AND WE'LL HAVE MORE DATA ABOUT THAT.

8            THE PART THAT I'M MOST WORRIED ABOUT AND  
9            I'M ALSO WORRIED ABOUT IS TWO COMPONENTS, AND  
10          THEY'RE UNRELATED, BUT CONNECTED. ONE OF THEM IS  
11          THAT WE'RE MAKING AN ASSUMPTION BASED UPON YOUR  
12          ASSESSMENT THAT IN 2010 THERE'S GOING TO BE A  
13          BREAKTHROUGH IN SOME WAY, THAT THERE'LL BE A RELIEF  
14          IN THE PROCESS. AND, YOU KNOW, I THINK YOU MAY BE,  
15          YOU KNOW, ABLE TO SEE THAT FAR WITH GREAT VISION,  
16          BUT I THINK WE NEED TO HAVE SOME DEGREE OF COMFORT  
17          ABOUT WHETHER THAT -- WHAT THE BOUNDARIES AROUND  
18          THAT ARE BECAUSE, JUST LIKE WE'RE CONCERNED ABOUT  
19          COULD WE DO IT NOW, IF WE'RE HOLDING OUT TILL 2010,  
20          THAT'S ONE THING. BUT IF THE CURRENT FISCAL CRISIS  
21          CONTINUES THROUGH 2009 AND INTO 2010, I DON'T KNOW,  
22          MAYBE YOU OR OTHERS DO, HOW CERTAIN THE PREDICTION  
23          THAT BY 2010 WE'LL REALLY BE BACK ON THE BOND  
24          MARKET. SO THAT'S ANOTHER CONTINGENCY. I THINK WE  
25          WANT TO BE MINDFUL OF THAT.

## BARRISTERS' REPORTING SERVICE

1 AND THEN I THINK WE HAVE ANOTHER BIG ISSUE  
2 BEFORE US, WHICH WE HAVEN'T TALKED ABOUT, AND SORT  
3 OF FALLS INTO THE DON GIBBONS RANGE, WHICH IS THAT  
4 WE'RE NOW HAVING A PUBLIC MEETING ABOUT AN ISSUE  
5 THAT HAS ENGENDERED A LOT OF HOPE IN ALL OF OUR  
6 INSTITUTIONS. AND I AM QUITE CERTAIN THAT THERE ARE  
7 PEOPLE TODAY THINKING AND WORKING ON VARIOUS  
8 PROPOSALS AND PROJECTS. I KNOW THAT THERE ARE LOTS  
9 OF DISEASE TEAMS FORMING AND LOTS OF HOPE AROUND  
10 THAT.

11 SO ONCE THE WORD GOES OUT, AND IT WILL BE  
12 OUT TOMORROW MORNING, IF IT'S NOT OUT TONIGHT, THAT  
13 THESE THINGS MAY ACHIEVE A HALT. I THINK WE HAVE A  
14 BIG PUBLIC RELATIONS ISSUE BEFORE US. NOW, WE'D  
15 HAVE A WORSE PUBLIC RELATIONS ISSUE IF WE WERE  
16 IRRESPONSIBLE IN MEETING OUR CURRENT OBLIGATIONS.  
17 BUT I THINK WE NEED TO DO SEVERAL THINGS. ONE IS  
18 YOU NEED TO, IN ADDITION TO GROUNDING US IN  
19 OPTIMISM, YOU NEED TO ALSO BE SURE WE'RE COUPLING IT  
20 WITH REALITY. AND I THINK, YOU KNOW, WE ALL KNOW  
21 THERE'S A BIG DOSE OF OPTIMISM AND UNCERTAINTY IN  
22 THE INTERIM FUNDING, BUT I THINK THAT INTERIM  
23 FUNDING IS A DIFFERENT BRIDGE THAT'S GETTING TO  
24 2010. UNLESS YOU'RE REALLY SURE THAT THE 2010 PART  
25 IS GOING TO BE THERE, THEN I THINK THAT REFRAMES US

## BARRISTERS' REPORTING SERVICE

1 IN A SOMEWHAT DIFFERENT MANNER.

2 SO I WONDER IF YOU CAN HELP US, HELP ME  
3 WITH THAT?

4 CHAIRMAN KLEIN: CERTAINLY. I'M GLAD THIS  
5 IS ALL EASY DECISIONS. FIRST OF ALL, WE HAVE,  
6 BESIDES THE STATED FACTS THAT YOU'VE RECITED, WE DO  
7 KNOW THAT WE ARE AUTHORIZED AND HAVE THE APPROVAL TO  
8 RAISE ABOUT TWO AND A HALF BILLION DOLLARS BEYOND  
9 THE PMI AND THE BONDS THAT ARE OUTSTANDING. WE KNOW  
10 THAT THE CONTRACTS WE'VE ENTERED INTO ARE LEGALLY  
11 BINDING AND HAVE TO BE FUNDED BY THE STATE.

12 DR. PIZZO: BUT IF THEY DON'T HAVE THE  
13 RESOURCES TO DO SO.

14 CHAIRMAN KLEIN: THE STATE, IF THEY DON'T  
15 HAVE THE RESOURCES TO COVER EVERYTHING, MAY HAVE TO  
16 ALLOCATE FUNDING.

17 DR. PIZZO: WHAT DOES THAT MEAN? GIVE YOU  
18 AN IOU?

19 CHAIRMAN KLEIN: GIVE YOU A PART OF THE  
20 FUNDING.

21 DR. PIZZO: OR GIVE YOU AN IOU. THE STATE  
22 CAN JUST SAY WE'RE GIVING THIS, AND MAYBE IT WILL BE  
23 AVAILABLE --

24 CHAIRMAN KLEIN: WELL, WE ACTUALLY HAVE  
25 APPROVED BONDS, RIGHT. AND, IN FACT, OUR BONDS HAVE

## BARRISTERS' REPORTING SERVICE

1 BEEN APPROVED PRIOR TO SOME OF THE OTHER BONDS THAT  
2 ARE LISTED IN SOME OF THESE TABLES. IN TRYING TO BE  
3 FULLY RESPONSIBLE, WE'RE TRYING TO TAKE INTO ACCOUNT  
4 THE FACT THAT WE NEITHER WANT -- WE DON'T WANT TO BE  
5 POLITICALLY OR PHILOSOPHICALLY IN A POSITION WHERE  
6 THERE'S CORE BONDING REQUIREMENTS FOR THE STATE FOR  
7 CORE MISSIONS THAT CAN'T BE MET BECAUSE THEY HAD TO  
8 MEET OUR OBLIGATIONS AS A PRIORITY. BUT WE ALSO  
9 HAVE TO REALIZE THAT THIS STATE GOVERNMENT AND EVERY  
10 STATE GOVERNMENT THAT'S IN DEFICIT IS CONTINUING  
11 THEIR PROGRAMS EVEN THOUGH THEY HAVE OBLIGATIONS  
12 ARISING IN 2010 ON THE BASIS THAT THEY WILL ISSUE  
13 DEBT IF THEY HAVE TO TO COVER THESE OBLIGATIONS WHEN  
14 DUE, OR THEY WILL, IN FACT, APPROPRIATE.

15 OUR LIVES ARE SUBSTANTIALLY COMPLICATED BY  
16 THE FACT THEY CAN'T CURRENTLY IN CALIFORNIA GET THE  
17 LEGISLATIVE MAJORITIES THAT GIVE US ALL A CLEAR  
18 PICTURE OF WHAT'S GOING TO HAPPEN IN TERMS OF THE  
19 BUDGET. BUT AS THE STATE EXISTS RIGHT NOW WITHOUT  
20 ADDITIONAL TAX INCREASES OR CHANGES, THE STATE IS  
21 OBLIGATED UNDER ITS REVENUE FLOW AND THE PRIORITIES  
22 IN ITS CONSTITUTION TO COVER GENERAL OBLIGATION  
23 DEBT.

24 IN TERMS OF RESPONSIBILITY TO OUR GRANTEE  
25 INSTITUTIONS, THE FALLBACK POSITION IS THAT THERE IS

## BARRISTERS' REPORTING SERVICE

1 A CONSTITUTIONAL OBLIGATION. THERE IS A PRIORITY  
2 AND OUR CONTRACTS ARE A PRIORITY. SO IT IS NOT THAT  
3 THEY WILL NOT RECEIVE FUNDING. WHAT WE ARE  
4 DISCUSSING HERE IS THE TIMING OF THE FUNDING.

5 DR. PIZZO: BUT YOU'RE FOCUSING THAT  
6 TIMELINE, AND I UNDERSTAND WHY, ON 2010. AND WHAT  
7 I'M CHALLENGING IS HOW MUCH SECURITY ONE COULD HAVE  
8 ABOUT THAT GIVEN ALL THE UNCERTAINTY THAT EXISTS.  
9 I'M WILLING TO BELIEVE THAT THERE'S A CONTRACTUAL  
10 RELATIONSHIP. I'M WILLING TO BELIEVE THAT THE STATE  
11 AND WHOEVER IS THE ADMINISTRATION WILL WANT TO FUND  
12 THIS, BUT THEY'RE GOING TO BE FACING LOTS OF OTHER  
13 THINGS AS WELL. IF THINGS JUST CONTINUE TO  
14 DETERIORATE, THEN WHATEVER CONFIDENCE WE CURRENTLY  
15 HAVE ABOUT THAT JUST HAS TO HAVE SOME DEEP CLAUSES  
16 AROUND IT.

17 CHAIRMAN KLEIN: WHAT I WANT TO DO IS GO  
18 TO THIS SIDE AND COME BACK OVER RATHER THAN. SO  
19 GORDON.

20 DR. GILL: I WONDER IF YOU COULD JUST GIVE  
21 ME SOME IDEA, AND I'LL GIVE YOU THE REASON I ASK, OF  
22 WHAT THE TIMEFRAME WOULD BE, ASSUMING THE STATE  
23 GIVES YOU THE GREEN LIGHT, TO PLACE THE FIRST  
24 TRANCHE OF BONDS. IN OTHER WORDS, I THINK FROM ALL  
25 I'VE HEARD, WE ARE FULLY COMMITTED TO MAKE THIS GO

## BARRISTERS' REPORTING SERVICE

1 AND TO GET THROUGH THE SHORT-TERM PERIOD. AND IF  
2 THAT COSTS EXTRA INTEREST SO THAT INSTEAD OF 3  
3 BILLION, YOU HAVE 2.9 BILLION AT THE END OF TEN  
4 YEARS TO GET THROUGH THIS, THAT MIGHT BE A WISE  
5 CHOICE. I MEAN IF YOU HAD TO PAY 6 PERCENT,  
6 WHATEVER, ON THE BOND. BUT WHEN WOULD WE KNOW THAT?  
7 I MEAN WHEN WOULD YOU KNOW WHETHER YOU COULD GET US  
8 THROUGH TO, YOU KNOW, THE 2010? WOULD WE KNOW THAT  
9 BY APRIL?

10 CHAIRMAN KLEIN: BY APRIL WE WOULD BE  
11 LUCKY TO KNOW WHETHER -- I'M FROM THE SCHOOL THAT  
12 UNTIL YOU HAVE A SIGNATURE ON THE PAPER, YOU DON'T  
13 TRULY KNOW. BUT TO HAVE A VERY STRONG INDICATION  
14 THAT WE CAN DO THAT FIRST 130 MILLION OR 100  
15 MILLION, WE WOULD BE VERY FORTUNATE IF WE COULD DO  
16 THAT BY APRIL. NOW, IN APRIL WE MAY ALSO KNOW THE  
17 SHAPE OF A STATE BUDGET COMPROMISE THAT MAY INDICATE  
18 THAT MORE BONDS CAN BE ISSUED THAN IS CURRENTLY  
19 APPARENT. BUT I THINK THAT THE REASON I SENT OUT  
20 THE LAO'S ESTIMATE IS THAT THIS IS A VERY DIFFICULT  
21 CLIMATE. AND HAVING TOTAL PREDICTABILITY IS  
22 SOMETHING THAT I DON'T SEE HOW WE CAN ACCOMPLISH  
23 THAT.

24 DR. GILL: I GUESS I WAS ASKING FOR A  
25 GENERAL TIMELINE IN TERMS OF WHEN WE WOULD HAVE SOME

**BARRISTERS' REPORTING SERVICE**

1 IDEA.

2 CHAIRMAN KLEIN: I THINK IN APRIL WE WOULD  
3 HAVE A REASONABLE AMOUNT OF INFORMATION ABOUT OUR  
4 ABILITY TO BE SUCCESSFUL ON THE FIRST TRANCHE.  
5 WHETHER IT'S A HUNDRED, 130, WE WILL HAVE SOME  
6 STRONG INDICATORS, BUT WE WOULD HAVE TO BE VERY  
7 FORTUNATE, EXTREMELY FORTUNATE, TO HAVE SOMETHING  
8 SIGNED, BUT WE WOULD HAVE MATERIAL INFORMATION  
9 AVAILABLE IS THE HOPE.

10 DR. GILL: I THINK, YOU KNOW, I MEAN  
11 CERTAINLY MY VIEW WOULD BE THAT IF YOU HAD TO PAY A  
12 LITTLE MORE TO GET THAT DONE TO GET YOU THROUGH  
13 THIS, WHICH CAME OUT AT THE VERY END TEN YEARS FROM  
14 NOW TO KEEP THE PROGRAM GOING, THEN I WOULD STRONGLY  
15 FAVOR THAT.

16 CHAIRMAN KLEIN: RIGHT. OKAY. DR. AZZIZ  
17 AND I'M GOING TO MOVE BACK TO JEFF SHEEHY. IN FACT,  
18 I'M GOING TO GO TO JEFF AND THEN DR. AZZIZ.

19 MR. SHEEHY: WELL, ACTUALLY I WAS GOING TO  
20 TRY TO CUT TO THE CHASE BECAUSE I ACTUALLY BELIEVE  
21 THAT YOU PRETTY MUCH SAID A LOT OF WHAT I WAS  
22 SAYING. AND THE MAJOR CONFOUNDER IS STILL GOING TO  
23 BE THE STATE BUDGET CRISIS. RESOLUTION OF THAT, I  
24 THINK, WOULD RAISE DRAMATICALLY OUR SENSE OF  
25 CONFIDENCE IN GOING FORWARD WITH THE PRIVATE



**BARRISTERS' REPORTING SERVICE**

1 PLACEMENT. WHEREAS, IF THAT IS NOT RESOLVED, I  
2 THINK THAT THAT PUTS EVEN A PRIVATE PLACEMENT IN  
3 DOUBT. AND THE CONTOURS OF THAT DECISION CAN GIVE  
4 US HIGHER LEVELS OF CONFIDENCE IN FITTING IN WITHIN  
5 THE 2010 TIMEFRAME.

6 SO I WOULD RESPECTFULLY HOPE, AND MAYBE A  
7 MOTION TO THIS, IF IT'S APPROPRIATE, TO DEFER  
8 CONSIDERATION OF THESE GRANT ROUNDS THAT WE HAVE  
9 BEFORE US TODAY UNTIL APRIL WHEN WE WILL HAVE MUCH  
10 MORE INFORMATION AND WE CAN ACTUALLY MAKE SOME  
11 INFORMED DECISIONS. AND IT MAY BE THAT WE HAVE --  
12 YOU'RE CERTAINLY GOING TO GET MORE INFORMATION ABOUT  
13 THE PRIVATE PLACEMENT. THE CRITICAL PIECE ABOUT HOW  
14 A FOUNDATION WILL TREAT THIS WILL BE VERY  
15 DETERMINATIVE OF WHETHER OR NOT WE'LL HAVE SUCCESS.  
16 IF THEY CAN TREAT THIS AS PROGRAMMATIC  
17 EXPENDITURE --

18 CHAIRMAN KLEIN: THEY CAN TREAT IT AS A  
19 PROGRAM INVESTMENT, AND THAT IS THE ONLY BASIS THAT  
20 IT'S BEEN DISCUSSED. THAT WOULD BE AN ENHANCEMENT  
21 IF THEY CAN TREAT IT AS A CURRENT CREDIT AGAINST.

22 MR. SHEEHY: THE 5 PERCENT THEY CAN GIVE  
23 OUT. SO THAT WOULD CERTAINLY --

24 CHAIRMAN KLEIN: YOU CAN'T MAKE A MOTION  
25 AT THIS TIME BECAUSE WE'RE IN A DISCUSSION FORMAT.

**BARRISTERS' REPORTING SERVICE**

1 YOU'VE GOT TO WAIT TILL WE GET TO THE ACTUAL  
2 TRAINING GRANTS AND THE BRIDGE PROGRAM TO MAKE A  
3 MOTION.

4 MR. SHEEHY: SO I'LL WAIT TILL THAT  
5 MOMENT. BUT I THINK WE'RE JUST GOING TO BE CHURNING  
6 BACK AND FORTH AND LEVELS OF UNCERTAINTY. AND I  
7 REALLY WOULD HOPE THAT WE CAN GET TO OUR DECISION  
8 POINTS, WHICH I THINK FOR THIS MEETING ARE WHAT WE  
9 DO WITH THESE GRANTS. FOR ME PERSONALLY I DON'T  
10 WANT TO NEGATE THEM. THESE ARE PROBABLY THE LEAST  
11 TIME SENSITIVE GRANTS OF ANY THAT WE WILL CONSIDER.  
12 SO PUTTING THEM OFF TO APRIL I DON'T THINK WILL BE  
13 THAT DAMAGING AND NOT SPEND ALL NIGHT JUST GOING  
14 BACK AND FORTH ABOUT THE FACT WE DON'T KNOW WHAT'S  
15 GOING TO HAPPEN. WE DON'T HAVE ANY MONEY.

16 CHAIRMAN KLEIN: I WOULD INDICATE WE HAVE  
17 A MEETING IN MARCH.

18 MS. FEIT: YOU KNOW, WE'VE BEEN SITTING  
19 HERE FOR ALMOST AN HOUR NOW, AND THERE ARE JUST SO  
20 MANY ASSUMPTIONS THAT WE'RE TRYING TO MAKE ABOUT  
21 OTHER FORCES OUT THERE RIGHT NOW IN THE ENVIRONMENT  
22 THAT WE HAVE NO CONTROL OVER. AND SO FOR US TO SIT  
23 HERE TONIGHT AND CONTINUE SPINNING OUR WHEELS MAKING  
24 ASSUMPTIONS ABOUT THE STATE BUDGET, MAKING  
25 ASSUMPTIONS ABOUT CAPITAL MARKETS, WHICH I JUST

## BARRISTERS' REPORTING SERVICE

1 SPENT THE LAST TWO WEEKS TALKING TO BANKERS AND  
2 CAPITAL MARKETS, AND I CAN TELL YOU THERE'S NOTHING  
3 OUT THERE. AND SO MAYBE THERE IS IN THE PRIVATE  
4 PLACEMENT WORLD. LET'S HOPE SO.

5 BUT I THINK TONIGHT, AS A BOARD, WE HAVE A  
6 FIDUCIARY RESPONSIBILITY IN FRONT OF US. AND WE  
7 NEED TO DEAL WITH WHAT'S REAL IN FRONT OF US AND NOT  
8 MAKE ANY MORE ASSUMPTIONS ABOUT THE STATE BUDGET OR  
9 ABOUT THE CAPITAL MARKETS. WE HAVE A PROBLEM TO  
10 SOLVE, AND FIDUCIARILY WE HAVE TO ADDRESS IT TONIGHT  
11 OR TOMORROW, AND WE HAVE TO DEAL WITH WHAT WE HAVE  
12 AT HAND. DISAPPOINTING? YES. WE DIDN'T CREATE THE  
13 ENVIRONMENT. WE'RE LIVING IN IT, AND WE ARE  
14 RESPONSIBLE TO TRY TO CARRY THE AGENCY AS FAR AS WE  
15 CAN GO WITH THE HOPE THAT THINGS WILL RESOLVE AND  
16 WITH THE HOPE THAT, YOU KNOW, WE CAN FIND PRIVATE  
17 PLACEMENT OUT THERE.

18 JUST BECAUSE I HAVE THIS SHRED OF HOPE  
19 THAT WE COULD, OVER THE HOLIDAYS I WATCHED AN AUTO  
20 AUCTION ON T.V., AND ONE CAR AUCTIONED OFF TO ONE  
21 PERSON FOR \$1.6 MILLION. SO OBVIOUSLY THERE'S A  
22 LITTLE FREE CASH OUT THERE BECAUSE IT WAS A 1971  
23 CAR. SO I'M SITTING HERE THINKING --

24 DR. PIZZO: DO YOU KNOW THE NAME OF THE  
25 PERSON?

## BARRISTERS' REPORTING SERVICE

1 MS. FEIT: SO I AM SITTING HERE WITH A  
2 LITTLE BIT OF HOPE THAT WE MIGHT BE ABLE TO GO OUT  
3 THERE AND DO THE BAN'S. BUT GETTING BACK, BOB,  
4 WE'RE REALLY JUST SITTING HERE SPENDING OUR ENERGIES  
5 MAKING SO MANY ASSUMPTIONS THAT WE HAVE NO CONTROL  
6 OVER. SO I THINK WE SHOULD JUST FOCUS ON THE STAFF  
7 RECOMMENDATIONS, YOU KNOW, EITHER ACCEPT THEM OR,  
8 YOU KNOW, JUST COME UP WITH OUR OWN SOLUTION.

9 CHAIRMAN KLEIN: SO LET ME ASK A QUESTION  
10 HERE. INSTITUTIONS EACH HAVE THE ABILITY TO MAKE  
11 THEIR OWN DECISION. IF WE -- LET ME GET MARCY, JUST  
12 A SECOND, DAVID. THERE'S BEEN A DISCUSSION AS WELL  
13 THAT IT MAY BE HELPFUL TO INSTITUTIONS TO MAKE A  
14 DECISION ON THESE GRANTS. AND, A, WE COULD MAKE A  
15 DECISION AND SAY AND PUT A PROVISION IN THAT SAYS  
16 SUBJECT TO AVAILABLE FUNDS, WHICH WOULD BE CLEAR  
17 COMMUNICATION THAT WE ARE NOT INCREASING OUR CURRENT  
18 FUNDING OBLIGATION, BUT OUR ULTIMATE FUNDING  
19 OBLIGATION WHEN WE HAVE PLENTY OF AUTHORITY FOR, OR  
20 WE COULD SAY WE'RE APPROVING THEM WITH THE FUNDING  
21 DECISION LATER, BUT A DECISION THAT WE SAY WE'RE  
22 FUNDING THEM AND SUBJECT TO AVAILABLE FUNDS. THAT  
23 WOULD GIVE THE INSTITUTION THE ABILITY TO MAKE A  
24 DECISION INDIVIDUALLY WHETHER THEY WANTED TO GO  
25 FORWARD OR NOT. THESE ARE RELATIVELY SMALL GRANTS

**BARRISTERS' REPORTING SERVICE**

1 WHERE THAT MIGHT BE FEASIBLE.

2 MS. FEIT: BASED ON JEFF SHEEHY'S COMMENT  
3 EARLIER, THAT THESE COULD BE DELAYED BECAUSE WE'RE  
4 NOT DEALING WITH SCIENCE THAT'S GOING TO CHANGE ON  
5 US RAPIDLY, SO THAT'S AN OPTION.

6 CHAIRMAN KLEIN: WE'RE DEALING WITH  
7 ENROLLMENT YEARS.

8 MS. FEIT: I AGREE WITH YOU ON THAT. I'M  
9 AGREEING WITH YOU ON THAT POINT. AND I THINK WHAT  
10 WE NEED TO DO IS START MAKING THESE DECISIONS. AND  
11 AS A BOARD, I AGREE WE SHOULD VEHEMENTLY GO OUT  
12 THERE AND DRAFT A PLAN TO GO INTO THAT MARKET WITH  
13 THE BAN'S.

14 MR. ROTH: THESE GRANTS WILL NOT GO STALE.

15 DR. PIZZO: ONE BRIEF CAVEAT. IF THEY'RE  
16 TRAINING GRANTS, THEY HAVE PEOPLE ATTACHED TO THEM.  
17 AND SOME OF THOSE ARE GOING TO BE TRAINEES THAT WILL  
18 BE STARTING OVER THE NEXT ACADEMIC YEAR. SO I THINK  
19 SO WE DO HAVE TO BE COGNIZANT OF THAT TIMELINE. I  
20 THINK WE CAN LIVE WITH THE UNCERTAINTY THROUGH APRIL  
21 AND THEN KNOW WE'RE GOING TO -- THEN PERHAPS CAN  
22 DECIDE WHETHER OR NOT TO BRING THOSE PEOPLE ON OR  
23 NOT.

24 CHAIRMAN KLEIN: WHAT IS YOUR POINT OF  
25 VIEW, DR. PIZZO, AS TO MAKING THE DECISION AND

## BARRISTERS' REPORTING SERVICE

1 TELLING THEM THAT IT'S SUBJECT TO AVAILABLE FUNDING  
2 SO THEY CAN MAKE THEIR OWN?

3 DR. PIZZO: I THINK WE'RE MANY OF US  
4 SAYING THE SAME THING. WE ALL WANT TO BE PRUDENT  
5 AND CAREFUL. I THINK WE RECOGNIZE, AS WE'VE SAID  
6 OVER AGAIN, THAT THESE GRANTS ARE SLIGHTLY  
7 DIFFERENT. THERE'S A LOT OF WORK THAT'S BEEN DONE.  
8 THEY'VE ALREADY BEEN RANKED AND ORDERED. AND I'M  
9 OKAY WITH APPROVING THEM SUBJECT TO OR WITH A DELAY  
10 CHARACTER ASSOCIATED WITH THEM.

11 CHAIRMAN KLEIN: OKAY. DR. PULIAFITO.

12 DR. PULIAFITO: THE MOST CONSERVATIVE  
13 THING TO DO, OF COURSE, IS TO SIMPLY DEFER THEM  
14 BECAUSE IF, IN THE ABSENCE OF A WORSENING SITUATION,  
15 YOU MAY DECIDE THAT THESE PROGRAMS ARE NOT AS HIGH  
16 PRIORITY AS ANOTHER PROGRAM THAT YOU WISH TO FUND.  
17 THAT'S NO. 1 OBSERVATION.

18 NO. 2, I'D LIKE TO MAKE IT CLEAR TO THE  
19 BOARD, AND I THINK THE ACADEMICIANS WILL SAY THIS,  
20 INSTITUTIONS DO NOT VIEW RECOMMENDATION OF AN  
21 UNFUNDED GRANT AS ANYTHING OTHER THAN NOTHING. IT'S  
22 JUST NOTHING BECAUSE THE MAJORITY OF NIH GRANTS ARE  
23 APPROVED, BUT NEVER FUNDED. SO YOU'RE NOT HELPING  
24 THE INVESTIGATOR BY, QUOTE, APPROVING THE GRANT.

25 CHAIRMAN KLEIN: SO, DR. PULIAFITO, WE

## BARRISTERS' REPORTING SERVICE

1 ACTUALLY APPROVED OUR FIRST TRAINING GRANTS WITH THE  
2 CLAUSE "SUBJECT TO AVAILABLE FUNDING" IN IT, AND THE  
3 INSTITUTIONS CHOSE TO FUND IT IN THE INTERIM.  
4 THAT'S JUST A HISTORICAL POINT.

5 DR. PULIAFITO: BUT IT WAS A DIFFERENT  
6 PERIOD OF TIME TOO.

7 DR. PIZZO: CAN I JUST RESPOND TO THAT  
8 VERY QUESTION BECAUSE IT'S A DIRECT RESPONSE,  
9 RICARDO. I AGREE WITH YOU, BUT THERE IS A  
10 DIFFERENCE FROM THE WAY NIH WOULD HANDLE IT BECAUSE  
11 AT THE NIH IF YOU'RE APPROVED AND YOU'RE NOT FUNDED,  
12 YOU'RE NOT FUNDED. THAT'S NOT GOING TO CHANGE IN  
13 THE NEXT CYCLE. I THINK WHAT WE'RE SAYING HERE IS  
14 THAT IF YOU'RE APPROVED, YOU COULD BE FUNDED IF THE  
15 MONEY BECOMES AVAILABLE.

16 CHAIRMAN KLEIN: DR. AZZIZ.

17 DR. AZZIZ: I ACTUALLY FEEL LESS STRONGLY  
18 ABOUT WHETHER WE REVIEW THEM AND RANK THEM AND THEN  
19 SIMPLY NOT FUND THEM AT ALL AND NOT FUND THE PROGRAM  
20 UNTIL WE CAN UNDERSTAND IT. BUT I JUST WANTED TO  
21 SHARE A LITTLE BIT OF INFORMATION BECAUSE CLEARLY  
22 THE WHOLE CRUX OF THE MODELING TODAY THAT WE'VE  
23 HEARD, AND THE PRESENTATION HAS BEEN VERY GOOD, HAS  
24 BEEN THAT YOU WISELY ASKED THEM TO DO THIS THROUGH  
25 2010.

## BARRISTERS' REPORTING SERVICE

1           YOU KNOW, REVIEWING ECONOMIC DATA, THERE'S  
2           A NICE STUDY BY KENNETH ROGOFF, WHO LOOKED AT 14  
3           BUSTS, AND I CAN TELL YOU THE EQUITY DROP WAS 50.  
4           SO WE REVIEWED 14 BUSTS ECONOMICALLY TO GET A  
5           HISTORICAL PERSPECTIVE. EQUITY WOULD DROP BY 56  
6           PERCENT. THE TIME TO NADIR WAS 3.4 YEARS AND VERY  
7           UNIFORM ACROSS ALMOST THESE 14 BUSTS.

8           HOUSING PRICES WOULD DROP BY 36 PERCENT.  
9           TIME TO NADIR WAS FIVE YEARS. UNEMPLOYMENT WOULD GO  
10          UP 7 PERCENT, AND THAT WOULD VARY WIDELY, BUT IT  
11          WOULDN'T REALLY PEAK UNTIL ABOUT 4.8 YEARS.

12          MY POINT IS THAT ECONOMIC DATA IS SHOWING  
13          CLEARLY THAT WE'RE NOWHERE NEAR THE BOTTOM, THAT THE  
14          STATE OF CALIFORNIA MAY NOT BE OKAY IN 2010. SO MY  
15          ONLY POINT IS, AND THIS IS, AGAIN, I WANT TO PROVIDE  
16          DATA, NOT JUST OPINIONS, THIS DATA SHOWS THAT  
17          PERHAPS PRUDENT MANAGEMENT SHOULD BE SOMETHING WE  
18          SHOULD CONSIDER.

19          CHAIRMAN KLEIN: SO I THINK WE ALWAYS  
20          CONSIDER PRUDENT MANAGEMENT. I THINK YOU MEAN 2011.

21          DR. AZZIZ: OVERLY CAUTIOUS.

22          DR. PIZZO: THAT WAS REALLY IMPRESSIVE.  
23          YOU CARRY THAT DATA AROUND WITH YOU?

24          DR. AZZIZ: I TRY.

25          CHAIRMAN KLEIN: WHAT I'D LIKE TO DO IS



## BARRISTERS' REPORTING SERVICE

1 WE'RE GOING TO TAKE A FEW MORE COMMENTS, WE'RE GOING  
2 TO TAKE PUBLIC COMMENTS, AND THEN I THINK WE'RE  
3 GOING TO ADJOURN FOR THE NIGHT BECAUSE WE'VE  
4 ACHIEVED THE GOAL HERE OF HAVING A SUBSTANTIVE  
5 DISCUSSION, HAVING FULL TRANSPARENCY ON THE ISSUES  
6 FACING US, AND HAVING THE BOARD FULLY INFORMED ON  
7 THE RISKS THAT WE'RE FACING.

8 MR. SHEEHY: SO I'M GLAD THAT YOU REMINDED  
9 ME THAT WE HAVE A MARCH MEETING, AND THAT WE'RE  
10 NOT -- WE DON'T HAVE ANY GRANTS TO REVIEW FOR THAT  
11 MEETING. AND I ACTUALLY -- I PERSONALLY DON'T FEEL  
12 COMFORTABLE MAKING ANY RECOMMENDATIONS ON THESE  
13 GRANTS WITHIN THIS CURRENT CONSTRUCT AND WOULD FEEL  
14 BETTER -- I THINK WE'LL HAVE A GREAT -- MORE  
15 INFORMATION, A LOT MORE INFORMATION IN A MONTH IN  
16 EVEN A MONTH. IF THE BUDGET IS NOT SETTLED BY  
17 MARCH, WE'RE GOING TO BE IN A VERY BAD -- YOU KNOW,  
18 WE ARE GOING TO START DOING WHAT DR. PULIAFITO -- AS  
19 I BUTCHER YOUR NAME. I APOLOGIZE. WE'RE GOING TO  
20 BE IN THAT SCENARIO WHERE WE MAY NOT WANT TO PUT  
21 THESE TWO CYCLES IN THE FRONT OF THE QUEUE FOR MONEY  
22 WHEN WE ACTUALLY ARE ABLE TO START SPENDING ON NEW  
23 PROGRAMS.

24 AND I JUST THINK THAT, FIRST OF ALL, FOR  
25 ME, I'M TRYING TO ABSORB THIS INFORMATION. AND I'M

## BARRISTERS' REPORTING SERVICE

1 NOT AT A POINT WHERE I'M READY TO APPROVE ANY GRANTS  
2 FOR ANYTHING. AND I WOULD MUCH RATHER PUT THIS OFF.

3 AND THE OTHER THING TOO IS I DON'T MIND  
4 LETTING SENATOR STEINBERG AND SENATOR ROMERO, WHO  
5 WERE SO KIND ENOUGH TO SEND US A LETTER, TO LET THEM  
6 KNOW THAT THE CONSEQUENCES TO WHAT'S GOING ON IN  
7 SACRAMENTO AND THIS THING THAT THEY'RE VERY  
8 INTERESTED IN ISN'T GOING ANYWHERE BECAUSE OF THE  
9 IMPACT ON -- WE'RE NOT THE ONLY PEOPLE IN CALIFORNIA  
10 THAT ARE KIND OF STUCK IN NEUTRAL WHILE WE WAIT FOR  
11 IMPASSE TO GET RESOLVED. AND NOT TO PUT ANY BLAME  
12 ON ANY PARTICULAR INDIVIDUAL OR ANY PARTICULAR  
13 POLITICAL PARTY, BUT THIS IS A CRISIS. I THINK IT'S  
14 NOT INAPPROPRIATE FOR US TO SHOW THAT WE'RE AS  
15 BADLY -- THAT WE'RE AS DRAMATICALLY AFFECTED AS  
16 EVERYBODY ELSE IN CALIFORNIA, THAT THIS IS HAVING  
17 SEVERE IMPACTS, AND THIS IS ROBBING CALIFORNIANS OF  
18 HOPE.

19 AT A TIME WHEN THE FIRST CLINICAL TRIAL IS  
20 GOING FORWARD, WE ARE NOT ABLE TO MOVE FORWARD WITH  
21 ESTABLISHING CALIFORNIA AS THE WORLD LEADER IN STEM  
22 CELL RESEARCH AND BRINGING THESE CURES TO PEOPLE  
23 ACROSS THIS STATE BECAUSE OF THIS BUDGET CRISIS THAT  
24 HAS KEPT THIS STATE FROM BEING ABLE TO DO ANYTHING  
25 ECONOMICALLY.

**BARRISTERS' REPORTING SERVICE**

1 CHAIRMAN KLEIN: I THINK FOR THE RECORD,  
2 WE SHOULD STATE THAT SENATOR STEINBERG AND SENATOR  
3 ROMERO HAVE PUT TIME AFTER TIME OPTIONS ON THE TABLE  
4 THAT WERE REASONABLE, THAT WERE REASONABLE TO THE  
5 GOVERNOR, AND VERY CLEAR THAT THEY CAN'T GET A FEW  
6 REPUBLICAN VOTES IN THE SENATE AND THE ASSEMBLY,  
7 STATING IT BLUNTLY. SO THE ISSUE HERE IS WE DO HAVE  
8 A CRISIS ENVIRONMENT WE'RE IN. WE NEED A BUDGET  
9 PASSED. IT'S CRITICAL TO EVERY AGENCY IN THE STATE  
10 OF CALIFORNIA.

11 MR. SERRANO-SEWELL: TO JEFF'S POINT,  
12 JEFF, THE ONLY THING I WANT TO SAY TO YOUR POINT IS,  
13 AND THEY'RE ALL VERY GOOD POINTS, WHAT I THINK IS  
14 DIFFERENT HERE IS WE HAVE THE DISCRETIONARY  
15 AUTHORITY TO MAKE A PROFOUND POLICY DECISION THAT  
16 WILL IMPACT THE BRIDGES APPLICANTS. WE DO. WE  
17 COULD ACCEPT STAFF'S RECOMMENDATION AND FULLY FUND  
18 THEM. WHEREAS, THE BUDGET SITUATION DOESN'T LEAVE  
19 US WITH NO CHOICE. IT DOES. WE CAN FUND BRIDGES IF  
20 WE WANT TO.

21 MR. SHEEHY: I'M NOT SAYING NOT TO FUND,  
22 BUT LET'S KICK THIS DOWN THE ROAD A MONTH. WE DON'T  
23 HAVE ANY GRANTS TO REVIEW IN MARCH. I WOULD JUST  
24 KICK IT.

25 CHAIRMAN KLEIN: WHAT I'D LIKE TO DO HERE

## BARRISTERS' REPORTING SERVICE

1 IS WE'VE HAD A VERY EFFECTIVE DISCUSSION. WHAT I'D  
2 LIKE TO DO, DR. TROUNSON, IF POSSIBLE, IS GET PUBLIC  
3 COMMENT. THEN WE HAVE AN ADDITIONAL ITEM I'D LIKE  
4 TO VERY BRIEFLY COVER, WHICH IS TO ADDRESS OPTIONS  
5 THAT MAY BE HELPFUL TO US UNDER THE FEDERAL STIMULUS  
6 BILL, THE OMNIBUS BILL, AND 2010 BUDGET. CERTAINLY  
7 WE HAVE A VERY IMPORTANT MESSAGE TO COMMUNICATE TO  
8 OUR CONGRESS ON OUR NEED FOR FUNDING.

9 DR. TROUNSON: SORRY, CHAIR. WE'VE BEEN  
10 CONCENTRATING ON THE TRAINING AND THE BRIDGES  
11 PROGRAM, BUT THERE'S ALSO THE LEFTOVER TOOLS AND  
12 TECHNOLOGIES. AND YOU'VE GOT TO -- YOU'RE UP --  
13 THAT'S UP FOR DECISION NOW. I'M A BIT CONCERNED BY  
14 REPEATEDLY PUTTING THAT ONE BACK. BUT ESSENTIALLY  
15 YOU'VE ALSO GOT TO COME TO GRIPS WITH THAT.

16 CHAIRMAN KLEIN: NOT UNDER THIS AGENDA  
17 ITEM THOUGH. IT'S A SEPARATE AGENDA ITEM. WE WILL  
18 ADDRESS IT.

19 MS. LANSING: YOU KNOW, I RESPECT  
20 EVERYTHING THAT ALL OF MY COLLEAGUES ARE SAYING, BUT  
21 I GUESS I FEEL THAT WHAT WE WERE ALREADY REVIEWING  
22 AND WHAT HAS ALREADY BEEN SET IN MOTION, SO IT'S ALL  
23 THREE OF THEM AND THEN ANOTHER CYCLE AS WELL, I  
24 UNDERSTAND, WE SHOULD MOVE AHEAD WITH SUBJECT TO  
25 FUNDING, PERIOD. NOT WITH DATES OR ANYTHING, JUST

## BARRISTERS' REPORTING SERVICE

1 SUBJECT TO FUNDING, BECAUSE IF WE DON'T, I THINK  
2 WE'RE SENDING A CLEAR MESSAGE THAT WE'RE OUT OF  
3 BUSINESS. AND I THINK THAT'S A VERY, VERY BAD  
4 MESSAGE TO SEND. I THINK WE'VE BEEN THERE BEFORE  
5 WHEN WE DIDN'T KNOW IF THE BILL, WHEN IT WAS IN THE  
6 SUPREME COURT, WE DIDN'T KNOW WHAT THE RESULT WAS  
7 GOING TO BE. WE MOVED AHEAD AND WE GOT BAN'S.

8 I LISTENED TO VERY WISE COUNSEL SAYING A  
9 NUMBER CALLED 89 PERCENT. NOW, THAT'S REALLY A  
10 STRONG RECOMMENDATION. OF COURSE, THEY COULD BE  
11 COMPLETELY WRONG; BUT UNTIL WE GO INTO THE MARKET,  
12 UNTIL THE BUDGET GETS APPROVED ONE WAY OR THE OTHER,  
13 WE DON'T KNOW WHERE WE ARE. AND TO HAVE TO PLAY  
14 CATCH-UP BALL, I THINK, IS A HUGE MISTAKE. WE'VE  
15 BEEN FULLY TRANSPARENT. I DON'T THINK THERE IS --  
16 IT WOULD BE TRAGIC NOT TO BE ABLE TO FUND IT, BUT WE  
17 CERTAINLY WOULD NOT BE ACCUSED OF NOT BEING HONEST.  
18 THIS HAS BEEN IN THE PUBLIC COMMENT. WE'VE ALL SAID  
19 LOUD AND CLEAR THAT THERE MIGHT NOT BE ANY MONEY.

20 MR. GOLDBERG: SHERRY, I'D LIKE TO BE THE  
21 FIRST PERSON TO SIGN UP FOR YOUR FAITH-BASED  
22 COALITION.

23 CHAIRMAN KLEIN: I'M GOING TO BE THE  
24 SECOND PERSON BECAUSE I THINK IT'S VERY IMPORTANT TO  
25 RECALL WHAT SHERRY IS REFERENCING US TO, WHICH IS

## BARRISTERS' REPORTING SERVICE

1 THE HISTORY OF THIS ORGANIZATION. WE APPROVED THE  
2 TRAINING GRANTS INITIALLY SUBJECT TO THE  
3 AVAILABILITY OF FUNDING. WE SAID WE'RE IN BUSINESS.

4 NOW, IT IS VERY CLEAR, TOTALLY  
5 TRANSPARENT, AS SHERRY SAID, WHAT THE RISKS ARE.  
6 THEY'RE NO DIFFERENT THAN THE REST OF THE STATE  
7 GOVERNMENT, WHICH IS NOT SHUTTING DOWN. SO WHAT'S  
8 IMPORTANT HERE TO REALIZE IS THAT EVEN FOR THE  
9 BRIDGES PROGRAM, THEY'VE ALREADY RECRUITED THEIR  
10 STUDENTS. THEY'VE ALREADY RECRUITED THOSE STUDENTS.  
11 IF WE APPROVE THIS PROGRAM, THEN IT'S SUBJECT TO  
12 FUNDING. THOSE INSTITUTIONS CAN MAKE DECISIONS ON  
13 AN INTERIM BASIS, BUT AT LEAST IT SHOWS OUR  
14 INTENTION TO MOVE FORWARD SUBJECT TO THE INFORMATION  
15 THAT WE CAN CONFIRM OUR FUNDING.

16 NOW, WITH THAT, I'D LIKE TO GET PUBLIC  
17 COMMENT.

18 DR. MARTINS-GREEN: MANUELA MARTINS-GREEN.  
19 I AM A PROFESSOR AT UNIVERSITY CALIFORNIA RIVERSIDE,  
20 AND THIS IS THE FIRST TIME I ATTEND THIS BOARD. I  
21 AM REALLY IMPRESSED WITH THE KIND OF FRANK  
22 DISCUSSION YOU ARE GOING THROUGH. AND I REALLY  
23 WOULD LIKE TO ECHO BOARD MEMBER LANSING'S WORDS. I  
24 THINK IT WOULD BE NOT ADVISABLE TO NOT MAKE A  
25 DECISION, OF COURSE, WITH THE PROVI SO THAT YOU CAN

## BARRISTERS' REPORTING SERVICE

1 FUND IT, FOR THE PEOPLE THAT HAVE WORKED SO HARD,  
2 THEY HAVE PUT THEIR PROPOSALS IN AND NEED TO BEGIN  
3 TO MAKE PLANS. SO I'D LIKE TO MAKE THAT REQUEST OF  
4 THE BOARD.

5 CHAIRMAN KLEIN: THANK YOU.

6 MR. COFFMAN: HI. MY NAME IS LOUIS  
7 COFFMAN. I'M WITH THE SANFORD CONSORTIUM, AND I  
8 BRING YOU A LETTER FROM MY BOSS AND ONE OF YOUR  
9 FORMER MEMBERS, DR. ED HOLMES. HE'S BEEN MONITORING  
10 THIS VIA MY E-MAIL ALL NIGHT LONG. HE SAID, "MR.  
11 CHAIRMAN, WE APPRECIATE WHAT YOU, PRESIDENT  
12 TROUNSON, AND OTHERS ARE DOING TO REALIZE THE VISION  
13 OF CIRM FOR STEM CELL RESEARCH IN CALIFORNIA AND THE  
14 NATION. THESE ARE DIFFICULT ECONOMIC TIMES, AND  
15 YOUR CREATIVITY AND INNOVATION IS APPRECIATED AND  
16 NEEDED. HOWEVER, WE FEEL IT IS IMPORTANT FOR CIRM  
17 TO MEET ITS EXISTING COMMITMENTS IN FULL AND ON  
18 SCHEDULE BEFORE TAKING ON ADDITIONAL COMMITMENTS.  
19 TO NOT MEET THE TERMS OF PRIOR NGA'S WILL NEGATIVELY  
20 IMPACT THE CREDIBILITY OF CIRM AS A FUNDING AGENCY.

21 "HOW WILL FUTURE GRANT AWARDEES HAVE  
22 CONFIDENCE THAT FUNDS WILL BE THERE FOR THEIR  
23 PROGRAMS IF EXISTING COMMITMENTS ARE NOT FULFILLED?  
24 WE AT SCRM AND OTHER ENTITIES LIKE US HAVE MADE  
25 WARRANTS, COMMITMENTS TO INSTITUTIONS AND

## BARRISTERS' REPORTING SERVICE

1 INDIVIDUALS BASED ON THE NGA WE RECEIVED FOR OUR  
2 FACILITIES PROJECT. WE HAVE MADE COMMITMENTS TO THE  
3 REGENTS, TO OUR DEVELOPERS. WE HAVE MADE  
4 COMMITMENTS TO GENEROUS PHILANTHROPISTS. WE'VE  
5 SPENT HIS MONEY BASED UPON THIS NGA, AND OUR  
6 CONSORTIA MEMBERS HAVE COMMITTED TO EXISTING AND  
7 NEWLY RECRUITED SCIENTISTS AND FACULTY BASED ON THIS  
8 NGA.

9 "WE PLEAD WITH THE ICOC TO HONOR THESE  
10 EXISTING COMMITMENTS AND REQUEST THAT THE ADOPTION  
11 OF NEW PROGRAMS NOT COME AT THE EXPENSE OF THOSE  
12 THAT HAVE ALREADY BEEN AWARDED."

13 AND A COUPLE THINGS I JUST WANTED TO  
14 CLARIFY. I AM THE ULTIMATE POLLYANNA, AND I THINK  
15 IN TERMS OF OPTIMISM BECAUSE I'M THE ONE WHO STOOD  
16 IN FRONT OF YOU WHEN YOU TOLD US WE WERE NOT GOING  
17 TO GET OUR CERTIFIED EIR AND WE WERE NOT GOING TO  
18 GET OUR COASTAL DEVELOPMENT PERMIT IN SOME FUTURE  
19 TIME. WE GOT ALL ON TIME BY UNANIMOUS ON CONSENT  
20 AGENDA BEFORE THE REGENTS, AND ACTUALLY WITH ONE OF  
21 OUR MOST STRIDENT ANTAGONISTS IN FAVOR OF OUR  
22 APPLICATION AT THE COASTAL COMMISSION. SO WE GOT  
23 THAT. WE'RE ON TIME. WE'RE READY TO PUT A SHOVEL  
24 IN THE GROUND FEBRUARY 9TH. WE CANNOT. OUR END  
25 DATE IN OUR NGA IS 12/31/2010.



## BARRISTERS' REPORTING SERVICE

1 SO TO HEAR THAT OUR NUMBERS ARE NOT  
2 INCLUDED IN THE 133 IS A TAD DISCONCERTING, AND I  
3 THINK IT MAY HAVE IMPACT ON OUR ABILITY TO DO AS YOU  
4 SUGGEST, AND I THINK WE SHOULD, IS TAKE A LETTER TO  
5 THE LENDERS AND SAY WE'RE GOING TO BE ABLE TO  
6 PROVIDE ASSURANCE THAT THE CIRM WILL COME THROUGH  
7 WITH THEIR MONEY.

8 SO I FEAR, THE CONCERN IS THAT THE NUMBERS  
9 MAY BE OFF, AND WE MAY SUFFER THE CONSEQUENCE, AND  
10 WE MAY HAVE CREATED A SELF-FULFILLING PROPHECY TO  
11 NOT MAKE IT WORK.

12 CHAIRMAN KLEIN: OKAY. I'D LIKE TO MAKE  
13 SOMETHING VERY CLEAR. THERE'S A CONSTITUTIONAL  
14 OBLIGATION OF THE STATE TO FUND THOSE ON TIME.  
15 THOSE COMMITMENTS ARE EXISTING. THEY'RE CONTRACTS  
16 THAT HAVE TO BE HONORED. WHAT WE'RE TRYING TO DO  
17 HERE IS CREATE A PROGRAM WHERE WE DON'T, TO THE  
18 EXTENT THAT WE DON'T HAVE TO, ENFORCE EXISTING  
19 CONTRACTS THAT CREATE AN IMMEDIATE BURDEN ON THE  
20 STATE. AS TO EXISTING CONTRACTS, THE STATE HAS TO  
21 ISSUE THOSE BONDS PUBLICLY. RIGHT.

22 IN TERMS OF AN ALLOCATION OF NEW  
23 OBLIGATIONS, WE DO HAVE A PRIORITY ON THE OBLIGATION  
24 OF THE STATE TO HONOR THOSE CONTRACTS. SO THOSE  
25 CONTRACTS WILL BE HONORED.

**BARRISTERS' REPORTING SERVICE**

1 AS TO ADDITIONAL PROGRAMS, THE MOST RECENT  
2 DISCUSSION HAS BEEN SUBJECT TO AVAILABLE FUNDING,  
3 WHICH MEANS THEY DO NOT HAVE THE SAME PRIORITY.  
4 THEY ARE NOT -- WE'RE NOT PUTTING EXISTING CONTRACTS  
5 AT RISK FOR SOMETHING THAT'S SUBJECT TO AVAILABLE  
6 FUNDING.

7 MR. COFFMAN: NOW IS NOT THE TIME TO  
8 DEBATE. THANK YOU VERY MUCH FOR YOUR TIME.

9 DR. SIMPSON: JOHN SIMPSON FROM CONSUMER  
10 WATCHDOG. I JUST WOULD SIMPLY SAY THAT I DON'T SEE  
11 HOW YOU CAN TAKE ON ANY ADDITIONAL COMMITMENTS FOR  
12 OTHER GRANTS BASED ON THE INFORMATION THAT YOU'VE  
13 HAD. YOU'VE HAD A VERY THOROUGH, THOUGHTFUL  
14 DISCUSSION. STAFF DID A WONDERFUL JOB OF LAYING OUT  
15 THE KNOWLEDGE AT THIS POINT, BUT IT DOES SEEM TO ME  
16 THAT YOU HAVE TO DEFER ANY ACTION ON ANY ADDITIONAL  
17 GRANTS AT LEAST UNTIL MARCH, IF NOT UNTIL THE APRIL  
18 MEETING. I DON'T THINK YOU'VE GOT ANY OTHER COURSE.

19 I'M ALSO, MR. CHAIRMAN, A LITTLE PUZZLED  
20 ABOUT WHAT YOU'RE SAYING ABOUT THAT ALL 3 BILLION OF  
21 THE BONDS ARE ALREADY AUTHORIZED. YOU STILL NEED, I  
22 THINK, DO YOU NOT, APPROVAL BY THE STEM CELL FINANCE  
23 COMMITTEE TO GO INTO THE MARKET, RIGHT? AND  
24 PRESUMABLY, IF THEY DON'T THINK THAT YOU SHOULD GO,  
25 THEY WOULDN'T VOTE TO DO IT.

## BARRISTERS' REPORTING SERVICE

1 CHAIRMAN KLEIN: TO THE EXTENT WE HAVE  
2 EXISTING COMMITMENTS AND CONTRACTS IN PLACE WITH  
3 SPECIFIC OBLIGATIONS, THERE IS A CONTINUOUS  
4 APPROPRIATION IN PLACE AND AN OBLIGATION TO FUND  
5 THOSE UNDER TIMEFRAME. SO AS TO EXISTING  
6 OBLIGATIONS, I HAVE EVERY FAITH THAT THE COMMITTEE  
7 WOULD HONOR THE OBLIGATIONS THAT ARE CONTRACTUAL  
8 OBLIGATIONS OF THE STATE.

9 DR. SIMPSON: BUT IF THEY DON'T HAVE THE  
10 MONEY, WHERE WOULD THEY GET IT? THAT'S WHAT, I  
11 GUESS, I'M KIND OF ASKING.

12 CHAIRMAN KLEIN: TO THE EXTENT OF OUR  
13 EXISTING OBLIGATIONS RELATIVE TO THE TOTAL  
14 OBLIGATIONS THAT HAVE BEEN AUTHORIZED FOR THIS  
15 AGENCY, I BELIEVE THAT WE WOULD BE ABLE TO GET A  
16 FUNDING OF THOSE OBLIGATIONS. NOW, IN AN ULTIMATE  
17 WORST-CASE SCENARIO, NOTHING IN THE STATE IS GOING  
18 TO WORK. SO AT A REASONABLE WORST-CASE SCENARIO IS  
19 WHAT WE'RE TRYING TO BUILD HERE. AND SO UNDER THAT  
20 SCENARIO, THE STATE WOULD HONOR THOSE OBLIGATIONS AS  
21 EXISTING CONTRACTUAL COMMITMENTS.

22 IF WE WERE TALKING ABOUT WHAT'S GOING TO  
23 HAPPEN IN THE NEXT 90 DAYS OR 120 DAYS ON EXISTING  
24 COMMITMENTS, I WOULD TELL YOU THAT ON A TIMING  
25 BASIS, THERE'S A VERY DIFFICULT PROBLEM RAISING NEW

## BARRISTERS' REPORTING SERVICE

1 FUNDS TO HONOR OBLIGATIONS IN THAT TIME PERIOD. IN  
2 THE PERIOD THROUGH THE MIDDLE OF SEPTEMBER, IN FACT,  
3 WITH NO NEW -- WITHOUT APPROVING THE TRANSLATIONAL  
4 GRANTS IN THE PERIOD THROUGH SEPTEMBER, WE HAVE CASH  
5 ON HAND TO HANDLE ALL OF OUR OBLIGATIONS, I BELIEVE,  
6 UNTIL DECEMBER 31ST.

7 SO WE'RE TRYING TO LOOK DOWNSTREAM AND  
8 TAKE EARLY ACTION TO MAKE CERTAIN THERE'S PLENTY OF  
9 TIME. BUT WITH APPROPRIATE AMOUNT OF TIME, THE  
10 STATE AT THE LEVEL WE'RE TALKING ABOUT WITH EXISTING  
11 OBLIGATIONS SHOULD DEFINITELY BE ABLE TO HANDLE  
12 THOSE OBLIGATIONS.

13 DR. SIMPSON: THANK YOU.

14 MR. REED: DON REED, CALIFORNIANS FOR  
15 CURES. YESTERDAY MY GRANDSON TOLD ME, GRANDDAD, YOU  
16 ARE LOOKING SO OLD. HE SAYS DOES THIS MEAN YOU ARE  
17 GOING TO DIE SOON? I TOLD HIM I HAD NO SUCH PLANS.  
18 BUT I AM AT AN AGE WHERE EVERYTHING REMINDS ME OF  
19 SOMETHING ELSE.

20 THIS REMINDS ME OF THE WORST, DARKEST  
21 HOURS OF THE ROMAN REED SPINAL CORD INJURY RESEARCH  
22 ACT. ONE DAY WE HAD A \$75 MILLION A YEAR GUARANTEED  
23 SOURCE OF FUNDING NONTAXED, \$5 FOR A SPEEDING  
24 TICKET, SET FOR LIFE. THE NEXT DAY IT WAS DOWN TO  
25 19 MILLION GENERAL TAX. FEW WEEKS AFTER THAT THE

## BARRISTERS' REPORTING SERVICE

1 ENERGY CRISIS. WENT INTO SUSPENSE. DOWN TO ZERO.  
2 CAME BACK AND STARTED AGAIN FOR \$1 MILLION. BUT  
3 FROM THAT \$1 MILLION CAME DR. HANS KIERSTEAD'S WORK,  
4 WHICH WAS PICKED UP BY GERON, WHICH IS GOING TO  
5 HUMAN TRIALS.

6 WHAT WE HAVE HERE IS A TREMENDOUS BOARD.  
7 EVERYBODY HERE IS A CHAMPION OF THE FIELD, WORKING  
8 TOGETHER. YOU LIKE EACH OTHER. YOU HAVE A CHAIRMAN  
9 WHO WORKS DOUBLE TIME, ALTHOUGH I GRUDGINGLY SAY HE  
10 IS ONLY PAID PART TIME. YOU ARE GOING TO FIGURE  
11 THIS OUT. YOU'RE GOING TO HEAR ALL SIDES. YOU ARE  
12 GOING TO WRESTLE BACK AND FORTH, AND YOU'RE GOING TO  
13 DO THE BEST THING THAT CAN POSSIBLY BE DONE FOR  
14 CALIFORNIA AND FOR THE FUTURE OF EVERYONE. YOU WILL  
15 DO A TREMENDOUS JOB. WE HAVE FAITH IN YOU.

16 CHAIRMAN KLEIN: THANK YOU VERY MUCH.  
17 ADDITIONAL PUBLIC COMMENT? OKAY. SO GIVEN THE  
18 HOUR, MY SUGGESTION IS THAT AS TO THE DISCUSSION ON  
19 THE FEDERAL STIMULUS BILL, THE OMNIBUS BILL, AND  
20 FISCAL YEAR 2010 FEDERAL LEGISLATION, WE'LL LIMIT  
21 THAT DEBATE TO FOUR HOURS.

22 WE WILL, I THINK, SINCE WE WILL, IN FACT,  
23 HAVE A GREAT DEAL MORE INFORMATION IN MARCH, DEFER  
24 THAT ITEM TO THE MARCH CALENDAR, BUT PROVIDE IN THE  
25 INTERIM SOME PUBLIC SUMMARIES OF PROGRESS OF THOSE

**BARRISTERS' REPORTING SERVICE**

1 VARIOUS PIECES OF LEGISLATION UNLESS ANY INDIVIDUAL  
2 ON THE BOARD WOULD LIKE TO SPECIFICALLY ADDRESS ONE  
3 OF THOSE PIECES OF FEDERAL LEGISLATION.

4 ASKING COUNSEL, COUNSEL, IS THERE ANY  
5 REASON THAT WE CANNOT AT THIS POINT ADJOURN? WE  
6 HAVE ALSO CALENDARED THE REVIEW OF GRANTS FOR  
7 TOMORROW, SO WE DID THAT OUT OF CAUTION THAT THIS  
8 MIGHT BE A LONG DISCUSSION. AND I EXPECT THAT WE  
9 CAN TAKE IT UP UNDER TOMORROW'S CALENDAR; IS THAT  
10 CORRECT, COUNSEL?

11 MR. HARRISON: THAT'S CORRECT.

12 CHAIRMAN KLEIN: SO UNLESS THERE'S  
13 VEHEMENT PROTEST, WE WILL ADJOURN FOR THE EVENING.

14 (THE MEETING WAS THEN ADJOURNED AT  
15 10:01 P.M.)

16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**BARRISTERS' REPORTING SERVICE**

REPORTER' S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE 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

CROWNE PLAZA HOTEL SFO  
1177 AIRPORT BOULEVARD  
BURLINGAME, CALIFORNIA

ON  
THURSDAY, JANUARY 29, 2009

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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