

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: CREST THEATER  
1013 K STREET  
SACRAMENTO, CALIFORNIA

DATE: MARCH 12, 2008  
9:20 A.M.

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

BRS FILE NO.: 80966

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**BARRISTERS' REPORTING SERVICE**

SACRAMENTO, CALIFORNIA; WEDNESDAY, MARCH 12, 2008

09:20 A.M.

CHAIRMAN KLEIN: WELCOME, EVERYONE, TO THIS HISTORIC LOCATION, THE CREST THEATER. THERE IS GREAT THEATER ON OUR SCHEDULE TODAY. WITH THIS BOARD AND ITS BROAD RANGE OF TALENT, WE COULD PUT ON A NUMBER OF SHOWS. NONE PERHAPS WITHOUT THE LEAD OF LEEZA GIBBONS OR SHERRY LANSING, BUT CERTAINLY THE REST OF US ARE STRONG SUPPORT ACTORS.

MS. LANSING: I WOULD LIKE TO CORRECT THAT FOR THE RECORD. WE ARE THE SUPPORTING ACTORS. YOU ARE NOT.

CHAIRMAN KLEIN: I'D LIKE TO THANK JENNIFER PRYNE AND MELISSA KING FOR GETTING THIS MEETING TOGETHER. SOMETIMES WITH THE PEAK OF LEGISLATIVE SESSIONS, IT IS DIFFICULT TO FIND A VENUE, AND CERTAINLY THIS IS A VENUE WHERE WE HAVE AN ADEQUATE STAGE FOR THE TREMENDOUS TALENT AND A TREMENDOUS THEATER FOR PRESENTING THE CRITICAL INFORMATION WE'LL COVER TODAY. THANK YOU ALSO TO SUE NORTH, OUR INTERIM DIRECTOR OF LEGISLATIVE AFFAIRS, ON LOAN TO US FROM THE STATE SENATE. WE DEEPLY APPRECIATE THE STATE SENATE'S HELP WITH THIS.

FOR MOVING FORWARD WITH OUR LEGISLATIVE MEETINGS YESTERDAY, DUANE ROTH AND I HAD A NUMBER OF MEETINGS TO EXPLAIN TO THE LEGISLATIVE REPRESENTATIVES THE POTENTIAL

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OF A LOAN PROGRAM, THE IDEAS THAT WERE BEING DISCUSSED, AND WE HAD THE OPPORTUNITY TO ANSWER THEIR QUESTIONS. THAT WAS VERY FORTUNATE WE HAD THOSE MEETINGS BECAUSE TODAY THERE'S A SPECIAL SESSION THAT'S BEEN CALLED, ACTUALLY NOT A SPECIAL SESSION, TECHNICALLY IT'S JUST A SPECIAL MEETING OF THE SESSION TO LOOK AT AN EXCISE TAX ON OIL, AN EXCESS PROFITS TAX. AND THAT WILL CUT SHORT THE TIME THAT MEMBERS HAVE FOR OUR MEETINGS TODAY GIVEN THAT IT'S SOMEWHAT CONTROVERSIAL.

BUT THE LEGISLATURE HAS SOME HUGE TASKS FACING THEM, AND WE CERTAINLY ARE SYMPATHETIC AND SUPPORTIVE OF THE TREMENDOUS COMMITMENT THE LEGISLATORS ARE MAKING TO MEET THE CHALLENGES IN THE STATE BUDGET. I'D LIKE TO THANK DON GIBBONS RECENTLY COMING TO US FROM HARVARD, OUR COMMUNICATIONS DIRECTOR. AND I WILL INTRODUCE HIM IN GREATER DEPTH IN MY CHAIRMAN'S REPORT.

IN OUR MEETING TODAY, I'D LIKE TO BEGIN, IF MELISSA KING IS READY, WITH A PLEDGE OF ALLEGIANCE AND A ROLL CALL. MELISSA.

(THE PLEDGE OF ALLEGIANCE.)

MS. KING: RICARDO AZZIZ.

DR. AZZIZ: PRESENT.

MS. KING: ROBERT PRICE FOR ROBERT BIRGENEAU.

DR. PRICE: HERE.

MS. KING: FLOYD BLOOM.

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DR. BLOOM: HERE.

MS. KING: DAVID BRENNER.

DR. BRENNER: HERE.

MS. KING: SUSAN BRYANT.

DR. BRYANT: HERE.

MS. KING: MARSHA CHANDLER. MARCY FEIT.

MS. FEIT: HERE.

MS. KING: MICHAEL FRIEDMAN. LEEZA GIBBONS.

MS. GIBBONS: HERE.

MS. KING: MICHAEL GOLDBERG. SAM HAWGOOD.

DR. HAWGOOD: HERE.

MS. KING: BRIAN HENDERSON. BOB KLEIN.

CHAIRMAN KLEIN: HERE.

MS. KING: SHERRY LANSING.

MS. LANSING: HERE.

MS. KING: GERALD LEVEY. TED LOVE.

DR. LOVE: HERE.

MS. KING: TINA NOVA. ED PENHOET.

DR. PENHOET: HERE.

MS. KING: PHIL PIZZO.

DR. PIZZO: HERE.

MS. KING: CLAIRE POMEROY.

DR. POMEROY: HERE.

MS. KING: FRANCISCO PRIETO.

DR. PRIETO: HERE.

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MS. KING: JOHN REED. DUANE ROTH.

MR. ROTH: HERE.

MS. KING: JOAN SAMUELSON. DAVID

SERRANO-SEWELL.

MR. SERRANO-SEWELL: HERE.

MS. KING: JEFF SHEEHY.

MR. SHEEHY: HERE.

MS. KING: JON SHESTACK. OSWALD STEWARD. JANET  
WRIGHT.

DR. WRIGHT: HERE.

CHAIRMAN KLEIN: THANK YOU VERY MUCH. IN  
BEGINNING THE MEETING TODAY, I'D LIKE TO SAY THAT ONE OF  
OUR MEMBERS WILL NEED TO LEAVE FOR A SHORT PERIOD AT  
11:30 FOR A LEGISLATIVE MEETING THAT WOULD OTHERWISE HAVE  
BEEN LATER TODAY. SO WE'LL THANK THAT MEMBER AND WELCOME  
THEM BACK AFTER THE MEETING OCCURS.

THE FIRST ITEM ON THE AGENDA IS THE APPROVAL OF  
OUR CONSENT CALENDAR ITEMS, INCLUDING APPROVAL OF THE  
MINUTES FROM DECEMBER 12TH AND JANUARY 16TH, 17TH. THE  
FINAL ADOPTION OF CIRM GRANT ADMINISTRATION POLICY IS  
ALSO ON OUR SCHEDULE. IS THERE A MOTION TO APPROVE THE  
CONSENT CALENDAR?

DR. POMEROY: SO MOVED.

DR. AZZIZ: SECOND.

CHAIRMAN KLEIN: ANY DISCUSSION OF THE MOTION?

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ANY COMMENT FROM THE PUBLIC? ALL IN FAVOR.

OPPOSED? MOTION PASSES UNANIMOUSLY.

IN THE CHAIRMAN'S REPORT, I'D LIKE TO SAY THAT THE STAFF HAS DONE AN INCREDIBLE JOB, THE STAFF THAT WE'VE HAD FOR THE LAST THREE YEARS, BUT IT HAS BEEN A TREMENDOUS LIFT TO THE STAFF TO HAVE DR. ALAN TROUNSON HERE LEADING THE ORGANIZATION. IT'S BEEN AN INSPIRATION TO ME TO WATCH HIS MANAGEMENT OF THE STAFF AND HIS INSIGHTS INTO THE SCIENCE.

I THINK IT WOULD BE APPROPRIATE TO SAY THAT THE FIELD IS MOVING FASTER THAN EVEN DR. TROUNSON THOUGHT, AND WE ARE EXTREMELY IMPRESSED BY THE SCIENCE GOING ON IN THE STATE OF CALIFORNIA.

BUT WITH THAT SAID, WE ARE TEMPTED TO PUT ON THE MARQUEE THIS MORNING CIRM, STARRING DR. ALAN TROUNSON STRAIGHT FROM AUSTRALIA. WE CONSTRAINED OURSELVES TO A MORE GOVERNMENTAL APPEARANCE ON THE MARQUEE, BUT IT IS AN IMPORTANT POINT TO NOTE HOW MUCH OF A LIFT HE HAS GIVEN TO OUR ORGANIZATION.

I WOULD ALSO LIKE TO SAY THAT WE ARE TREMENDOUSLY PLEASED TO HAVE DON GIBBONS, WHO THIS BOARD APPROVED, WITH US. DON HAD AN ILLUSTRIOUS CAREER AT STANFORD AS COMMUNICATIONS OFFICER. HE HAD TREMENDOUS CAREER AT THE HARVARD MEDICAL SCHOOL AS THE COMMUNICATIONS OFFICER. I RECOMMEND THAT YOU LOOK AT HIS



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BIO AND THE TREMENDOUS RECORD OF PUBLICATIONS AND LEADERSHIP THAT HE HAS. AND I'D LIKE TO INVITE DON TO SAY A FEW WORDS THIS MORNING.

DR. GIBBONS: THANK YOU, BOB. I JUST WANT TO SAY TWO THINGS. I'M THRILLED TO BE HERE. THERE'S TWO THINGS THAT I'VE REALLY ENJOYED IN MY CAREER, AND ONE IS BUILDING COMMUNITY. I LOVE USING COMMUNICATIONS TOOLS TO BUILD COMMUNITY. AT HARVARD WE HAD 10,000 FACULTY AT 18 HOSPITALS. TRYING TO GET THEM TO, AS PHIL WELL KNOWS, EVEN THINK ABOUT EACH OTHER WAS A TREMENDOUS TASK, AND IT'S GREAT FUN. AND THIS INSTITUTE HAS GOT SO MANY DIFFERENT COMMUNITIES THAT NEED TO BOND TOGETHER BETTER AND KNOW WHAT'S GOING ON IN A BETTER WAY, AND THAT WILL BE A CHALLENGE AND GREAT FUN.

ANOTHER THING IS OVER THE LAST SEVERAL YEARS AT HARVARD, I GOT VERY INVOLVED IN OUR STEM CELL INITIATIVE, BOTH HARVARD STEM CELL INSTITUTE, WORK ON CAMERON ASHLEY AND WORKED WITH THE CHRISTOPHER REEVE GROUP NATIONALLY, AND OVERRIDING GOVERNOR ROMNEY'S VETO OF OUR STEM CELL INITIATIVE.

AND IT CAME REALLY NATURAL TO ME TO BUILD THOSE TWO THINGS INTO ONE BY COMING TO CIRM. SO THANK YOU.

CHAIRMAN KLEIN: THANK YOU VERY MUCH, DON. AND I'D LIKE TO SAY THAT THE SPOTLIGHT THIS MORNING EMPHASIZES THE VALUE OF THE COMMUNICATIONS ASSETS AND

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RESPONSIBILITIES WE HAVE BECAUSE THE PUBLIC NEEDS TO UNDERSTAND, THE PUBLIC IN ALL OF THE CONSTITUENCIES, THE LEGISLATIVE CONSTITUENCY, THE CHAMBERS OF COMMERCE FROM SAN DIEGO TO SAN FRANCISCO WHO ENDORSED PROP 71, THE CIVIC GROUPS THAT ENDORSED THIS, AND THE FAMILIES WITH DISEASE, AS WELL AS EVERY TAXPAYER.

IF THEY UNDERSTAND THE TASK BEFORE US, THEY WILL, IN FACT, BE MORE PATIENT WHEN THEY REALIZE THAT CLINICAL TRIALS, WHICH WILL BE COMING SOON, REQUIRE REAL PATIENCE, THEY REQUIRE A TOLERANCE OF RISK, THEY REQUIRE AN ACCEPTANCE OF THE FACT THAT THE PATIENTS WITH THEIR FAMILIES WITH INDEPENDENT COUNSEL FROM THEIR PHYSICIANS NEED TO BE ABLE TO ACCEPT THAT RISK EVEN IF THERE ARE ADVERSE CONSEQUENCES THAT CAN BE SEVERE.

THIS IS A HUGE COMMUNICATION TASK WE HAVE. GOING INTO CLINICAL TRIALS, WE HAVE TO REACH OUT TO ALL OF OUR CONSTITUENCIES AND MAKE CERTAIN THAT THEY UNDERSTAND THE CHALLENGES OF THIS RISK, THE TRIBULATIONS AND SETBACKS THAT WILL OCCUR, AS WELL AS CELEBRATING THE VICTORIES THAT WILL OCCUR. SO IN THIS PARTICULAR STAGE OF OUR LIFE, HAVING DON GIBBONS HERE IS A TREMENDOUS ASSET FOR THIS ORGANIZATION FOR WHICH WE'RE DEEPLY APPRECIATIVE.

I WOULD ALSO LIKE TO TAKE THIS TIME TO COMMEND DUANE ROTH FOR HIS OUTREACH AS CHAIR OF THE LOAN TASK

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FORCE BECAUSE PROACTIVELY, AS I COMMENTED, DUANE HAS REACHED OUT TO THE LEGISLATURE FOR THEIR VIEWS ON THE LOAN PROGRAM, TO THE CONSTITUENCIES FROM INDUSTRY, FROM FINANCE, FROM THE COMMUNITY OF SCIENTISTS THAT ARE SO CHALLENGED DURING THIS PERIOD, TO THE COMMUNITY OF COMPANIES, BIOTECH COMPANIES, THAT ARE STRUGGLING WITH THE GROSS LACK OF CAPITAL, THE VALLEY OF DEATH IN THE TRANSLATIONAL SPACE. IT IS VERY IMPORTANT AS WE FOLLOW THE TREMENDOUS EXAMPLE THAT ED PENHOET BUILT WITH THE IP TASK FORCE OF INCORPORATING THE PUBLIC THROUGH THE PUBLIC HEARING PROCESS THAT HAS BEEN GOING ON.

WE ARE AT THIS POINT IN A DUE DILIGENCE PHASE. WE HOPE TO IN THE NEAR FUTURE, I THINK WITH DUANE'S LEADERSHIP, TO BE BRINGING BACK TO THIS BOARD RECOMMENDATIONS FOR A POLICY, BUT IT IS A VERY THOUGHTFUL, INCLUSIVE DUE DILIGENCE PHASE THAT WE'RE IN.

AND IN GOING THROUGH THIS PROCESS, I'D LIKE TO TAKE A MOMENT. IS SCOTT TOCHER IN THE AUDIENCE? AND I'D LIKE SCOTT TO EXPLAIN WHERE WE ARE WITH, FOR A MOMENT, WITH THE OFFICE OF ADMINISTRATIVE LAW ON OUR IP POLICY.

MR. TOCHER: THANK YOU, CHAIRMAN KLEIN. THE OFFICE OF ADMINISTRATIVE LAW APPROVED ON MARCH 4TH THE INTELLECTUAL PROPERTY POLICY REGULATIONS THAT YOU ADOPTED IN DECEMBER FOR FOR-PROFITS. THEY WILL BE OFFICIALLY IN EFFECT 30 DAYS FROM THAT DATE. OF COURSE, THE NONPROFIT

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REGULATIONS HAVE BEEN IN EFFECT FOR ALMOST A YEAR NOW, AND THEY ARE AN ITEM ON YOUR AGENDA LATER FOR JUST SOME FURTHER TWEAKING AND TO BRING THEM INTO UNIFORMITY WITH EACH OTHER.

CHAIRMAN KLEIN: WITH THAT, I'D LIKE TO PUT THIS INTO CONTEXT. TO HAVE THE NONPROFIT AND FOR-PROFIT REGULATIONS IN PLACE IS A HUGE ACHIEVEMENT. I THINK THAT DR. ED PENHOET, WHO LED THAT TASK FORCE, AND SCOTT TOCHER AND THE OTHER STAFF THAT SUPPORTED THAT PROCESS DESERVE A GREAT HAND OF APPLAUSE.

(APPLAUSE.)

CHAIRMAN KLEIN: MARY MAXON WAS HERE LAST NIGHT. AND I HOPE, ED, YOU WILL COMMUNICATE WITH HER THE TREMENDOUS APPRECIATION THAT WE FEEL FOR HER COMMITMENT AND EFFORT TO THAT PROCESS, WHICH WAS CHALLENGING AT TIMES.

BUT THIS IS A --

DR. PENHOET: WE DID HAVE A GOOD CELEBRATION.

CHAIRMAN KLEIN: I WOULD, IN GOING FORWARD WITH THE AGENDA TODAY, ALSO LIKE TO REPORT THAT IN BRIEF, BECAUSE I BELIEVE DR. TROUNSON WILL COVER IT IN GREATER DETAIL, THAT LAST WEEK WE HAD THE INTERNATIONAL STEM CELL FORUM IN SAN FRANCISCO. THE CIRM PLAYED HOST TO THE 20 NATIONS THAT WERE PRESENT. IN FACT, WE HAD A DINNER WHERE THERE WAS SO MUCH ENTHUSIASM IN THE CONSUL GENERAL

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COMMUNITY IN SAN FRANCISCO, THAT WE HAD FIVE MORE NATIONS SHOW UP THAT EVEN DIDN'T BELONG TO THE ORGANIZATION. AND THEY EXPRESSED THEIR DESIRE TO COLLABORATE AND COOPERATE WITH THE PROCESS.

A NUMBER OF BOARD MEMBERS MADE A SPECIAL TRIP TO BE AT THAT DINNER. I THINK THAT THEY SAW THE TREMENDOUS LEVEL OF ENTHUSIASM, DESIRE FOR COLLABORATION. AND WITH DR. TROUNSON'S INTERNATIONAL CONNECTIONS AND LEADERSHIP, I THINK THERE'S SOME TREMENDOUS POTENTIAL TO FURTHER LEVERAGE THE DOLLARS WE HAVE, LOOKING AT NATIONS WHO HAVE A COMPARATIVE ADVANTAGE IN A SPECIFIC AREA. THOSE NATIONS FUNDING THEIR WORK, WE'RE FUNDING OUR WORK, WE HAVE A COMPARATIVE ADVANTAGE IN MOVING THE GLOBAL SCIENCE AGENDA FASTER ON A GLOBAL COLLABORATIVE EFFORT.

WITH THAT, I'D LIKE TO ASK FOR THE PRESIDENT'S REPORT, REALIZING THAT DR. TROUNSON HAS BEEN ON THE GLOBAL STAGE MANY TIMES BEFORE, BUT NEVER IN THE CREST THEATER.

DR. TROUNSON: THANK YOU. MR. CHAIRMAN AND MEMBERS OF THE OVERSIGHT COMMITTEE, IT'S GOOD TO SEE YOU GUYS UP ON THE STAGE AND US DOWN HERE. IT'S REALLY AN IMPRESSIVE PLACE. CLAIRE, I TOOK A PICTURE, AND I'M GOING TO TAKE A COUPLE MORE BECAUSE THEY WON'T BELIEVE ME AT HOME.

SO IN THE INTEREST OF TIME, I WANT TO DRAW YOUR

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ATTENTION TO SEVERAL PUBLICATIONS. THE PAPERS THAT ARE COMING OUT, THE PACE OF THIS AREA IS REALLY, REALLY WINDING UP. AND THE WORK I'M TALKING ABOUT HAS JUST BEEN PUBLISHED IN THE LAST SIX WEEKS. SOME OF IT IS STILL HOT ON THE PRESS.

BUT JUST TO DRAW YOUR ATTENTION TO IT, BECAUSE THIS IS REALLY WHAT WE'RE ABOUT, THE FIRST ONE IS WORK THAT WAS PUBLISHED BY THE TEAM AT ADVANCED CELL TECHNOLOGIES HERE IN CALIFORNIA. AND IT DEMONSTRATES THAT YOU CAN PRODUCE FUNCTIONAL LIVER CELLS, HEPATOCYTES, FROM EMBRYONIC STEM CELLS. AND THIS IS REALLY AN IMPORTANT STEP FORWARD. IT'S A ROBUST AND HIGHLY EFFICIENT PROCESS THAT THEY REPORT, AND THEY'VE GOT HIGH PURITY HEPATOCYTES.

NOW, THE INTEREST HERE, OF COURSE, IS IN BOTH CELL THERAPIES AND TOXICITY TESTING OF DRUGS AND ENVIRONMENTAL POLLUTANTS. THIS WOULD BE AN ENORMOUS STEP FORWARD IF WE CAN ACTUALLY INTRODUCE LIVER CELLS INTO THE TESTING OF TOXICITY IN DRUGS BECAUSE YOU WILL BE AWARE THAT THE PHARMA AND RESEARCH INDUSTRIES USE VERY LARGE NUMBERS OF ANIMALS. THAT DRAWS SOME CONCERN, QUITE RIGHTLY, I THINK, THAT HIGH USAGE OF ANIMALS IS AMONGST THE COMMUNITY NOT ALL THAT WELL TOLERATED. BUT THESE DEVELOPMENTS WILL CONNECT PHARMA WITH US, AND IT'S VERY CLEAR THAT THE BIG PHARMA ORGANIZATIONS ARE TAKING A

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PRIMARY INTEREST IN THIS AREA. SO THIS IS A VERY IMPORTANT DEVELOPMENT.

THE SECOND HERE IS THE GENERATION OF ROD AND CONE RECEPTORS IN THE MOUSE, THE MONKEY, AND THE HUMAN PUBLISHED IN *NATURE BIOTECHNOLOGY*. THIS IS REALLY IMPORTANT ALSO BECAUSE IT'S ONE OF THE CLOSER OPPORTUNITIES FOR CLINICAL TRIALS, AND THERE HAS BEEN SOME PROBLEM IN GETTING BOTH ROD PHOTORECEPTORS AND CONES. YOU NEED BOTH ESSENTIALLY IF YOU ARE GOING TO REPAIR RETINAL FUNCTION. AND THEY'VE BEEN ABLE TO GET THIS, WHICH APPEARS TO BE GENERALLY FUNCTIONAL, RETINA PROGENITOR CELLS, AND THEY CAN FORM WHAT APPEARS TO BE MATURE RETINAL PIGMENTED EPITHELIAL CELLS, WHICH IN A RODENT MODEL ACTUALLY RETURNS SIGHT.

IT'S A VERY IMPORTANT AREA, AND I THINK IT'S ONE WHICH WILL BE TAKEN VERY QUICKLY FORWARD BECAUSE IF YOU DO TRANSPLANTS INTO THE OPTIC AREA, IT IS A PRIVILEGED SITE. AND ALSO IT WOULD PROBABLY BE A BIT LESS CONCERNING TO REGULATORY BODIES BECAUSE THE CELLS WILL BE CONTAINED WITHIN A CERTAIN AREA. IF THERE'S ANYTHING THAT DID GO WRONG, YOU COULD ACTUALLY MAKE SURE YOU COULD PICK THEM BACK OUT.

NOVOCELL, AGAIN A CALIFORNIA COMPANY, SAN DIEGO, PRODUCED VERY INTERESTING PANCREATIC CELLS, ISLET CELLS THAT HAVE BEEN VERY DIFFICULT TO GROW FROM ANY SOURCE,

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INCLUDING HUMAN EMBRYONIC STEM CELLS. BUT THEY'VE ACTUALLY WORKED OUT A SYSTEM WHERE THEY CAN DERIVE THESE CELLS IN WHAT'S KNOWN AS ENDODERM. ENDODERM IS THE PATHWAY THAT'S NECESSARY FOR THE INTERNAL ORGANS. ONCE YOU GET TO THE ENDODERM, THEY'VE NEVER BEEN ABLE TO ENCOURAGE THEM WITH PANELS OF GROWTH FACTORS TO BECOME PANCREATIC CELLS. AND THESE CELLS, INTERESTINGLY, ARE GLUCOSE RESPONSIVE. WHEN IMPLANTED INTO MICE WITH A STREPTOZOTOCIN-INDUCED DIABETES, THEY'RE ABLE TO CORRECT THAT DIABETES. THIS IS A VERY IMPORTANT DEVELOPMENT.

THE CONCERNS STILL REMAIN IN THIS PARTICULAR STUDY THAT THERE WERE TERATOMAS, AND IT MEANS THAT FILTERS WILL NEED TO BE PUT INTO THIS SYSTEM TO REMOVE UNDIFFERENTIATED CELLS. AND, OF COURSE, I THINK IT'S REALLY IMPORTANT THAT THIS IS REPEATED IN OTHER INDEPENDENT LABORATORIES, AS I THINK I SAID TO YOU THE LAST TIME WE WERE TOGETHER, BECAUSE ADVANCES IN THIS AREA NEED TO BE REPLICATED TO GIVE US CONFIDENCE THAT WE'RE ON THE RIGHT TRACK.

I PUT UP THIS ONE ON -- THE NEXT ONE ON THE CLINICAL APPLICATION OF BLOOD DERIVED MARROW CELLS FROM NONMALIGNANT DISEASE. IT'S A REVIEW, AND I ENCOURAGE YOU TO READ THIS. IT'S IN *JAMA* IN FEBRUARY. YOU WILL NOTICE THAT ALL OF THESE PUBLICATIONS ARE IN FEBRUARY, JANUARY, AND THE ODD ONE, I THINK, IN MARCH.



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THIS IS AN INTERESTING REVIEW BECAUSE I THINK IT PROBABLY HELPS US TO KEEP A PERSPECTIVE, THAT THE HEMATOPOETIC STEM CELLS AND MESENCHYMAL STEM CELLS CAN BE ACTUALLY USED IN PATIENTS AND PRODUCE AMELIORATING EFFECTS FOR SOME AUTOIMMUNE AND SOME CARDIOVASCULAR DISORDERS. SO THE SUM IS REALLY WHAT IT'S ABOUT. THERE ARE RESPONSES IN PATIENTS, BUT IT'S RESTRICTED AND IT'S UNDEFINED AT THE MOMENT, AND THERE'S A BIG NEED FOR CLINICAL TRIALS TO DEFINE THE PATIENT TREATMENT PARAMETERS AND ADVERSE EFFECTS OF WHAT'S HAPPENING HERE.

BUT IT'S CLEARLY A MOVEMENT FORWARD, AND I THINK REVIEWS LIKE THIS WE OUGHT TO KEEP OUR OWN PERSPECTIVE HERE BECAUSE WE ARE ACTUALLY ACROSS THE WHOLE SPACE, AND THIS IS PROBABLY AN IMPORTANT AREA, FIELD TO KEEP IN CONNECTION WITH.

IT'S BEEN SAID OFTEN THAT INDIVIDUAL HUMAN EMBRYONIC STEM CELLS ARE BETTER THAN ONE ANOTHER AT PRODUCING CELLS OF DIFFERENT TYPES. IT'S SAID ANECDOTALLY THAT THAT'S THE CASE. OF COURSE, THIS RAISES THE ISSUE OF THE FEDERAL DECISION TO ONLY ALLOW RESEARCHERS TO USE A RESTRICTED NUMBER OF LINES. WELL, THE RESEARCH GROUP AT HARVARD HAVE PUBLISHED IN *NATURE BIOTECHNOLOGY* USING 17 DIFFERENT HUMAN EMBRYONIC STEM CELL LINES THAT, INDEED, THEY ARE DIFFERENT. AND WHILE THEY'RE NOT CERTAIN AS TO WHY THEY ARE DIFFERENT, THERE

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IS UP TO GREATER THAN A HUNDRED DIFFERENCES IN WHAT THEY CALL LINEAGE-SPECIFIC GENE EXPRESSION, WHICH TELLS YOU WHETHER THE CELLS ARE GOING INTO ONE TYPE OF CELL RATHER THAN ANOTHER EVEN IN THE SAME DIFFERENTIATION PROGRAM IN THE SAME LAB TREATED THE SAME WAY.

SO, FOR EXAMPLE, THE LINE HUES 1 IS BEST FOR PANCREATIC DIFFERENTIATION, AND HUES 3 FOR CARDIOMYOCYTE GENERATION. NOW, WE NEED TO UNDERSTAND THIS BECAUSE THERE ARE GOING TO BE KEY ELEMENTS THERE. BUT IT TELLS YOU THAT WE NEED A GREATER PANEL THAN THE FEDERAL REGULATIONS HAVE EVER ALLOWED FOR US TO BE ABLE TO INTERROGATE THESE LINES OF DIFFERENTIATION. AND IT MAY MEAN THAT THERE WILL BE LINES SET UP THAT ARE BETTER THAN OTHERS FOR GOING INTO PARTICULAR LINEAGES OR CELL TYPES THAT WE'RE INTERESTED IN FOR DIFFERENT CONDITIONS.

NOW, I ALSO WANT TO DRAW YOUR ATTENTION TO A PAPER THAT'S JUST COME OUT IN *CELL STEM CELL* IN MARCH BECAUSE IT'S A PAPER FROM THE GLADSTONE INSTITUTE AND UCSF WHERE THEY'VE BEEN WORKING ON THESE TINY GENETIC FACTORS CALLED MICRO RNA'S. AND THESE HAVE NOT BEEN WELL UNDERSTOOD IN THE PAST. BUT THEY'RE RNA'S THAT ARE THERE IN LARGE VOLUME, AND THEY'VE NOT BEEN REALLY UNDERSTOOD AS TO WHAT THEY'VE BEEN DOING. WELL, THEY FOUND THAT TWO OF THESE MICRO RNA'S ARE VERY ACTIVE IN EARLY STAGES OF HEART FORMATION WHEN THE CELLS ARE TRYING TO DECIDE

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WHETHER TO BECOME MESODERM, WHICH IS THE LINEAGE FOR CARDIAC CELLS. AND SO THIS IS OPENING A WHOLE NEW AREA. AND THIS IS WORK THAT CIRM HAS SUPPORTED AND IT'S FABULOUS STUFF.

AND I'VE ASKED DON TO CREATE A PACKAGE FOR YOU, AND YOU HAVE IT, OR YOU WILL GET IT. AMONGST THAT PACKAGE IS SOME OF THE WORK THAT'S BEEN PUBLISHED OR BEING PUBLISHED THAT REALLY COMES AS A PRODUCT OF THE FUNDING THAT IS HAPPENING FROM CIRM. AND IT'S ONLY A YEAR OLD. IT'S NOT MORE THAN A YEAR OLD, MOST OF IT. TRAINING GRANTS CAME A LITTLE EARLIER, BUT THIS IS VERY YOUNG, AND THIS IS VERY IMPRESSIVE PRODUCTIVITY.

SO WE WANT TO WELCOME TO THE AGENCY THREE NEW PEOPLE. SOHEL, WHO WILL BE TALKING TO YOU THIS MORNING. ALSO ROSA CANET-AVILES, SHE'S JOINING US. YOU CAN SEE SHE'S FORMERLY WITH AMGEN. AND SOHEL IS FORMALLY WITH GERON. THESE ARE REALLY, REALLY TOP PEOPLE ON THE SCIENCE SIDE, AND THEY'RE GIVING US -- THEY'RE FILLING IN SOME OF THE SPACES THAT WE REALLY NEED FOR CAPACITY. THAT IS, TO BE ABLE TO REALLY START GOING AT THE PACE THAT I WANT THE AGENCY TO GO AT, WHICH IS CONSIDERABLY FASTER THAN WE CURRENTLY DO.

WE ALSO HAVE A NEW PARALEGAL, CYNTHIA SCHAFFER, AND WE WELCOME HER TO THE INSTITUTE.

THE UP AND COMING GRANT REVIEWS, MAJOR

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FACILITIES PART II, UNLESS YOU'VE FORGOTTEN. IT SHOULD BE WELL AND TRULY UP FRONT. THE DISEASE TEAM PLANNING AWARDS ARE ALSO COMING UP FOR REVIEW, AND THE NEW CELL LINE AWARDS, ALL THREE OF THESE ARE COMING UP FOR REVIEW. WE'VE GOT A LOT OF WORK TO DO, MEMBERS, UNFORTUNATELY OR FORTUNATELY FOR WHATEVER WAY YOU SEE IT.

THERE'S A CURRENT RFA, WHICH IS THE NEW FACULTY AWARDS PART II. WE'VE RECEIVED 55 LETTERS OF INTEREST FROM 31 INSTITUTIONS. AND I THINK NINE OUT OF TEN OF THE APPLICANTS, WHO UNFORTUNATELY WERE NOT ABLE TO BE HELPED LAST TIME, HAVE COME BACK. SO THEY'RE AMONGST THAT. SO I THINK WE PICKED UP SOME NEW AND VERY INTERESTING LOI'S HERE. SO THERE'S A VERY IMPRESSIVE GROUP OF PEOPLE STILL OUT THERE THAT WE NEED TO LOOK AT.

THE UPCOMING RFA'S, FOR YOUR INFORMATION, ONE'S ON TOOLS AND TECHNOLOGY, AND WE'RE MAKING A PRESENTATION TO YOU ON THAT. I THINK THIS IS A VERY IMPORTANT PROGRAM TO REALLY GIVE US SOME CAPACITY WHERE I DESCRIBED THE WATER AS BEING SHALLOW. WE ACTUALLY NEED TO IMPROVE THE CAPACITY OF OUR RESEARCH WITH THIS RFA.

THERE'S A TRAINING GRANTS II, WHICH IS A CONTINUATION OF TRAINING GRANTS I. SO THEY COME TO AN END IN THE MIDDLE OF THIS YEAR, THE TRAINING GRANTS I. AND SO WE NEED TO FOCUS ON A REDO, IF YOU LIKE, OF THE TRAINING GRANTS. I WANT TO ADD INTO THAT TECHNICAL

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TRAINING GRANTS. WE'RE CONSTRUCTING THIS TO SEE IF WE CAN DRAW SOME OF THE PEOPLE FROM THE MINORITIES INTO OUR RESEARCH PROGRAMS, AND TO GIVE THEM A CHANCE TO WORK IN OUR RESEARCH ENVIRONMENTS AND PERHAPS IN THE COMMERCIAL ENVIRONMENTS AND IMPROVE THEIR ABILITY TO CONNECT WITH THIS MARVELOUS NEW AREA OF RESEARCH.

JUST A REMINDER, THAT I SEE THIS AREA AS A PIPELINE WHERE BACK ON THE LEFT-HAND SIDE WE'VE GOT THE BASIC PLURIPOTENTIAL CELLS WHICH NEED TO BE FED IN THROUGH DISCOVERY AND EVENTUALLY END UP IN CLINICAL TRIALS, AND WE NEED TOOLS AND FUNCTIONS AND MANUFACTURING TO TAKE US ALONG THAT PIPELINE.

TO GIVE YOU AN IDEA OF HOW WE'RE PROGRESSING ON THAT, WE RECEIVED, THIS IS OVERALL, WE'VE RECEIVED 123 INDIVIDUAL RESEARCH GRANTS, A TOTAL OF 156 GRANTS, 55 BASIC BIOLOGICAL MECHANISMS OR TECHNOLOGIES THAT COULD IMPACT IN THE DEVELOPMENT OF CURES AND THERAPIES, SO THESE ARE THE REALLY BASIC END OF THAT PIPELINE. AND THERE'S 68 STUDY MECHANISMS THAT ARE RELATED TO PARTICULAR DISEASES.

HERE'S THE PIPELINE. AND, AGAIN, SO THIS WHAT WE'VE ALREADY DONE. YOU CAN SEE THE SEED GRANTS AND THE COMPREHENSIVE, THE NEW FACULTIES I AND II, AND THE NEW CULTURE LINES IN THE BASIC AND EARLY DISCOVERY PHASE. WE'RE PUSHING INTO THIS PIPELINE WITH THE DISEASE TEAMS,

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AND THIS IS WHERE WE'RE GOING TO START TO TAKE YOU.

SO THE NEXT ONE, YOU CAN SEE THESE BLANK SPACES WHERE WE WANT TO BRING IN THE TRANSLATIONAL RESEARCH COMPONENTS AND PRECLINICAL PRODUCT DEVELOPMENT ALL THE WAY TO CLINICAL INVESTIGATION. WE'RE GOING TO TURN THE HEAT UP ON THAT BECAUSE WE THINK WE'LL START TO GET INTO CLINICAL TRIALS IN THE NEXT QUARTER. YOU KNOW, WE'RE GOING TO ACTUALLY GET THERE VERY QUICKLY. SO WE'RE UPPING THIS PACE DRAMATICALLY, AND SO WE NEED TO KEEP YOU UP TO THE SAME SPEED AS WHAT'S HAPPENING OUT THERE. AND SO WHILE INCREDIBLY IMPORTANT THESE BASIC ELEMENTS, WE HAVE TO START FILLING THIS PIPELINE BECAUSE IT'S THE MISSION. WHAT YOU HIRED ME FOR AND THE STAFF WAS TO GET THESE DEVELOPMENTS TO CLINIC TO PATIENTS, SINCE WE HEARD THIS MORNING THAT IS THE PRIORITY, THAT'S WHAT IT'S ABOUT, AND THAT'S WHY CALIFORNIA PEOPLE WILL CONTINUE TO SUPPORT US.

SO IF YOU LOOK AT THE DISEASE-RELATED GRANTS THAT ARE FUNDED BY CIRM, AND THERE'S 68 OF THEM IN HERE, YOU CAN SEE, IF YOU LOOK AT THIS CHART, AND THERE'S A COPY OF THIS ON YOUR PACKET SO YOU CAN HAVE A CLOSE LOOK AT IT. BUT YOU CAN SEE THE AREAS THAT WE'RE FOCUSED ON THROUGH THESE APPLICATIONS. AND YOU WILL BE INTERESTED IN SOME OF THEM. NEUROLOGICAL DISORDERS, A VERY LARGE PART, AS CARDIOVASCULAR STUDIES ARE, AND INTERESTINGLY

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CANCER. IT IS A GENUINE REFLECTION OF THE CAPACITY THAT'S OUT THERE, BUT THERE ARE SOME AREAS WE NEED TO LOOK TO IMPROVE THEIR CAPACITY. AND IN THAT REGARD, I THINK SOME OF OUR CONNECTIONS OUTSIDE CALIFORNIA CAN HELP US IN THIS, AND I'LL COME TO THAT IN A MINUTE.

THIS, I THINK, STARTS TO GIVE YOU A FEEL FOR WHAT WE'RE ACTUALLY DOING, WHAT SORT OF SPACE WE'RE FOCUSING ON. AND IF YOU DIDN'T TAKE UP THE PRODUCTIVITY THAT'S STARTING TO COME, A LOT OF THOSE AREAS WILL BE REFLECTED IN THESE KIND OF PIE CHARTS THAT COME AROUND THE DISEASE FOCI.

I'LL TAKE YOU -- BECAUSE I WANTED TO BE ABLE TO GIVE THIS TO YOU, I WANT TO GET DON TO GET THIS KIND OF MATERIAL UP ON THE WEBSITE SO YOU GET A FEEL FOR IT. THIS IS A CASE STUDY ON NEUROBIOLOGY HERE, AND YOU CAN SEE WE'RE BACK -- MOST OF OUR FUNDING IS BACK IN THE BASIC RESEARCH AREA. SO YOU CAN TAKE THE DISCOVERY AREAS THERE AS NEUROLOGICAL DISORDERS, INJURY AND STROKE, AND SENSORY SYSTEM DISORDERS. THEY'RE COLORED IN THOSE DIFFERENT DOTS. AND THEN THE TRANSLATIONAL PHASE IS, AGAIN, IN THE NEUROLOGICAL DISORDERS, INJURY, AND SENSORY SYSTEMS.

IF YOU ASK WHAT THESE THINGS ARE OUT ON THE LEADING EDGE, THERE'S ONE ON RETINAL AREA. AND HERE ARE SCREENING OR OPTIMIZATION OF DRUG CANDIDATES, CELL-BASED

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MODELS FOR ALZHEIMER'S DISEASE. HERE'S A CELL THERAPY IN ANIMAL MODELS OF PARKINSON'S AND EPILEPSY. CELL THERAPY IN A LARGE ANIMAL MODEL OF SPINAL CORD INJURY. SO THESE ARE THE LEADING SORT OF EDGE. IF WE GIVE THAT SORT OF INFORMATION TO YOU SO THAT YOU THEN GET A FEEL FOR WHERE WE ARE GOING IN THE PIPELINE, I THINK IT WILL GIVE YOU A BETTER SPACE AND A BETTER UNDERSTANDING OF HOW WE'RE PROGRESSING. WE'RE GOING DOWN THIS PIPELINE. WE'RE GOING TO GO FAIRLY QUICKLY.

THERE WAS AN IMPORTANT MEETING, AS BOB SAID, THE ISCF MEETING, AND IT BROUGHT TOGETHER RESEARCHERS, WELL, IT'S REALLY FUNDERS OF RESEARCH THROUGHOUT THE WORLD. AND THEY ARE DOING SOME IMPORTANT MULTINATIONAL STUDIES. THESE ARE EXTREMELY DIFFICULT STUDIES TO DO TO GET EVERYONE TO PERFORM EXACTLY THE SAME WAY AS ONE ANOTHER, BUT THEY'RE IMPORTANT TO DO. I THINK EVOLVING OUT OF THAT MEETING, WHICH I THINK WAS REALLY IMPORTANT, IS A COMMON INTEREST WITH US AND WITH, SAY, THE MRC, BUT ALSO WITH SOME OTHER ORGANIZATIONS, PARTICULARLY THE MRC, THE MEDICAL RESEARCH COUNCIL, IN THE UK OF WANTING TO LINK TOGETHER WHERE THEY HAVE GOT SOME VERY SPECIAL CAPACITY IN SOME AREAS THAT WE DON'T HAVE. AND SO IF OUR PROGRAMS ARE THERE AND WE CAN ACTUALLY THEN LINK INTO SOME COMPONENT OF THEIRS, THEY WILL ACTUALLY FUND THEIR COMPONENT OVER THERE, AND IT CAN BE TREATED AS A SOLID



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PROGRAM FOR WHICH THE BENEFITS WILL BE CLEARLY BACK IN CALIFORNIA. BUT THE BENEFITS WILL BE CLEARLY EVERYWHERE, BUT WE WILL GET THE BENEFITS, AND WE'LL GET THEM MORE QUICKLY.

SO WE'RE STARTING TO TALK ABOUT HOW THIS CAN BE DONE, HOW TO COME TOGETHER TO WORKSHOP THE PRIORITIES IN THIS AREA, AND SEEING IF WE CAN BOTH FUND AND ENCOURAGE THESE KIND OF PROGRAMS. LIKEWISE, THE DIABETES, JUNIOR DIABETES RESEARCH FOUNDATION, HAS OFFERED TO HELP US IN A DISEASE PROGRAM. IF THERE ARE PEOPLE OUTSIDE CALIFORNIA, THEY WOULD BE INTERESTED IN SUPPORTING THE PROGRAM AND GIVING US A SHARPER EDGE IF WE'RE MISSING SOMETHING THAT'S CURRENTLY NOT HERE.

I'LL REMIND YOU THAT THE FDA CLINICAL TRIALS MEETINGS ARE COMING UP. THEY'RE REALLY IMPORTANT BECAUSE THEY'RE GOING TO CONFIRM THE CLINICAL TRIAL DETERMINANTS FOR EMBRYONIC STEM CELLS. THERE WILL BE, I BELIEVE, CLINICAL TRIALS HAPPENING REASONABLY SOON IN THIS AREA. AND SO IT'S IMPORTANT THAT YOU REMEMBER THAT THAT'S HAPPENING THERE. THERE'S IMPORTS FROM YOUR DIFFERENT INSTITUTIONS, AND COLLEAGUES THAT YOU KNOW WILL BE IMPORTANT IN THIS PROCESS. WE'LL BE THERE, WE'LL BE REPRESENTED, AND HOPEFULLY WE'LL HAVE A CHIEF SCIENTIFIC OFFICER WHO WILL BE ABLE TO LEAD THAT GROUP THERE.

I JUST WANTED TO TELL YOU THAT BIOTECH AND PHARMA

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ARE VERY INTERESTED IN COMING ALONGSIDE. I THINK THIS IS GREAT BECAUSE THEY HAVEN'T ACTUALLY INTEGRATED WITH CIRM AS YET, BUT WHAT DUANE'S DOING IS REALLY IMPORTANT TO HELP THAT. SO THE TASK FORCE WHICH IS LOOKING AT LOANS AND SO FORTH IS IMPORTANT. BUT THE FACT THAT BIOTECH AND PHARMA WANT TO BE BESIDE US IS IMPORTANT BECAUSE IT DOESN'T REALLY REQUIRE THEM TO LOOK FOR ANY GRANTS OR LOANS FROM US IN SOME CASES. THEY JUST WANT TO BE WITH US AND CONNECTED. AND IF YOU THINK ABOUT THAT PIPELINE, WITHOUT THEM, IT'S GOING TO BE TERRIBLY DIFFICULT TO DELIVER SOME OF THESE THINGS. SO WE NEED TO GET PARTNERED IN A WAY WHICH HELPS, AGAIN, THE PIPELINE.

THE SCO AUDITORS, I HAVEN'T GOT THE REPORT, I THOUGHT I MIGHT HAVE BY NOW, THE VERBALS WERE VERY SUPPORTIVE, NO PARTICULAR PROBLEM. LET'S WAIT AND SEE TILL WE GET THE REPORT, BUT THEY SEEM TO BE VERY SATISFIED WITH WHAT THEY DID.

YOU HAVEN'T SEEN A BUDGET FOR A WHILE, SO I THOUGHT I MIGHT SHOW YOU ONE. I WANT TO DRAW ATTENTION TO A COUPLE THINGS BECAUSE I THINK SOMETIMES WE'RE NOT AS AWARE AS WE SHOULD. FIRST OF ALL, WE ARE VERY CLOSE TO BEING ON BUDGET, WHICH TELLS YOU THAT IN THIS AREA IT'S HARD TO PREDICT WHAT WE'LL BE DOING. I THINK THAT'S REALLY, REALLY IMPORTANT. WE'RE REALLY ONLY \$274,000 ABOVE BUDGET, PROJECTED BUDGET EXPENDITURE FOR THE 12

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MONTHS.

NOTABLY, YOU WILL SEE THAT THE SALARIES WERE WELL AND TRULY UNDER BUDGET, AND I THINK THAT'S PROBABLY IMPORTANT FOR YOU TO KNOW.

I CAN GO INTO THE DETAILS IN QUESTION, MR. CHAIRMAN, IF YOU LIKE, ABOUT THE OVERDRAWS, BUT THE EXPLANATION FOR THE OVERDRAWS ARE GENERALLY IN THE AREAS OF CONTRACTUAL ARRANGEMENTS THAT WEREN'T PREDICTED AND SOME ISSUES OF COMPENSATION THAT WE DIDN'T PREDICT. AND THEY'RE REASONABLY EXPLAINED. SO I'M HAPPY TO ADDRESS ANY QUESTIONS ON THAT. I HAVE A BIT OF PAPER THAT GIVES US THAT OUT.

I THINK IT'S IMPORTANT FOR US TO KEEP BRINGING THE BUDGET TO YOU AND GIVE YOU A FEEL FOR WHERE WE ARE GOING. PARTICULARLY IN THE CURRENT CLIMATE, IT'S IMPORTANT TO YOU TO KNOW WE'RE BEING FISCALLY RESPONSIBLE.

SO THE LAST SLIDE, AND I WANT TO ALWAYS FINISH WITH THE ROGUE'S GALLERY, WHICH IS ALL THE PEOPLE WHO ACTUALLY REALLY CONTRIBUTE AS STAFF MEMBERS. WE'RE MISSING A COUPLE OF THE NEWER ONES HERE, BUT THEY'RE JUST WONDERFUL PEOPLE. AND THEY'RE A REAL PRIVILEGE TO WORK WITH, AND I'M GOING TO KEEP SHOWING IT TO YOU ALL THE TIME. THANK YOU VERY MUCH.

(APPLAUSE.)

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CHAIRMAN KLEIN: SHERRY LANSING, AND THEN I HAVE SOME JUST SUPPLEMENTAL COMMENTS FOR DR. TROUNSON.

MS. LANSING: WELL, I JUST WANT TO WELCOME DR. TROUNSON AGAIN AND JUST SAY WHAT A GREAT REPORT THAT WAS. I THINK I SPEAK ON BEHALF OF ALL OF US IN SAYING IT WAS INSPIRATIONAL, IT WAS ENCOURAGING, IT WAS FACTUAL. I THANK ALL THE STAFF AS WELL. AND IT'S VERY, VERY EXCITING THE POTENTIAL OF WHAT YOU'RE TELLING US. SO THANK YOU.

(APPLAUSE.)

CHAIRMAN KLEIN: I'D ALSO LIKE TO SAY THAT IN THE OVERALL BUDGET, AS DR. TROUNSON SAYS, ONE AREA WHERE WE HAVE CONTINUING ADDITIONAL EXPENDITURES WHICH ARE ESSENTIAL IS IN THE LEGAL AREA. IN THE LAST FEW WEEKS, THERE WAS A FEDERAL INJUNCTION THAT WAS DENIED. THE INDIVIDUALS THAT HAVE NOT BEEN SUCCESSFUL IN THE STATE LAWSUITS HAVE ATTEMPTED TO TRY TO NOW PROCEED THROUGH THE FEDERAL COURTS. THEIR INITIAL PETITION WAS DENIED. THEY'VE NOW IN THE LAST WEEK REFILED FOR A FEDERAL PETITION, SO THIS IS GOING TO BE AN ONGOING EXPENSE THAT'S VERY DIFFICULT TO CALIBRATE, BUT WE'LL CONTINUE TO TRY AND REVISE OUR ESTIMATES AND MAKE SURE WE'RE PROCEEDING. BUT WE HAVE AN EXTRAORDINARILY GOOD LEGAL RECORD, WHICH IS IMPORTANT TO THIS ORGANIZATION.

I'D ALSO LIKE TO ASK DR. TROUNSON. IN THE

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TECHNICAL TRAINING GRANTS, COULD YOU EXPLAIN THE RELATIONSHIP TO THE REQUEST FROM THE STATE UNIVERSITY SYSTEM AND THE COMMUNITY COLLEGES CONCEPTUALLY AND IN SUMMARY FORM TO THIS TECHNICAL TRAINING GRANT PROGRAM THAT YOU HAVE IN PROCESS THAT YOU'RE WORKING ON?

DR. TROUNSON: OKAY. THANKS, MR. CHAIRMAN. I'LL BE BRIEF STILL ON THIS MATTER BECAUSE IT'S A MATTER THAT WE'RE ACTUALLY CONSTRUCTING. AND I'M ACTUALLY GOING TO ASK A BIT OF HELP FROM RICH MURPHY BECAUSE HE GOES BACK ALONG THE TRACK OF THE NEED IN THIS AREA.

BUT MY OWN FEELING IS THAT, YOU KNOW, WE NEED TO DO SOMETHING IN THIS AREA. WE NEED TO RESPOND TO THOSE STATE UNIVERSITIES WHO ARE TRAINING YOUNG PEOPLE AND PARTICULARLY MANY OF THE MINORITY INDIVIDUALS THAT ARE THERE. I THINK IT'S REALLY IMPORTANT FOR US TO GET THEM INTO THE ENVIRONMENT OF THE RESEARCH TEAMS THAT WE'RE FUNDING BECAUSE WE WANT TO MAKE THEIR TRAINING RELEVANT. IF YOU ACTUALLY DID TRAINING, IF YOU DID TRAINING IN A CELL CULTURE LAB, IT PROBABLY WOULDN'T HELP YOU GET A JOB IN STEM CELLS. BUT IF YOU'RE ACTUALLY TRAINED IN ONE OF THE LABORATORIES OF THE MAJOR UNIVERSITIES OF THE MEMBERS THAT WE'RE FUNDING IN THESE INSTITUTIONS, YOU WOULD.

AND I THINK THE OTHER THING IS THAT THE COMMERCIAL ENVIRONMENT IS ALSO A PLACE WHERE THESE YOUNG PEOPLE COULD BE TRAINED. SO WHAT WE WOULD LIKE TO DO IS

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TO CREATE FELLOWSHIPS FOR THESE TECHNICAL GRADUATES, MAYBE AN EQUIVALENT TO THEIR HONORS YEAR OR A MASTER'S, TO ENABLE THEM TO GO OUT TO THESE UNIVERSITIES AND TOP-LINE UNIVERSITIES AND GET SOME TRAINING IN THE LABS. WHAT THIS WOULD BE WOULD BE PAIRS OF HANDS IN THE LABORATORIES, THE CIRM-FUNDED LABORATORIES, OR PROBABLY BE ON THE CIRM-FUNDED LABS, BUT A PAIR OF HANDS. AND IT WOULD BE THE STUDENTS THAT WOULD BE SELECTED BY THE UNIVERSITIES, AND THE INITIAL FUNDING FOR DOING THIS WORK WOULD GO THROUGH STATE UNIVERSITIES, SO THEY WOULD HAVE A ROLE THAT WOULD, I THINK, ENCOURAGE THEM TO HELP TRAIN THESE PEOPLE IN THE BASICS TO ENABLE THEM TO BE PRODUCTIVE WHEN THEY GOT TO THESE NEW ENVIRONMENTS.

I THINK THIS WAY WE'LL BE ABLE TO ENGAGE THEM IN THE REALITY OF THE RESEARCH GOING FORWARD. I THINK THAT'S THE WAY WE OUGHT TO DO IT, AND THAT WOULD BE THE MOST PRODUCTIVE FOR US, MEET OUR MISSION BETTER. AND THE FEW PEOPLE THAT I'VE TALKED TO IN SOME OF THE INSTITUTIONS HAVE BEEN VERY POSITIVE ABOUT THIS.

CHAIRMAN KLEIN: THANK YOU VERY MUCH. WE'LL LOOK FORWARD TO THAT.

DR. BRYANT: I JUST WANTED TO MAKE A COMMENT THAT WE HAVE BEEN DEVELOPING AT THE UNIVERSITY OF CALIFORNIA IRVINE, WE HAVE A MASTER'S IN BIOTECHNOLOGY PROGRAM, WHICH WE HAVE A SECTION OF IT IS THE STEM CELL

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EMPHASIS PROGRAM WITHIN THAT. SO IT ACTUALLY DOES SOME OF THE THINGS THAT WE'RE TRYING TO DO. I THINK IT'S A VERY IMPORTANT DIRECTION FOR US TO GO.

DR. TROUNSON: GREAT, SUSAN. AND I THINK WE DID KNOW ABOUT THAT. I THINK GENERALLY WE ALL WANT TO MOVE ALONG THIS LINE.

CHAIRMAN KLEIN: DAVID SERRANO-SEWELL.

MR. SERRANO-SEWELL: DR. TROUNSON, THAT WAS A GREAT REPORT. THANK YOU. AS TO THIS PARTICULAR ISSUE, AND HAVING WORKED ON THIS COMMITTEE WITH MY COLLEAGUE MS. FEIT, MARCY, WHAT WE WANTED TO DO IS ALSO CAPTURE SORT OF THE UNDERGRADUATE ACTIVITIES AND PROGRAMS AT THE CSU SYSTEM, OF COURSE, TWO-YEAR DEGREES AT THE COMMUNITY COLLEGE SYSTEM. SO TO THE EXTENT THAT THIS TRAINING GRANT CAN DO THAT, THIS IS WELL BECAUSE I THINK THERE WAS A DESIRE ON MY PART TO CAPTURE THOSE TWO SYSTEMS THAT YOU MENTIONED. AND THEY SHOULDN'T BE COMPETING WITH THE UC SYSTEM BECAUSE THERE'S NOT THE COMPARISON THERE, I DON'T THINK.

AS YOU'RE DRAFTING THAT, THAT'S JUST A COMMENT I WANT TO SHARE WITH YOU.

DR. TROUNSON: THANKS, DAVID. I THINK WE NEED TO BE THOUGHTFUL AND GET AS MUCH INFORMATION FROM THE MEMBERS AS POSSIBLE. AND THAT'S WHY I HAVE ACTUALLY ASKED FOR RICHARD MURPHY TO GIVE ME A BIT OF A HAND

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BECAUSE THERE'S A HISTORY HERE WHICH NEEDS TO BE ENVELOPED IN WHAT WE MOVE FORWARD. I THINK IT'S AN IMPORTANT PROGRAM, AND I THINK WE'LL FEEL GOOD ABOUT IT WHEN THOSE YOUNG PEOPLE START COMING THROUGH.

CHAIRMAN KLEIN: I'D ALSO LIKE TO SAY THAT, AS A MEMBER OF THE BOARD WITH A BACKGROUND IN PATIENT ADVOCACY FOR JUVENILE DIABETES, THAT WE HAVE A VERY IMPORTANT MESSAGE HERE FOR THE RECORD AND IN OUR OUTREACH TO PATIENT GROUPS, WHICH IS THAT WHEN YOU SEE THE PIE CHARTS, AND I, COMING, OF COURSE, WITH A SON WITH JUVENILE DIABETES, KNOW THAT THERE'S ESSENTIALLY 3 PERCENT WITH THE RESEARCH IN DIABETES, IT'S CRITICAL TO KNOW THAT OUR MISSION IS TO FOLLOW THE BEST SCIENCE. AND WE'RE IN A COMMUNITY OF ORGANIZATIONS WHERE A BREAKTHROUGH IN ANY AREA HELPS ALL OF US. JUST AS IN 1978 FOR RECOMBINANT DNA, THE FIRST PRODUCT WAS ARTIFICIAL HUMAN INSULIN, WHICH BROKE OPEN THE WHOLE FIELD.

THE FACT IS WE SHOULD BE JUDGED NOT ON THE DISTRIBUTION BY DISEASE OF WHERE OUR RESEARCH IS, BUT ON THE SPEED AND THE ACCOUNTABILITY WITH WHICH WE PROCESS SAFELY AND PROCEED SAFELY ACROSS THE BEST SCIENCE WHEREVER THAT MAY TAKE US IN THE SPECTRUM OF CHRONIC DISEASE AND INJURY. SO THAT'S AN IMPORTANT MESSAGING POINT THAT WE'RE GOING TO BE WORKING ON SO INDIVIDUAL



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ORGANIZATIONS UNDERSTAND THAT THEIR BEST INTERESTS ARE SERVED BY FOLLOWING THE BEST SCIENCE.

WITH THAT, I'D LIKE TO GO, THANKING DR. TROUNSON, TO AGENDA ITEM NO. 8.

DR. HENDERSON: I APOLOGIZE FOR ARRIVING LATE. THE CURRENT GROUP OF SEED GRANTS, TWO-YEAR SEED GRANTS, RUN OUT, I BELIEVE, IN SUMMER OF NEXT YEAR OR ABOUT 12 MONTHS FROM NOW; IS THAT CORRECT?

DR. TROUNSON: THAT'S RIGHT.

DR. HENDERSON: I WAS CURIOUS ABOUT THE PLANS FOR PICKING UP THOSE SCIENTISTS IN A TIMELY FASHION SO THAT THOSE WHO CAN CAN COMPETE EFFECTIVELY AND TRY TO COMPETE FOR LARGER RESEARCH GRANTS, AND WE KEEP THAT GROUP OF NEW INVESTIGATORS GOING WITH A COMPETITION BEFORE TOO MUCH TIME HAS PASSED, AND IT'S TOO CLOSE TO THE DEADLINE OF THEIR FUNDING.

DR. TROUNSON: THANK YOU FOR THAT INPUT. WE'VE BEEN FOCUSING ON REDOING THOSE TRAINING PROGRAMS, BUT I TAKE THE POINT THAT THOSE TRAINING PROGRAMS NEED TO ALSO HAVE SOME SORT OF CONTINUATION TO TAKE THOSE SCIENTISTS ON, THOSE ONES WHO ARE DOING WELL AND BEING VERY PRODUCTIVE. WE'LL TAKE YOUR COMMENTS BACK INTO THE ORGANIZATION.

CHAIRMAN KLEIN: THANK YOU VERY MUCH. WITHOUT ADDITIONAL COMMENT, I'D LIKE TO MOVE ON TO AGENDA NO. 8.

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MR. SIMPSON: WILL YOU TAKE QUESTIONS FROM THE PUBLIC TO THE PRESIDENT'S REPORT?

CHAIRMAN KLEIN: WE'RE GOING TO HAVE A GENERAL SESSION OF QUESTIONS FROM THE PUBLIC. AND IF WE COULD TAKE THOSE AT THAT TIME, IT WOULD BE VERY HELPFUL, JOHN SIMPSON.

IT IS IMPORTANT, THIS IS ANOTHER IMPORTANT NEW CONCEPT INITIATIVE. IT'S FOR A TOOLS AND TECHNOLOGIES RFA. I BELIEVE THAT DR. PAT OLSON AND DR. SOHEL TALIB ARE GOING TO INTRODUCE THIS ITEM. IF WE COULD PLEASE HAVE THE BOARD MEMBERS LOOK AT YOUR DOCUMENTS BEHIND TAB 8 IN YOUR BINDERS. AND DR. OLSON.

DR. OLSON: MR. CHAIRMAN, MEMBERS OF THE BOARD, I JUST WANTED TO TAKE THE OPPORTUNITY TO INTRODUCE YOU TO DR. SOHEL TALIB, WHO WILL, IN FACT, BE PRESENTING THIS ITEM TO YOU.

DR. TALIB: MR. CHAIRMAN, MEMBERS OF THE BOARD, AND GUESTS, TODAY I'D LIKE TO PRESENT THE CONCEPT PLAN FOR THE TOOLS AND TECHNOLOGY AWARDS. SO DESPITE OUR RECENT PROGRESS IN THE STEM CELL RESEARCH, TRANSLATIONAL THEMES THAT LAUNCH US INTO THE CLINIC REMAINS A CHALLENGE. THEREFORE, THE PURPOSE OF THE TOOLS AND TECHNOLOGY AWARDS IS TO SUPPORT THE DEVELOPMENT OF NOVEL TOOLS AND TECHNOLOGIES THAT OVERCOME THE CURRENT ROADBLOCKS IN THE STEM CELL RESEARCH.

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SO THIS PARTICULAR PROGRAM WILL ADDRESS TWO MAIN AREAS OF TECHNOLOGY DEVELOPMENT. ONE IS THE DEVELOPMENT OF NOVEL TOOLS AND DISCOVERIES AND EVALUATION OF THOSE PROGRAMS. AND SECONDLY, OPTIMIZATION OF THE TOOLS AND TECHNOLOGIES IN THE STEM CELL RESEARCH THAT HAS ALREADY BEEN -- PROOF OF CONCEPT FOR WHICH HAS ALREADY BEEN ACCOMPLISHED. FOR EXAMPLE, HOMOLOGOUS RECOMBINATION IS AN INVALUABLE TOOL FOR TARGETING STEM CELLS AND PROOF OF CONCEPT FOR WHICH HAS ALREADY BEEN SHOWN IN MOUSE SYSTEM. HOWEVER, ITS APPLICATION IN HUMAN STEM CELL WILL REQUIRE FURTHER OPTIMIZATION OF THE TECHNOLOGY.

SIMILARLY, AS YOU PROBABLY KNOW, THAT PROOF OF CONCEPT FOR STEM CELL DIFFERENTIATION INTO CARDIOMYOCYTES FOR ITS POTENTIAL APPLICATION IN HUMAN HEART FAILURE DISEASES HAS BEEN SHOWN BY A NUMBER OF INVESTIGATORS. HOWEVER, THE PRODUCTION OF CARDIOMYOCYTE INTO THE AMOUNT WHICH WILL BE NEEDED FOR CLINICAL TRIALS WILL REQUIRE FURTHER OPTIMIZATION AND DEVELOPMENT OF SCALE-UP TECHNOLOGIES.

FOR THIS PROGRAM PARTICULAR CONSIDERATION WILL BE GIVEN TO THE RESEARCH USING HUMAN EMBRYONIC STEM CELLS THAT CANNOT BE FUNDED BY THE CURRENT FEDERAL FUNDINGS. NOW, IN TERMS OF THE ELIGIBILITY FOR THIS PROGRAM, THE INVESTIGATOR MUST HAVE A PH. D. , M. D. , OR EQUIVALENT DEGREE. THE INVESTIGATOR MUST BE FULL-TIME EMPLOYEE AT

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AN ACADEMIC NONPROFIT OR FOR-PROFIT ORGANIZATION IN CALIFORNIA.

NOW, THE ACADEMIC AND NONPROFIT INSTITUTIONS ARE ELIGIBLE TO SUBMIT UP TO FOUR APPLICATIONS. FOR-PROFIT INSTITUTIONS ARE ELIGIBLE TO SUBMIT UP TO TWO APPLICATIONS. IN TERMS OF THE AWARDS WHICH WE WRITE THE REQUEST, A TOTAL OF 20 TWO-YEARS AWARD WITH A PROJECT COST UP TO 300,000 PER YEAR. AN ESTIMATED COST FOR THIS PROGRAM IS 20 MILLION.

THE PROVISIONAL TIMELINE FOR THIS RFA IS DIRECTLY RELEASED BY APRIL OF 2008, REVIEW OF THE APPLICATIONS COMPLETED BY SEPTEMBER 2008, AND ICOC APPROVAL FOR FUNDING BY DECEMBER 2008.

SO IN SUMMARY, WE'D LIKE TO REQUEST AN APPROVAL FOR THE CIRM TOOLS AND TECHNOLOGIES AWARD CONCEPT PLAN AND TWENTY MILLION IN FUNDING. THANK YOU.

CHAIRMAN KLEIN: THANK YOU VERY MUCH.

MS. KING: MR. SHEEHY HAS A QUESTION OR COMMENT.

MR. SHEEHY: I HAD A COUPLE OF QUESTIONS. ONE IS I'M NOT SURE I UNDERSTAND -- FIRST OF ALL, THIS SEEMS LIKE THE FIRST GRANT OR FIRST RFA THAT REALLY WE CAN ANTICIPATE SUBSTANTIAL INTEREST FROM INDUSTRY. SO IT'S NOT CLEAR TO ME WHY THEY'RE LIMITED TO TWO, AND ACADEMIC RESEARCH INSTITUTIONS GET FOUR APPLICATIONS. I'M NOT SURE I UNDERSTAND THE RATIONALE FOR THOSE LIMITS.

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DR. PIZZO: JEFF, I WAS GOING TO ASK A SIMILAR QUESTION, BUT FROM A SLIGHTLY DIFFERENT ANGLE, SO IF YOU WILL PERMIT ME. SO IT SEEMS LIKE WE'RE GETTING INTO A CERTAIN PATTERN OF LIMITING THE NUMBER OF GRANT APPLICATIONS. AND SO MY QUESTION IS REALLY MORE GENERAL THAN EVEN SPECIFIC TO THIS.

I APPRECIATE THAT THIS WAS INITIALLY DONE BECAUSE OF THE LIMITATIONS OF SCIENTIFIC REVIEW, BUT IT NOW SEEMS LIKE IT'S SHOWING UP IN OTHER AREAS. IT MAY BE THAT THAT'S A GOOD THING TO DO, BUT I THINK WE SHOULD HAVE SOME DIALOGUE ABOUT THAT. MY OWN PREFERENCE IS REGARDLESS OF WHERE PROPOSALS COME FROM, WE SHOULD SEEK THE HIGHEST AND MOST MERITORIOUS SCIENCE AND NOT LIMIT THEM BY SOME CAP PER INSTITUTION.

I RECOGNIZE THAT THERE MAY BE A TRANSITION PHASE WHILE THE SCIENTIFIC REVIEW GROUP IS RAMPING UP, BUT I REALLY RAISE THIS AS A GENERAL ISSUE BECAUSE I AM WORRIED THAT IT'S GOING TO SIMPLY BECOME PART OF EVERY PROPOSAL THAT COMES FORWARD, THERE WILL BE A CAP. I DON'T THINK WE'RE GOING TO SERVE SCIENCE WELL IF WE DO THAT.

MR. SHEEHY: I WOULD SUPPORT YOU ON THAT, PHIL. I AGREE WITH THAT.

CHAIRMAN KLEIN: ALL RIGHT. DR. OLSON.

DR. OLSON: SO WHAT I'D FIRST LIKE TO DO IS ADDRESS DR. PIZZO AND MR. SHEEHY'S QUESTION FIRST ABOUT

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THE LIMITATIONS. AND CERTAINLY I APPRECIATE THE CONCERN THERE. THIS IS SOMETHING WE WRESTLED WITH.

AS YOU RECALL PROPOSITION 71 STATES THAT 15 REVIEWERS MUST LOOK AT ALL APPLICATIONS RECEIVED. WE DO NOT HAVE THE OPTION. AND WHAT WE WOULD HAVE TO DO IS DO MULTIPLE REVIEWS IF WE DIDN'T LIMIT IT, SO WE HAVE 15 REVIEWERS, WE HAVE ROUGHLY TWO TO THREE REVIEWERS, WE USUALLY GO FOR THREE, PER AN APPLICATION.

IN TERMS OF VOLUME OF WORK FOR OUR REVIEWERS, AS YOU MAY RECALL, WHEN WE HAD THE SEED GRANT APPLICATION, WE HAD 231 APPLICATIONS. THAT WAS -- AND OUR REVIEWERS TOLD US THAT WAS THE MOST THAT MANY OF THEM EVER SAW AT THE NIH IN A YEAR IN THE SENSE OF WHAT THEY HAD TO REVIEW IN ONE SETTING. SO WE ARE VERY MUCH TRYING TO FIND A WAY WHERE WE'RE REQUIRED BY PROPOSITION 71 TO HAVE ALL OF OUR GRANTS REVIEWED. WE CANNOT TRIAGE, WE CANNOT SAY THAT THIS -- THE STAFF CANNOT LOOK AT THIS AND MAKE A JUDGMENT OF THIS SHOULD NOT GO TO THE REVIEWERS. EVERYTHING MUST GO TO THE REVIEWERS.

SO I WOULD WELCOME ANY INSIGHT YOU MAY HAVE AS TO HOW WE CAN ADDRESS THAT. THAT IS HOW WE ARE TRYING TO ADDRESS IT RIGHT NOW. I REALIZE IT IMPOSES ARTIFICIAL LIMITATIONS ON THE INSTITUTIONS. WE DO IMPOSE THOSE LIMITATIONS, AND WE WOULD LIKE TO FIGURE OUT A WAY AROUND IT. SO THAT IS A CHALLENGE FOR US TO HOW DO WE ALLOW

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EACH INSTITUTION A FAIR CHANCE? HOW DO WE ALLOW OUR --  
HOW DO WE GIVE OUR REVIEWERS A MANAGEABLE WORKLOAD? AND,  
QUITE FRANKLY, YOU THE BOARD, BECAUSE YOU THE BOARD WILL  
ALSO HAVE TO MAKE, THEN, DECISIONS ON ALL OF THEM.

DR. PIZZO: I APPRECIATE YOUR COMMENTS, AND I  
CERTAINLY UNDERSTAND THE DILEMMA. AND I'M SURE YOU  
REALIZE THAT MY COMMENTS WERE NOT, I'M SURE JEFF'S WERE  
NOT MEANT TO BE A CRITICISM, BUT JUST A REALITY. WE'RE  
NOT GOING TO SOLVE THIS ISSUE HERE, BUT I WONDER WHETHER  
THE CHAIR WOULD APPOINT A TASK FORCE OR A SMALL GROUP  
COMMITTEE TO LOOK AT THIS. I THINK THAT THIS ISSUE IS  
BEING GRAPPLED WITH ON MANY DIFFERENT FRONTS. THE NIH IS  
REEVALUATING ITS PEER REVIEW SYSTEM NOW TO TRY AND  
SIMPLIFY OR ALTER THE PROCESS OF REVIEWS BECAUSE THEY TOO  
HAVE BEEN SWAMPED, BECAUSE OF THE DECREASED FUNDING, BY  
MANY MORE APPLICATIONS.

SO AS WE SPEAK, THEY'RE ASKING FOR COMMENTS  
ABOUT THIS. I'M ALSO COGNIZANT THAT ANOTHER MAJOR  
SUPPORTER, AND THIS IS ONE OF THE THINGS THAT IS DRIVING  
MY INTEREST, AT HOWARD HUGHES MEDICAL INSTITUTE, WHICH  
TRADITIONALLY USED TO LIMIT THE NUMBER OF APPLICATIONS  
PER INSTITUTION, RECENTLY HAS TAKEN ON A DIFFERENT  
APPROACH OF ALLOWING THEM TO COME FROM ANYWHERE AND  
ANYPLACE. IN TALKING WITH THEM DIRECTLY, IT APPEARS THAT  
THIS HAD LED TO HIGHER QUALITY IN DIFFERENT SECTORS.

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SO IT'S REALLY THE PRINCIPLE THAT I THINK I'M SPEAKING OF NOW AND WOULD PETITION YOU, BOB, TO THINK ABOUT A SUBGROUP THAT MIGHT WORK WITH THE LEADERSHIP AT CIRM TO COME UP WITH A WAY OF THINKING ABOUT THIS. IT CAN BE AN INTERNAL PROCESS AS WELL THAT COMES BACK TO THAT. I DON'T WANT TO MICROMANAGE THE DECISION-MAKING, BUT I THINK WE'RE INTERESTED IN THIS.

DR. OLSON: I WOULD MAKE ONE FINAL FURTHER COMMENT ABOUT THAT, WHICH IS THAT, SO RATHER THAN DOING IT ON THE FRONT END, I STILL THINK THAT OUR REVIEW PROCESS, IN FACT, DOES SELECT THE HIGH QUALITY SCIENTIFIC APPLICATIONS.

DR. PIZZO: NO QUESTION ABOUT THAT. AND I THINK THAT THE VALUE OF THE REVIEWS AND THE INTEGRITY OF THEM IS REALLY AMONG THE BEST THAT EXISTS. I WAS JUST AT AN EVENT LAST NIGHT WHERE SOMEWHERE COMMENTED THAT THE QUALITY OF THE REVIEWS THAT TAKE PLACE THROUGH CIRM ARE HIGHER THAN ALMOST ANYTHING ELSE ANY OF US HAVE EXPERIENCED. I THINK IT'S A DIRECT PROPORTION TO THE WORK OF THE STAFF, AND I ALSO THINK IT'S A FUNCTION OF THE PROCESS OF HAVING OUTSTANDING EXTERNAL REVIEWERS.

SO I TOTALLY AGREE, BUT I DO THINK THAT IT IS PRUDENT FOR US, AS WE MOVE FORWARD, TO BE SURE THAT IN A SENSE THE PERFECT DOESN'T BECOME THE ENEMY OF THE GOOD, AND WE FIGURE OUT OTHER WAYS OF MOVING THINGS FORWARD SO



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THE APPLICANTS THAT YOU MIGHT NOT SEE, APPLICATIONS YOU MIGHT NOT HAVE SEEN COME TO THE REVIEWERS AS WELL.

CHAIRMAN KLEIN: DR. PIZZO, ABSOLUTELY UNDERSTAND THE IMPORTANCE OF THE COMMENT. AND IF THE BOARD SO WISHES, WHAT I'D LIKE TO DO IS, INSTEAD OF A LARGER TASK FORCE, IN ORDER TO GET SPEED AND GIVEN WE HAVE TO ARRANGE ENTIRE VENUES IF WE DO A TASK FORCE, IF I HAD A TWO-PERSON COMMITTEE FROM THE BOARD THAT I APPOINTED TO WORK WITH THE STAFF, THAT WOULD ALLOW THEM TO WORK QUICKLY. THEY'RE GOING TO BRING ALL THE RECOMMENDATIONS BACK WHICH WILL BE FULLY DISCUSSED IN PUBLIC.

DR. PIZZO: I FULLY ACCEPT.

CHAIRMAN KLEIN: FULLY DISCUSSED IN PUBLIC. NOW, WHAT I'D LIKE ALSO TO DO IS WE HAVE SEVERAL COMMENTS.

DR. OLSON: I HAVEN'T RESPONDED TO MR. SHEEHY'S COMMENT.

MR. SHEEHY: COULD I FIRST DO AN ADDENDUM TO PHIL'S?

CHAIRMAN KLEIN: IF THEY COULD, DR. OLSON, WE'LL HAVE JEFF SHEEHY PROVIDE AN ADDENDA TO HIS COMMENT, AND THEN WE WILL HAVE A FULL RESPONSE.

MR. SHEEHY: I THINK WHAT WOULD BE HELPFUL WOULD BE TO BROADEN IT BECAUSE I THINK -- I STARTED -- I

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HAVEN' T HAD A CHANCE TO TALK TO ALAN ABOUT THIS, AND RICH WAS INCREDIBLY RECEPTIVE AS WE STARTED TO DISCUSS THIS AND ARLENE. THERE WERE SOME DISCUSSIONS.

THERE' S A WHOLE SET OF ISSUES AROUND THE GRANTS WORKING GROUP ANYWAY IN TERMS OF THE WORKLOAD, CAPACITY, QUALITY OF EXPERIENCE, AND HOW TO MANAGE THAT. I THINK THAT THESE ARE ALL INTERRELATED, SO IF WE COULD KIND OF BROADEN THAT DISCUSSION BECAUSE, LOOKING FORWARD, IF WE' RE GOING TO SPEND THIS MONEY AND ACHIEVE WHAT ALAN WANTS TO ACHIEVE, AND I THINK ALAN WILL ACHIEVE, WE' RE GOING TO NEED TO HAVE THIS WORKING GROUP MEET OFTEN, REVIEW LOTS OF GRANTS. AND THIS IS GOING TO HAVE TO BE VERY COMFORTABLE FOR THESE FOLKS BECAUSE THEY' RE GIVING US A LOT MORE THAN WHAT WE' RE GIVING THEM.

SO I WOULD JUST BROADEN THE WRIT OF THIS WHATEVER YOU WANT TO CALL IT TO REALLY LOOK AT THE ENTIRE SET OF ISSUES THAT WE' RE GOING TO FACE MOVING FORWARD AND REALLY TO OPTIMIZE THE ENTIRE PROCESS.

CHAIRMAN KLEIN: INFORMATIONALLY, OUR NEXT ITEM, YOU WILL NOTE, IS ADDING NEW SCIENTIFIC MEMBERS TO THE WORKING GROUP. ONE OF THE THINGS THAT WE CAN DO IS THAT NO MORE THAN 15 MEMBERS CAN MEET AT ANY ONE TIME. IF WE HAVE A LARGE ENOUGH GROUP OF APPROVED MEMBERS, THE SCIENTIFIC STAFF CAN DRAW FROM A DIFFERENT 15 AT DIFFERENT TIMES. AND THEY' VE DONE A TREMENDOUS JOB IN

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HAVING APPROXIMATELY 50 DIFFERENT SPECIALISTS THAT ALSO CALL IN AND PROVIDE THEIR SPECIALIZED COMMENTS EVEN THOUGH THEY CANNOT VOTE IN THE PROCESS.

BUT THIS IS A BIG CHALLENGE AND A LIMITING CHALLENGE WE'RE GOING TO HAVE TO BE CREATIVE WITH. DUANE ROTH HAD AN ADDITIONAL COMMENT.

MR. ROTH: I WOULD ADD TO THE LAST CONVERSATION THAT THIS PROBLEM IS GOING TO GET WORSE AS WE GET THESE NEW INSTITUTES UP OR THE CENTERS OF EXCELLENCE, AND ALL OF THAT WILL JUST COMPLICATE THE LIMITATIONS. YOU WOULD HOPE WE COULD DEAL WITH THAT.

CHAIRMAN KLEIN: MAYBE THE PROBLEM IS GOING TO GET BETTER AND BIGGER.

MR. ROTH: THE LIMITATION ON THOSE CENTERS TO TWO OR FOUR, WHATEVER IT MAY BE, WILL BE INCREASINGLY UNFAIR AS WE GO FORWARD. SO I THINK PROSPECTIVELY ADDRESSING IT IS IMPORTANT.

TWO QUESTIONS ON THIS. HOW BROAD -- MAYBE YOU SAID THIS -- HOW BROAD DO YOU DEFINE RESEARCH TOOLS AND TECHNOLOGY? WHAT DO YOU EXPECT TO BE INCLUDED IN THAT? AND SECOND, HAVE YOU THOUGHT ABOUT THE COMMERCIALIZATION ASPECT OF THESE TOOLS AND TECHNOLOGIES, WHICH I WOULD ASSUME YOU WANT THESE TO BE BROADLY AVAILABLE TO HELP THE FIELD MOVE FORWARD.

AND THEN, FINALLY, WHY LIMIT IT TO HUMAN

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EMBRYONIC STEM CELLS WHEN MANY OF THE APPLICATIONS YOU MIGHT GET DEAL WITH BROADER PROBLEMS?

DR. OLSON: I'LL START WITH THE LAST ONE FIRST. FIRST, WE DO NOT INTEND TO LIMIT IT TO TOOLS AND TECHNOLOGIES THAT ARE APPLICABLE ONLY TO HUMAN EMBRYONIC STEM CELLS, AS IS STATED IN THE PROPOSITION. WE WILL GIVE PREFERENCE TO THOSE THAT MAY ADDRESS IT. THAT'S JUST PART OF. BUT WE HAVE, AS YOU NOTED, THE NEW FACULTY I, WE HAVE FUNDED APPLICATIONS THAT ARE NOT DOING RESEARCH THAT INVOLVES HUMAN EMBRYONIC STEM CELL RESEARCH, AND THAT SAME PROVISION WAS IN THAT APPLICATION. SO IT IS NOT LIMITED TO HUMAN EMBRYONIC STEM CELLS.

MR. ROTH: I'D BE INTERESTED IN OTHER'S COMMENTS ON THAT, BUT I THINK IT COULD LIMIT THE INNOVATION AND CREATIVITY TO EVEN GIVE A PREFERENCE HERE WHERE, IF THEY AREN'T WORKING WITH EMBRYONIC STEM CELLS, BUT THEY'RE DOING IMPORTANT TOOLS AND TECHNOLOGY WORK THAT'S GOING TO HELP EMBRYONIC STEM CELLS, GETTING A BROAD LIST OF THOSE WOULD BE IMPORTANT. I'M PARTICULARLY THINKING ABOUT CORPORATE PEOPLE THAT MAY APPLY FOR THIS.

DR. OLSON: RIGHT. I APPRECIATE THAT. IT WAS SIMPLY MY UNDERSTANDING THAT THAT LANGUAGE WAS THERE BASICALLY GIVEN WHAT THE LANGUAGE WAS IN THE PROPOSITION, THAT SAYS THE PREFERENCE IS FOR, BUT THAT IN POINT OF

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FACT WE COULD DO WORK WITH OTHER STEM CELLS.

CHAIRMAN KLEIN: IN TERMS OF THE LANGUAGE, IF I CAN CLARIFY, THE LANGUAGE IS PLURIPOTENT AND PROGENITOR STEM CELLS. AS LONG AS THERE IS AN INSUFFICIENT FUNDING FOR PROGENITOR STEM CELLS, WHICH THERE CLEARLY IS AT THE NIH, WE CAN TREAT THEM PARI PASSU WITH AN EQUAL PRIORITY, AND SO THE STAFF WILL HAVE THE FLEXIBILITY TO, IN FACT, DRAW FROM BOTH PLURIPOTENT AND PROGENITOR STEM CELLS, INCLUDING INDUCED PLURIPOTENCY WHICH MAY BE APPLICABLE FOR TOXICITY TESTING AND OTHER TECHNOLOGIES THAT WOULD BE VALUABLE IN THAT REGARD.

IN TERMS OF THIS DISCUSSION THAT'S GOING ON, DR. OLSON AND DR. TROUNSON, IF TOOLS AND TECHNOLOGIES ARE A RATE-LIMITING FUNCTION FOR ALL OF THE RESEARCH GOING ON, IS THIS A SPECIFIC RFA WHERE IT MIGHT BE GOOD TO PERMIT MORE APPLICATIONS BECAUSE OF THE BROAD GENERAL IMPACT ON ALL THE OTHER RESEARCH THAT WE'RE GOING TO HAVE?

DR. OLSON: WE COULD CERTAINLY REMOVE THE LANGUAGE THAT STATES A PREFERENCE FOR RESEARCH WITH HUMAN EMBRYONIC STEM CELLS, IF IT IS THE DESIRE OF THIS COMMITTEE THAT WE DO SO.

DR. TROUNSON: SOME OF THE FOCAL POINTS THAT ARE REALLY IMPORTANT, WE'RE REALLY RESPONDING TO THE SCIENTISTS IN MANY RESPECTS HERE ABOUT THE LACK OF

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CAPACITY IN THE SPACE. FOR EXAMPLE, THERE'S INSUFFICIENT MONOCLONAL ANTIBODIES TO TELL US WHERE THE CELLS ARE GOING. AND THAT'S AS MUCH IMPORTANT FOR THE WHOLE SPACE. BUT, YOU KNOW, HEMATOPOETIC STEM CELLS, STANFORD AND OTHER PLACES, WE'RE REALLY WORKED OUT ON THE AVAILABILITY OF MARKERS, CELL SURFACE MARKERS, SO WE NEED TO DO THAT. WE'VE GOT TO GET SOME POWER UP IN THIS BECAUSE WE NEED TO KNOW WHAT WE'RE LOOKING AT. IF YOU WANT TO HOLD A CELL IN A CERTAIN PLACE, WE'VE GOT TO DO THAT.

THERE'S NEW TECHNOLOGIES WHICH ARE EVOLVING WHICH ARE NOT HERE, BUT THEY SHOULD BE WHERE WE HAVE MARKER GENES TO TELL US WHERE THE CELLS ARE GOING. HOMOLOGOUS RECOMBINATION IS A VERY CHALLENGING AREA, BUT IT'S WORKING IN SOME PLACES. I KNOW BECAUSE IT WAS WORKING WHERE I WAS, BUT IT'S NOT HERE. AND WE NEED TO GET THAT UP BECAUSE THE SCIENTISTS NEED THAT. IF YOU'RE GOING TO ACTUALLY WORK ON THESE CELLS, YOU NEED TO BE ABLE TO PURIFY THEM AND ISOLATE THEM AND THEN SORT OF KEEP THEM GOING.

I THINK THE ISSUE, FOR EXAMPLE, ON INDUCED PLURIPOTENTIALITY IS THAT THE ONLY SYSTEM THAT'S CURRENTLY WORKED, FOR EXAMPLE, IS THE USE OF RETROVIRAL ELEMENTS TO TAKE IT INTO THE CELLS. THERE MAY BE CAPACITY OUT THERE THAT WE'RE NOT -- YOU KNOW, THAT WE'D BE INTERESTED IN SEEING IF WE CAN GET A BETTER SYSTEM

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THAT WASN'T RETROVIRAL ELEMENTS FOR DOING THE INSERTION, BUT THERE WAS SOME OTHER SYSTEM THAT WOULD ACTUALLY WORK THAT COULD THEN GIVE US, LET'S SAY, A BETTER INTERPRETATION OF WHAT'S GOING TO HAPPEN IN THE LABORATORY AND MAYBE ENABLE US TO USE THOSE CELLS EVENTUALLY CLINICALLY.

THE OTHER THING, FOR EXAMPLE, IS MANUFACTURING. THERE IS VERY LITTLE PUBLISHED ON THE UP-SCALING OF THESE CELLS OF ANY KIND. THE PROBLEM WITH ADULT STEM CELLS IS IT'S VERY DIFFICULT TO MULTIPLY THEM. BUT TAKE THESE EARLIER MORE PRIMITIVE CELLS, THERE'S NOT A LOT OF GENUINE UP-SCALING TECHNOLOGY. AND I BELIEVE IT IS OUT THERE. IT JUST NEEDS TO BE APPLIED. AND WE NEED TO GET PEOPLE THINKING FROM OTHER SPACES INTO THIS.

WHILE I RECOGNIZE THERE MAY BE SOME UNPUBLISHED MATERIAL IN SOME OF THE COMMERCIAL AREAS, IT'S NOT AVAILABLE AT THE MOMENT TO OUR RESEARCH SCIENTISTS. AND HAVING LOTS OF TECHNICIANS MAKING VERY FEW CELLS IN THE LAB IS NOT AS WORTHWHILE AS BEING ABLE TO GET LARGE AMOUNTS OF CELLS AND FOCUSING ALL YOUR CAPACITY ON YOUR RESEARCH.

CHAIRMAN KLEIN: A RELATED ISSUE, DR. TROUNSON, IS THE DEFINITION OF WHO IS QUALIFIED AS FULL-TIME FACULTY. AS THE INSTITUTIONS IN CALIFORNIA ARE TRYING TO ATTRACT RESEARCHERS FROM OTHER PARTS OF THE COUNTRY AND

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OTHER PARTS OF THE WORLD AS HALF-TIME FACULTY, WHAT IS THE VIEW OF QUALIFYING HALF-TIME FACULTY AS THE PI'S ON THIS RESEARCH? WE'RE TRYING TO LEVERAGE OUR CAPACITY HERE BY PULLING IN REAL STARS FROM OTHER AREAS.

DR. TROUNSON: I'M COMFORTABLE WITH WHATEVER THE BOARD THINKS HERE. WE HAVE ACTUALLY BEEN CONSTRAINED, I UNDERSTAND, TO FULL-TIME PEOPLE IN THE PAST.

DR. OLSON: WE HAVE USED THE DEFINITION THAT THE INSTITUTION USES, WHICH IS OFTENTIMES OVER 50 PERCENT. SO FULL-TIME EMPLOYEE AT MANY INSTITUTIONS MEANS 51 PERCENT.

CHAIRMAN KLEIN: BUT IN SOME CASES, HIRING, I UNDERSTAND, IS A CONSTRAINT THAT SOMEONE CAN ONLY HIRE OUT FOR 50 PERCENT, SO MAYBE WE COULD SAY THAT -- MAYBE WE COULD ACTUALLY GET INSTITUTIONAL DIRECTION FROM MEMBERS HERE WHO ARE MORE ACUTELY AWARE OF THE TERMINOLOGY AND THE LIMITATIONS THAT WE MIGHT CHANGE HERE.

MR. SHEEHY: WHILE WE'RE THROWING OUT ISSUES, BUT IF YOU WANT TO DISCUSS THIS ISSUE, I DO HAVE A COUPLE OF OTHER ISSUES JUST TO PUT THEM ON THE TABLE JUST LISTENING TO ALAN. I'M WONDERING IF THE INDIVIDUAL GRANT AWARD CAP IS ADEQUATE TO DO WHAT YOU WANT TO DO, ESPECIALLY FROM AN INDUSTRIAL PERSPECTIVE. AND LOOKING AT THE OPTIMIZATION AND SCALE-UP, IT DOESN'T SEEM LIKE



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\$600,000 OVER TWO YEARS IS GOING TO GO VERY FAR. AND THE TOTAL GRANT TOTAL OF \$20 MILLION, I ALSO WONDER IF THAT'S ADEQUATE TO ACCOMPLISH THE GOALS THAT WE SET OUT IN THIS GRANT.

BUT I THINK THAT THE FACULTY MEMBERS MAY WANT -- PEOPLE MAY WANT TO ADDRESS THE FACULTY ISSUE.

CHAIRMAN KLEIN: IF I CAN GET DR. AZZIZ BECAUSE HE HAS NOT SPOKEN BEFORE IN THIS ROUND.

DR. AZZIZ: THANKS, BOB. YOU BROUGHT UP AN ISSUE THAT I WAS ABOUT TO BRING UP, SO I APPRECIATE YOU INTRODUCING IT. THIS IS ACTUALLY A REAL PROBLEM. THE FULL-TIME FACULTY SITUATION IS A LARGE PROBLEM FOR A NUMBER OF CENTERS THAT ARE ACTUALLY DEVELOPING. OUR JOB IN THE STATE OF CALIFORNIA IS TO ATTRACT TALENT TO THE STATE OF CALIFORNIA TO DEVELOP TALENT HERE FOR INSTITUTIONS HERE IN CALIFORNIA.

BY ACTUALLY MANDATING THAT YOU'RE ACTUALLY EMPLOYING THE INDIVIDUALS FULL TIME IN ADVANCE OF ACTUALLY HAVING GRANTS, FOR EXAMPLE, OR IN ADVANCE OF DEVELOPING THIS INFRASTRUCTURE, YOU BASICALLY ARE STYMIEING THE DEVELOPMENT AND THE INTERNATIONAL COLLABORATIONS THAT WE'RE SO EAGERLY SEEKING. SO, IN FACT, THAT IS ACTUALLY SOMETHING THAT I THINK IS AN ANACHRONISM IN THIS GRANT AND IN OTHER GRANTS AS WELL. I THINK THAT THAT SHOULD NOT BE IN THIS PARTICULAR CALL,

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AND IT SHOULD NOT BE IN OTHER CALLS.

OTHERWISE, ALL THE INTERNATIONAL ACTIVITY THAT ALAN WANTS TO PUT INTO PLACE AND THAT THE RECENT FORUM PUT TOGETHER AND SO ON, THESE ARE JUST PIE IN THE SKY BECAUSE OTHERWISE, UNLESS WE HIRE ALL THE OTHER INVESTIGATORS TO BE FULL-TIME CALIFORNIA EMPLOYEES, IT'S NOT GOING TO BE APPLICABLE.

CHAIRMAN KLEIN: DR. BRYANT.

DR. BRYANT: I HAD A COMMENT ABOUT THE PART TIME AS WELL AS THE TITLES. IN TERMS OF FACILITATING PEOPLE COMING TO THE CAMPUSES OR THE INSTITUTIONS TO WORK, I THINK WHAT WE WANT IS WE WANT THEM TO BE FULL TIME WHEN THEY'RE THERE, BUT NOT THERE FOR THE WHOLE YEAR MAYBE. SO SOME KIND OF LANGUAGE THAT CAPTURES THE VISITING STATUS OF THOSE PEOPLE WOULD MAKE THAT POSSIBLE. BUT THE GRANT WOULD BE TO SOMEBODY WHO'S IN CALIFORNIA, I ASSUME, AND YOU'RE INVITING SOMEONE IN TO WORK WITH YOU.

CHAIRMAN KLEIN: THE MONEY WOULD ONLY REIMBURSE THEM FOR THE TIME THEY WERE IN CALIFORNIA.

DR. BRYANT: RIGHT. BUT IN TERMS OF THEIR PERCENT TIME, YOU'D WANT THEM TO BE THERE FULL TIME WHEN THEY'RE THERE. YOU KNOW WHAT I MEAN? I THINK BECAUSE YOU'D HAVE THEM COME ON SABBATICAL OR SOMETHING LIKE THAT FROM THEIR INSTITUTIONS.

AND THEN FROM THE TITLE POINT OF VIEW, I THINK

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WE COULD THINK MORE ABOUT THAT. I DON'T WANT TO MAKE A PRONOUNCEMENT ON THIS POINT, BUT I WOULD ENJOY GETTING INTO THAT BECAUSE IT DOES CAUSE PROBLEMS IN OUR INSTITUTIONS. I THINK WHAT WE'RE TRYING TO GET AT IS PEOPLE, MAYBE IF YOU'RE NORMALLY ELIGIBLE AS A PI WITH THAT TITLE IN YOUR INSTITUTION, MAYBE THOSE ARE THE PEOPLE THAT WE WANT BECAUSE THERE ARE PEOPLE WHO ARE IN FACULTY EQUIVALENT TITLES, BUT NOT TENURE TRACK. AND THEY SUPPORT THEMSELVES ON GRANTS. AND SO THERE IS -- THEY'RE NOT NECESSARILY PEOPLE THAT WE DON'T WANT. THEY'RE OFTEN PEOPLE THAT WE DO WANT BECAUSE THEY MAY GO ON TO DIFFERENT JOBS. THEY MAY STAY IN THAT POSITION AND BE CREATIVE RESEARCHERS FOR LONG PERIODS OF TIME.

CHAIRMAN KLEIN: DR. PIZZO AND THEN DAVID SERRANO-SEWELL.

DR. PIZZO: JUST, AGAIN, STAYING ON THIS THEME, I FEAR THAT IT'S GOING TO BE SOMEWHAT HIGHLY NUANCED ACCORDING TO THE INSTITUTION AS WELL. I THINK THAT SUSAN'S COMMENT ABOUT A SABBATICAL POSITION CERTAINLY IS EASY ENOUGH. AND I THINK OUR SITUATION, WHICH MAY BE UNIQUE AT STANFORD, IS THAT A FULL-TIME APPOINTMENT REQUIRES A FACULTY BILLET, AND WE HAVE CAPS ON THE NUMBER OF BILLETS WE COULD USE. SO IN A SENSE, IF WE STAY WITH THE FULL-TIME APPROACH, WE WILL PROBABLY NEVER BE ABLE TO BRING SOMEBODY ON BOARD BECAUSE OF THAT LIMITATION. SO I

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DO THINK THAT SOME FLEXIBLE THINKING IS GOING TO BE IMPORTANT IN THIS REGARD.

CHAIRMAN KLEIN: DAVID SERRANO-SEWELL.

MR. SERRANO-SEWELL: CHAIRMAN KLEIN, I'M LOOKING FOR SOME DIRECTION FROM YOU NOW AND HOW YOU WANT TO SEE THIS CONVERSATION PROCEED AFTER I MAKE MY COMMENT. THAT IS, WHAT -- I'M SENSING TWO THINGS HERE. THERE'S A VERY VALID ISSUE BEING RAISED BY MY COLLEAGUES, WHETHER IT BE THE CAPS FOR AN INDIVIDUAL INSTITUTION, THE DEFINITION OF FACULTY, FULL TIME, PART TIME, SABBATICAL, ALL THESE THINGS ARE VERY, TO ME, COMPLEX AND ARE INSTITUTION BASED. AND I THINK BEFORE WE CAN MAKE AN INFORMED DECISION, I WOULD NEED, I'LL SPEAK FOR MYSELF, MORE INFORMATION ON THESE DISCRETE ISSUES.

NOW, IF WE WANT TO ATTEMPT TO ADDRESS ALL OF THEM IN APPROVING THIS RFA, I'M OKAY WITH THAT. THAT WILL TAKE TIME, HOWEVER, AND WE WILL NOT GET TO THE OTHER PRESSING MATTERS ON OUR CALENDAR.

THE OTHER OPTION, AND I KNOW THAT THERE'S OTHER OPTIONS, WE CAN APPROVE THE RFA ESSENTIALLY AS IS UNLESS THERE'S SOME GLARING SOMETHING HAS TO BE FIXED ISSUES. I DON'T THINK THERE ARE, BUT PERHAPS THERE ARE. IF THAT'S THE CASE, LET'S PROCEED. BUT YOUR DIRECTION, CHAIRMAN, TO SORT OF IDENTIFY THESE ISSUES SO IT DOESN'T GET SHUNTED TO THE SIDE SO THAT NEXT TIME WE GET AN RFA FOR

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CONCEPT APPROVAL, THE EXPECTATION WOULD BE THAT ALL THESE ISSUES HAVE BEEN THOUGHT OUT SO WE DON'T HAVE THIS CONVERSATION AGAIN. I'M LOOKING FOR DIRECTION FROM YOU SO WE CAN PROCEED.

CHAIRMAN KLEIN: APPRECIATE YOUR COMMENTS. LET ME SUGGEST A THIRD OPTION AND ASK BOARD COUNSEL, MR. HARRISON, IF THIS WOULD BE CONSISTENT. IF, MR. HARRISON, WE WERE GOING TO SAY THAT WE'D OPEN IT TO PLURIPOTENT AND PROGENITOR STEM CELL TOOLS AND TECHNOLOGIES AND DIRECT THE PRESIDENT AND DR. OLSON TO INTEGRATE THESE COMMENTS IN AN EFFECTIVE WAY TO MEET THE OBJECTIVES OF THE BOARD AS EXPRESSED HERE TO HAVE A MORE INCLUSIVE OPPORTUNITY FOR PART-TIME PARTICIPATION BY INVESTIGATORS, COULD WE GIVE THAT GENERAL DIRECTION TO DR. TROUNSON AND DR. OLSON? THEY ARE ON TOP OF THE DETAIL ON THE LIMITATION OF THE NUMBER OF APPLICATIONS. IF THEY CAN EXPAND IT, THEY WILL HAVE TO BE ABLE TO EVALUATE THAT IN REAL-TIME. WE DON'T HAVE THE ABILITY HERE AT THIS MEETING TO IDENTIFY WITHIN THE TIMEFRAME AND THE GRANT CYCLES WHETHER THEY CAN OR NOT. BUT WE CAN GIVE A GENERAL DIRECTION OF THAT TYPE TO THE STAFF AND ASK THEM TO CARRY OUT THE OBJECTIVES THAT WE'VE IDENTIFIED?

MR. HARRISON: YES. I DON'T SEE ANY OBSTACLES TO THAT APPROACH.

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CHAIRMAN KLEIN: DR. POMEROY.

DR. POMEROY: I THINK THESE ARE IMPORTANT CONVERSATIONS TO HAVE, BUT I WOULD NOT FEEL PERSONALLY COMFORTABLE APPROVING SOMETHING WITH LANGUAGE THAT IS GOING TO CHANGE BEFORE IT GETS RELEASED IN ITS FINAL VERSION. SO I PERSONALLY WOULD SUPPORT DAVID'S PROPOSAL THAT WE APPROVE THIS ONE AS THE STAFF SUGGESTED, AND THEN ENCOURAGE THAT -- I DON'T THINK IT IS THE ROLE OF THE BOARD TO MICROMANAGE THESE DECISIONS, YOU KNOW, DURING THIS LIMITED AMOUNT OF TIME THAT WE HAVE AVAILABLE. AND I WOULD LIKE TO SEND BACK THE REQUEST TO STAFF THAT THEY WORK WITH THE INSTITUTIONS PRIOR TO THE NEXT RFA TO UNDERSTAND HOW EACH OF THESE LIMITS WOULD IMPACT INDIVIDUAL INSTITUTIONS AND THEN SYNTHESIZE THAT INFORMATION. BUT, AGAIN, I AM NOT COMFORTABLE APPROVING SOMETHING THAT'S GOING TO MORPH BEFORE IT BECOMES REALITY.

CHAIRMAN KLEIN: DR. AZZIZ.

DR. AZZIZ: I ACTUALLY DON'T FEEL COMFORTABLE APPROVING THE MOTION WITHOUT THOSE CHANGES. WE HAVE DISCUSSED IN PAST MEETINGS THE ISSUE OF PART-TIME FACULTY. THIS IS ACTUALLY THE THIRD ROUND OF GRANTS AND WE HAVE BROUGHT IT UP AND NOTHING HAS CHANGED. SO WITH ALL DUE RESPECT, I WILL HAVE TO VOTE AGAINST THE MOTION BECAUSE THIS IS A CONTINUING PROBLEM THAT GETS SHELVED.

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AND IT IS A PROBLEM THAT IS ACTUALLY AFFECTING A NUMBER OF OUR INSTITUTIONS IN OUR ABILITY TO ACTUALLY FULFILL THE MISSIONS THAT WE, THE BOARD, NOT MICROMANAGING, WE, THE BOARD, ARE MANDATED TO OVERSEE. SO I ACTUALLY DON'T THINK WE SHOULD APPROVE THIS MOTION IF CHANGES ARE NOT MADE.

CHAIRMAN KLEIN: DR. HENDERSON HAS NOT HAD A CHANCE TO ADDRESS THE SUBJECT.

DR. POMEROY: IS THERE A MOTION RIGHT NOW?

CHAIRMAN KLEIN: THERE IS NO MOTION.

DR. HENDERSON: I WOULD LIKE TO MAKE A MOTION THAT WE APPROVE THIS RFA AS WRITTEN AND MAKE SURE THAT THERE IS SERIOUS DISCUSSION ABOUT THE ISSUES THAT HAVE BEEN REPEATEDLY RAISED, SUCH AS THOSE JUST DISCUSSED BY DR. AZZIZ. I'D LIKE TO GO AHEAD WITH THIS RFA AS IT'S WRITTEN.

DR. PRICE: SECOND.

CHAIRMAN KLEIN: SECOND BY DR. PRICE. COMMENTS ON THE FLOOR. DR. PIZZO.

DR. PIZZO: JUST TO SEPARATE SOME OF THE ISSUES, I THINK THE ISSUE REGARDING FACULTY APPOINTMENTS IS AN IMPORTANT ONE AND DOES REQUIRE STAFF, AS I THINK CLAIRE WAS STATING, TO GET IN TOUCH WITH INDIVIDUAL CENTERS BECAUSE OF THE VARIANCE IN TERMS OF HOW THESE THINGS ARE HANDLED. I THINK WE NEED DATA TO UNDERSTAND THAT.

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I THINK THE ISSUE THAT JEFF AND I BROUGHT UP IS A DIFFERENT ONE ENTIRELY, AND ACTUALLY GOES BEYOND THIS ISSUE, SO IT DOESN'T PRECLUDE US APPROVING OR NOT APPROVING THIS. I THINK IT JUST REQUIRES US TO THINK ABOUT HOW WE'RE GOING TO HANDLE THAT CONCEPT OF THE NUMBER OF SUBMISSIONS QUITE SEPARATELY. I WANT TO BE SURE WE KEEP THOSE ISSUES DISCRETE.

DR. PRIETO: I'D LIKE TO ASK DR. HENDERSON IF, PERHAPS TO ADDRESS JUST ONE OF THESE POINTS, HE'D ACCEPT AS A FRIENDLY AMENDMENT JUST THE ADDITION OF THE LANGUAGE FULL- OR PART-TIME EMPLOYEES IF THAT WOULD MEET SOME OF THE OBJECTIONS WITHOUT ADDRESSING THE OTHER ISSUES.

CHAIRMAN KLEIN: DR. HENDERSON, THE QUESTION IS TO YOU.

DR. HENDERSON: I DON'T KNOW. AGAIN, I FEAR THAT INSTITUTION BY INSTITUTION WILL DROWN IN TRYING TO SORT OUT WHO IS AND WHO ISN'T A PART-TIME EMPLOYEE WITHOUT SOME FURTHER GUIDANCE, AND IT WILL LOGJAM THE REVIEW PROCESS. SO I DON'T KNOW. I'D HAVE SOME CONCERN. I'D PREFER TO GO AHEAD WITH THIS RFA AND DEAL WITH THIS PART-TIME -- TRY TO DEAL WITH THIS PART-TIME EMPLOYEE ISSUE SEPARATE FROM AN RFA. I THINK IT'S INAPPROPRIATE TO GIVE THAT VAGUE A LANGUAGE -- I'M SORRY -- TO THIS PARTICULAR PROPOSAL.

CHAIRMAN KLEIN: THERE'S BEEN DISCUSSION THAT 50



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PERCENT AS DEFINING PART TIME. WOULD THAT HELP? JUST TRYING TO HAVE SPECIFICITY AS A STARTING POINT, JUST A QUESTION. DR. PENHOET.

DR. PENHOET: I WAS GOING TO MAKE THE SAME POINT BY DEFINING FULL TIME AS 50 PERCENT OR GREATER. I THINK WE DO HAVE AN OBLIGATION TO SEE THAT SOMEBODY IS NOT QUALIFIED FOR A GRANT IF THEY WORK 5 PERCENT TIME IN AN INSTITUTION, FOR EXAMPLE. SO THIS WOULD BE AN INTERMEDIATE STEP. AND DR. OLSON SAYS SOME INSTITUTIONS DEFINE 50 PERCENT OR GREATER AS A FULL-TIME EMPLOYEE ANYWAY. SO IF IT WAS A UNIFORM POLICY FOR THE PURPOSES OF THIS RFA, A FULL-TIME EMPLOYEE WAS SOMEONE WHO WORKED 50 PERCENT OR MORE TIME AT THE INSTITUTION.

DR. OLSON: I JUST WANTED TO MAKE ONE COMMENT IN RESPONSE DR. AZZIZ AND TO CLARIFY A MISCONCEPTION. IN POINT OF FACT, THE NEW CELL LINES AWARD HAD NO STATEMENT OF EMPLOYMENT REQUIREMENT, JUST THAT THE RESEARCH BE CONDUCTED IN CALIFORNIA. SO THAT ONE WAS OPEN IN THE MOST BROADEST SENSE OF THE WORD TO PEOPLE WHO MAYBE SPENT ONE OR TWO MONTHS A YEAR HERE. THAT WAS VERY BROAD, SO WE HAVE DONE THINGS LIKE THAT.

DR. AZZIZ: YOU'RE ACTUALLY CONFIRMING MY POINT, WHICH IS WE STARTED TO FIX IT, BUT YET WE PRESENT AN RFA HERE THAT IS ACTUALLY COUNTER TO WHAT YOU ALREADY JUST STATED. SO, IN FACT, WHY DON'T WE HAVE SOME UNIFORMITY

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IN THE RFA'S MOVING FORWARD?

DR. OLSON: I THINK THE THOUGHT WAS DIFFERENT TYPES OF RFA. PERHAPS WE SHOULD HAVE DIFFERENT REQUIREMENTS. IF YOU BELIEVE THAT WE CAN HAVE AN EFFECTIVE PI WHO PERHAPS IS IN THE STATE FOR TWO MONTHS OF THE YEAR SUPERVISING, THAT IS THE BOARD'S DECISION, BUT I THINK THE THOUGHT WAS THAT IF SOMEONE IS GOING TO BE ESSENTIALLY PI FOR THE WORK, PERHAPS IT WOULD BE USEFUL FOR THEM IN THIS CONTEXT TO BE MORE ENGAGED AND WORK WITHIN THE STATE.

CHAIRMAN KLEIN: I'M GOING TO WRAP THIS UP WITH THE NEXT THREE COMMENTS.

MR. ROTH: I'M NOT GOING TO VOTE IN FAVOR OF THIS FOR THE FOLLOWING REASON. I'M WORRIED ABOUT THE SCOPE AND SIZE OF WHAT WE'RE DOING. WE'RE NOT GOING TO GET TO DO THIS AGAIN IN SIX MONTHS IF WE DON'T GET IT RIGHT. I'D TAKE A 45-DAY TO 60-DAY DELAY, BRING IT TO US IN MAY, WORK OUT ALL THESE DETAILS. JUST LISTENING TO ALAN, THIS IS TOO IMPORTANT OF AN AREA NOT TO MAKE IT BIG ENOUGH AND MEANINGFUL ENOUGH THAT WE GET SOME ACTUAL RESULTS OUT OF THIS. SO IN ADDITION TO ALL THE OTHER THINGS WE'RE TALKING ABOUT, I'M JUST NOT HAPPY THAT WE HAVE ENOUGH MONEY IN THE 300,000 A YEAR THAT JEFF CITED. I THINK IT'S INSUFFICIENT.

CHAIRMAN KLEIN: AT THE BOARD MEETING WHERE WE

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CONSIDER THESE, WE CAN INCREASE THE MONEY AT THAT POINT. THE QUESTION OF THE 300,000 A YEAR WE HAVE TO DEAL WITH NOW.

DR. OLSON: THAT'S DIRECT PROJECT COST.

CHAIRMAN KLEIN: DR. OLSON, HAVE YOU ALREADY SCHEDULED OUT WITH REVIEWERS A TIME FOR THE REVIEW OF THIS, AND WOULD A DELAY THEN DISRUPT THAT?

DR. OLSON: IT WOULD OFFSET THE SCHEDULE. MAY I CLARIFY SOMETHING ABOUT THE SCOPE, PLEASE? SO I THINK THERE IS -- THIS, I THINK, ALSO ADDRESSES THE DOLLARS TO SOME EXTENT. I THINK MR. ROTH IS RIGHTLY CONCERNED THAT IF WE'RE ASKING TO DO A SCALE-UP OF CELLS FOR PRODUCTION FOR CLINICAL USE, THAT IN POINT OF FACT, YOU KNOW, \$600,000 A YEAR IS PERHAPS INADEQUATE. I WOULD POINT OUT THAT I CONSIDERED THAT TO BE OUTSIDE THE SCOPE OF THIS -- THIS IS DEVELOPED TO MAYBE DO THE PROCESS DEVELOPMENT OR THE TECHNOLOGY FOR IT, THAT SOMETHING LIKE THE ACTUAL SCALE-UP FOR TOXICOLOGY OR FOR THE CLINICAL TRIALS WOULD FALL WITHIN A PRECLINICAL DEVELOPMENT PROPOSAL OR A TRANSLATIONAL II. SO THIS IS MORE -- THIS IS DEVELOPING THE TECHNOLOGY, LOOKING AT, SAY, A WAVE TECHNOLOGY AND APPLYING IT TO NEURAL CELLS THAT HAVE BEEN DERIVED FROM STEM CELLS.

THIS IS TO -- THE OTHER POINT YOU MENTIONED, IS THIS THE COMMERCIALIZATION? THIS IS NOT INTENDED TO

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COVER THE COMMERCIALIZATION PHASE. IT'S INTENDED TO COVER ESSENTIALLY THE DISCOVERY AND EVALUATION OF NOVEL TOOLS OR THE APPLICATION OF TOOLS AND TECHNOLOGIES TO STEM CELL RESEARCH AND THEIR OPTIMIZATION. IT'S NOT ACTUALLY INTENDED FOR THE COMMERCIALIZATION PHASE OF THE WORK.

MR. ROTH: JUST TO CLARIFY, I SAID POTENTIAL COMMERCIALIZATION, NOT -- I UNDERSTAND IT'S THE RESEARCH, BUT LET'S PLEASE DO RESEARCH THAT MIGHT HAVE SOME PRACTICALITY.

DR. OLSON: EXACTLY. WE WOULD HOPE THAT SOME OF THE TOOLS THAT WOULD BE DEVELOPED, FOR EXAMPLE, ANTIBODIES, WOULD BE PICKED UP BY VARIOUS COMPANIES OR WOULD BE DEVELOPED BY THE COMPANIES THEMSELVES. AS YOU KNOW, MANY TIME THOSE ARE LICENSED.

DR. TROUNSON: BECAUSE I THINK, TO ME, IT'S COMPLETELY ADEQUATE TO GET THE JOB DONE, WHICH IS REALLY TO GET THE WORK AND THE RESEARCH UP. SO 300,000 A YEAR TO GET IT TO THE STAGE WHERE A COMPANY THEN MIGHT BE INTERESTED IN DOING FURTHER WORK, THEN THAT'S REALLY WHAT THIS IS ABOUT. I THINK -- WE HAVE TO THINK ABOUT THE CELL PRODUCTION FACILITIES IN A DIFFERENT WAY, WHICH IS REALLY GROSSLY UPGRADED TO ENABLE CLINICAL PRODUCTION. THAT'S A DIFFERENT -- IT HAS TO BE A DIFFERENT WAY. WE HAVE TO THINK DIFFERENTLY ABOUT THAT PARTICULAR

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OPPORTUNITY.

CHAIRMAN KLEIN: AND THE 300,000, AS I UNDERSTAND, IS DIRECT.

DR. OLSON: DIRECT PROJECT COST.

CHAIRMAN KLEIN: \$600,000 MAY BE THE END.

DR. OLSON: NOT QUITE, BUT CLOSER TO.

CHAIRMAN KLEIN: JEFF SHEEHY AND THEN DR. BRENNER, AND THEN WE'RE GOING TO SEE WHAT WE CAN DO WITH THIS MOTION.

MR. SHEEHY: I STILL -- YOU KNOW, I COULD APPROVE THIS GOING FORWARD. I THINK IF WE JUST HAD A LITTLE BIT MORE FLEXIBILITY AND WE'RE WILLING TO EXPAND THE RANGE, AND WE'RE WILLING -- WE CAN ALWAYS ADD AT THE BOARD LATER IF WE DON'T THINK THE MAXIMUM CAP FOR THE RFA IS GOOD. I AGREE WITH DUANE. THIS IS A CRITICAL OPPORTUNITY, AND WE NEVER COME BACK TO THESE THINGS. AND, YOU KNOW, WE REALLY DON'T KNOW UNTIL WE HEAR FROM INDUSTRY. THEY JUST WON'T PARTICIPATE IF THE NUMBERS WE'RE THROWING OUT AREN'T ADEQUATE. SO I DON'T KNOW WHY WE CAN'T BE FLEXIBLE AT LEAST ON THE ANNUAL AMOUNTS THAT WE WANT TO MAKE AVAILABLE.

THE SECOND THING IS I CANNOT APPROVE SOMETHING THAT DISCRIMINATES AGAINST INDUSTRY IN THIS PARTICULAR FASHION. IF WE'RE GOING TO HAVE CAPS, THEY HAVE TO BE THE SAME FOR EVERYBODY. I JUST CANNOT FIND ANY

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JUSTIFICATION FOR GIVING ONE SET OF PLAYERS A FOUR-APPLICATION CAP AND GIVING ANOTHER SET OF PLAYERS A TWO-APPLICATION CAP. SO IF WE ARE GOING TO GO FORWARD WITH CAPS, AND I UNDERSTAND THE NECESSITY FOR DOING SO, THEY SHOULD BE THE SAME ACROSS THE BOARD. I PERSONALLY WOULD LIKE TO SEE US GO WITHOUT THE CAPS.

AND I ALSO DON'T KNOW WHY, I WOULD AGREE WITH DR. AZZIZ, THERE'S NO RATIONALE THAT I CAN SEE NOT TO DO THE SAME THING WITH THIS PARTICULAR RFA THAT WE DID WITH NEW CELL LINES. I THINK THERE'S A CERTAIN SYMMETRY TO WHAT WE'RE TRYING TO ACCOMPLISH, WHICH IS NOVEL, CUTTING EDGE PRODUCTS THAT ARE GOING TO MOVE THE FIELD FORWARD. SO I DON'T KNOW WHY WE CAN'T GO FORWARD WITH THAT SAME LANGUAGE.

WITHIN THOSE CONTOURS, I COULD GO AHEAD WITH THIS, BUT WITHOUT THOSE CONTOURS, I WOULD NOT VOTE FOR IT.

DR. BRENNER: I JUST WANT TO MAKE TWO SHORT POINTS. THE FIRST IS I WANT TO EMPHASIZE WITH ALAN'S ENTHUSIASM FOR THIS AWARD. I THINK WE REALLY DON'T HAVE THE REAGENTS AND TOOLS NOW TO DO THIS AT THE SAME LEVEL WE DO WITH ALMOST EVERY OTHER ASPECT OF MOLECULAR BIOLOGY OR IMMUNOLOGY OR ANY OTHER FIELD. SO THIS IS GOING TO BE CRITICAL.

SECOND, THERE SEEMS TO BE SOME CONFUSION ABOUT

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WHO CAN APPLY AND WHO CAN'T. THE UNIVERSITY OF CALIFORNIA HAS VERY STRICT RULES ON WHO CAN BE A PRINCIPAL INVESTIGATOR IN GRANTS. I DON'T WANT US TO SORT OF -- BUT FROM THE INSTITUTION'S POINT, IF YOU START TELLING THE INSTITUTION WHO CAN AND CAN'T APPLY FOR A GRANT, YOU GET A LOT OF CONFUSION BECAUSE IT'S BEEN -- THERE ARE LOCAL RULES WITHIN THE INSTITUTION AND THEN THERE ARE RULES FOR THE ENTIRE UNIVERSITY OF CALIFORNIA SYSTEM. SO IF WE SAY, WELL, 20 PERCENT IS OKAY FOR US, BUT THEY SAY NO, THEY'LL REFUSE THE GRANT. SO I WOULD REALLY ENCOURAGE US TO DEFER IT TO THE INSTITUTION WHO IS A PI.

CHAIRMAN KLEIN: THE --

DR. BRYANT: I WOULD AGREE WITH THAT, AND I'D ALSO SAY THAT IF WE WENT WITH NIH GUIDELINES, THAT WOULD ALSO HELP US BECAUSE THEY HAVE -- IN ORDER FOR AN INSTITUTION TO HAVE SOMEBODY APPLY TO NIH FOR A GRANT, THE INSTITUTION HAS TO SAY THAT THEY ARE CERTIFIED THAT THEY HAVE THE SPACE AND THE SUPPORT TO BE ABLE TO CARRY OUT THE RESEARCH. SO THAT'S THE IMPORTANT THING THAT WE NEED TO KNOW. BUT IF YOU LEFT IT, IF YOU TAKE ED'S PROPOSAL OF A 50-PERCENT APPOINTMENT BY THE INSTITUTION, THAT CUTS OUT A WHOLE CADRE OF PEOPLE THAT LIVE ON GRANTS.

CHAIRMAN KLEIN: SO, DR. AZZIZ, I'M GOING TO

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JUST ASK YOUR RESPONSE TO DR. BRYANT'S COMMENT. WOULD THE NIH GUIDELINES WORK IN TERMS OF YOUR PERSPECTIVE?

DR. AZZIZ: THEY WOULD NOT ACTUALLY. IN FACT, THE REASON THEY WOULD NOT IS THAT THE UC SYSTEM HAS A VERY ENTRENCHED SYSTEM FOR ALLOWING THEIR PI'S TO ACT, WHICH IS INTERNAL AND IT'S FINE.

CHAIRMAN KLEIN: THE NIH GUIDELINES.

DR. AZZIZ: EVEN THE NIH GUIDELINES. THE ISSUE REALLY DEPENDS ON -- IN THIS TYPE OF PROPOSAL FOR THE INITIATIVE THAT CALIFORNIA HAS TAKEN ON, WE'RE TAKING -- WE'RE ACTUALLY INVITING A LARGE CADRE OF OTHER TYPE OF ORGANIZATIONS, NONPROFITS, NOT UC NECESSARY SYSTEM, NOT EVEN AN NIH-QUALIFIED SYSTEM, A LARGE NUMBER OF OTHER TYPE OF ENTITIES. BY CONTINUING TO DEMAND THIS FULL-TIME FACULTY APPOINTMENT, FULL-TIME EMPLOYEE APPOINTMENT, WE STILL WILL RESTRICT IT.

SO MY SUGGESTION, IN FACT, IS THAT THIS GO BACK TO THE PRESIDENT AND THE STAFF TO BE BROUGHT BACK IN 45 DAYS, AND THAT WE THINK ABOUT THIS BECAUSE, IN FACT, THIS HAS BEEN A HINDRANCE TO A LARGE NUMBER OF INSTITUTIONS MOVING FORWARD. WE DON'T HAVE THE ANSWER RAPIDLY. WE NEED TO ACTUALLY THINK THIS THROUGH. I HAVE TO AGREE WITH JEFF AND I HAVE TO AGREE WITH ALAN. THIS IS A VERY CRITICAL PROGRAM, AND WE ARE NOT DOING IT RIGHT. WE ALL HAVE THAT SENSE. SO APPROVING IT WHEN WE KNOW IT'S NOT



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RIGHT IS THE WRONG THING TO DO.

CHAIRMAN KLEIN: THE REASON I'M GOING THROUGH SUCH AN EXTENDED DISCUSSION HERE IS IT IS A CRITICAL LEAD-TIME ISSUE HERE.

DR. BRYANT: I'D JUST LIKE TO CORRECT ONE THING. YOU DO NOT HAVE TO BE A FULL-TIME FACULTY MEMBER TO BE A PI ON A GRANT FROM NIH.

DR. AZZIZ: I AGREE, BUT WHAT I'M SAYING IS THE NIH GUIDELINES DON'T APPLY TO ALL INSTITUTIONS. INDEPENDENT RESEARCH INSTITUTIONS MAY BE DIFFERENT.

DR. BRYANT: WE COULD APPLY THEM.

DR. PRICE: THIS SAYS EMPLOYEES. IT DOESN'T SAY FACULTY.

DR. OLSON: IT DOES NOT SAY FACULTY.

DR. PIZZO: MY COMMENT IS ACTUALLY NOT SPECIFIC TO WHAT'S BEEN RAISED, BUT IT DOES RELATE TO THE DISCUSSION THAT WE'RE HAVING. AND I THINK THIS HAS ACTUALLY BEEN A VERY HELPFUL DISCUSSION. AND, ALAN, I THINK GOING FORWARD WHAT WOULD HELP, AT LEAST ME, IS AS YOU BEGIN TO COME TO GRIPS WITH RECOMMENDATIONS FOR FUTURE PROPOSALS, IT WOULD BE WORTHWHILE HAVING A FORECAST OF HOW OUR PORTFOLIO WILL LOOK OVER THE COURSE OF A YEAR. WE'VE SORT OF BACKED INTO A PORTFOLIO AS CURRENTLY EXISTS, BUT I'M SPECIFICALLY ASKING ABOUT MAKING SURE THAT WE HAVE A BALANCE SO THAT WE DON'T WIND

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UP USING ALL OF OUR RESOURCES IN ONE OR ANOTHER AREA, THAT WE ARE MAKING SURE WE'RE KEEPING THE BASIC SCIENCE PIPELINE OPEN, AS WELL AS THE APPLIED PIPELINE. I THINK THAT ON AN ANNUALIZED BASIS SO THAT WE CAN ACTUALLY LOOK AT WHERE OUR INVESTMENTS ARE GOING TO BE WILL HELP WITH SOME OF THE DISCUSSIONS THAT WE'VE BEEN HAVING.

DUANE'S CONCERN ABOUT THE AMOUNT OF RESOURCES WOULD BE ECHOED BY ME AS WELL IN TERMS OF THIS OR OTHER PROJECTS. IF I KNEW WHERE WE WERE GOING TO BE SPENDING OUR MONEY OVER THE COURSE OF THE YEAR, WE CAN CALIBRATE FROM YEAR TO YEAR HOW WE WANT TO MAKE SURE WE'RE ACHIEVING OUR ULTIMATE GOALS.

CHAIRMAN KLEIN: OKAY. WE NEED TO CALL A VOTE HERE. WE NEED TO SEE WHERE WE ARE AND IF THIS IS GOING TO SOLVE OUR PROBLEMS OR WE NEED TO HAVE AN ALTERNATIVE APPROACH.

DR. HENDERSON, QUESTION FOR YOU. HAVING HEARD THE DISCUSSION, DO YOU WANT IN YOUR MOTION TO INCLUDE PLURIPOTENT AND PROGENITOR STEM CELLS? DO YOU WANT TO HAVE THAT BROADER SCOPE? OR DO YOU WANT ONLY EMBRYONIC?

DR. PENHOET: DOESN'T SAY ONLY EMBRYONIC.

CHAIRMAN KLEIN: AS PART OF THE DISCUSSION, WE HAVE TO BE CLEAR IN OUR MOTION BECAUSE PART OF THE DISCUSSION TALKED ABOUT ONLY EMBRYONIC. DR. OLSON SAID THAT SHE WAS PREPARED TO DEAL WITH MORE THAN EMBRYONIC,

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BUT WE HAVE TO BE CLEAR IN OUR MOTIONS.

SO IS YOUR MOTION INTENDED TO INCLUDE  
PLURIPOTENT AND PROGENITOR CELLS?

DR. HENDERSON: I'M JUST TRYING TO TAKE THE  
DOCUMENT WE HAVE, AND IT DOESN'T SAY EMBRYONIC ONLY.

CHAIRMAN KLEIN: THE DOCUMENT SAYS PLURIPOTENT.  
ARE YOU PREPARED TO INCLUDE PROGENITOR STEM CELLS IN THIS  
TOOLS INVESTIGATION?

DR. HENDERSON: IF THAT'S ACCEPTABLE.

DR. OLSON: OF COURSE. AS I SAY, IT JUST SAID  
PARTICULAR CONSIDERATION. IT'S DID NOT EXCLUDE ANY TYPE  
OF STEM CELLS.

DR. HENDERSON: I THINK THAT'S FINE.  
ABSOLUTELY.

CHAIRMAN KLEIN: ALL RIGHT. AND IS THERE -- ARE  
THERE OTHER ITEMS IN THIS DISCUSSION THAT YOU WANT TO  
INCORPORATE IN THIS?

DR. HENDERSON: I THINK THERE ARE GOOD ISSUES  
THAT ARE BEING RAISED. I JUST DON'T KNOW HOW TO RESOLVE  
AROUND THIS APPLICATION TILL WE ACTUALLY SEE HOW  
SOMETHING LIKE THIS FLIES. I MEAN WE'RE ASKING INDUSTRY  
IN. WHETHER A LIMIT OF TWO IS APPROPRIATE TO SOME SMALL  
START-UP COMPANY VERSUS A BIG UNIVERSITY WITH FOUR, COULD  
BE A BIG COMPANY TOO, BUT I MEAN WE'RE TRYING THIS. WHY  
DON'T WE SEE HOW IT GOES AND ADJUST? WE'RE NOT PUTTING

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ALL OF OUR MONEY INTO ONE BOX. IT DOESN'T HAVE TO BE A ONE-TIME-ONLY EVENT. I THINK WE SHOULD SEE HOW THIS GOES, WHAT KIND OF PROPOSALS WE GET FROM INSTITUTIONS AND FROM INDUSTRY, AND THEN ADJUST GOING FORWARD. IT'S THE ONLY WAY WE'LL LEARN. BUT IF WE OPEN THE FLOODGATES TOO WIDE, I JUST THINK WE'LL SWAMP OUR REVIEWERS AND WE WON'T GET ANYTHING DONE.

SO I SUGGEST WE GO FORWARD WITH THIS PROPOSAL THAT OBVIOUSLY HAS THE SUPPORT OF THE PRESIDENT AND THE STAFF. THERE'S A NEED. I THINK THERE'S A SCIENTIFIC NEED FOR REAGENTS TO MOVE THE FIELD FORWARD. I THINK WE OUGHT TO GO AHEAD WITH THIS PROPOSAL.

DR. LOVE: I JUST WANT TO ADD I TOTALLY SUPPORT EVERYTHING THAT BRIAN JUST SAID.

TO JEFF'S QUESTION, IN TERMS OF THE TWO TO INDUSTRY AND FOUR TO UNIVERSITIES, I'M VERY SENSITIVE TO THAT AS WELL, BEING FROM INDUSTRY. BUT MY INTERPRETATION WAS PROBABLY, I'D LIKE TO HEAR DR. OLSON'S PERSPECTIVE, BUT MY INTERPRETATION WAS THAT YOU WERE EXPECTING MOST OF THESE COMPANIES TO BE MUCH SMALLER THAN THE UNIVERSITIES. AND SOME KIND OF DISCOUNT, IF YOU WILL, FOR A SMALLER COMPANY WOULD PROBABLY BE APPROPRIATE, AT LEAST I WOULD THINK IT WOULD BE APPROPRIATE. WAS THAT YOUR THINKING?

DR. OLSON: THANK YOU. THAT WAS THE THINKING. THERE ARE A FEW COMPANIES IN THIS SPACE THAT ARE PERHAPS

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A LITTLE LARGER; BUT, YOU KNOW, IT'S A BALANCING ACT. I APPRECIATE THE THOUGHT.

CHAIRMAN KLEIN: I THINK WE'VE HAD A FULL DISCUSSION HERE. AND APPRECIATING THE IMPORTANCE OF THIS SUBJECT, I'D LIKE TO GET ANY PUBLIC DISCUSSION AT THIS POINT.

MR. SIMPSON: JOHN SIMPSON WITH THE FOUNDATION FOR TAXPAYER AND CONSUMER RIGHTS. THIS IS A VERY IMPORTANT RFA. IT NEEDS TO GO FORWARD, BUT I DO THINK YOU HAVE A SERIOUS PROBLEM WITH DIFFERENT CAPS FOR THE TWO DIFFERENT INSTITUTIONS. MOST OF THIS BOARD IS COMPRISED OF ACADEMIC INSTITUTIONS. IN SOME SENSE YOU'RE SORT OF ACTING IN A SELF-SERVING WAY, I THINK. I THINK I UNDERSTAND THE BROAD NEED FOR CAPS. I'D SUGGEST THAT YOU REALLY NEED TO AMEND THIS SO THAT YOU HAVE AN EVEN, LEVEL PLAYING FIELD. SO IF YOU CAN ONLY HANDLE -- MAKE IT THREE AND THREE OR SOMETHING LIKE THAT.

I THINK THAT'S REALLY IMPORTANT BASED ON THE FEEDBACK THAT I'VE BEEN GETTING FROM COMPANIES WHO ARE SAYING THAT YOU REALLY DON'T KNOW HOW MUCH GOOD SCIENCE IS BEING DONE OUT THERE, AND ALL OF THEM IN THE LAST ROUNDS THAT I TALKED TO SUGGESTED THAT THEY WOULD HAVE PUT IN MORE APPLICATIONS COULD THEY HAVE DONE SO.

CHAIRMAN KLEIN: REALIZING SOME OF -- THERE ARE TOOL COMPANIES WHO MAY HAVE A NUMBER OF POTENTIAL

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APPLICATIONS OF GREAT QUALITY. IT'S AN IMPORTANT COMMENT.

MS. LANSING: I JUST WANT TO SAY I RESPECT ALL THE POINTS OF VIEW, BUT I'M ALSO VERY SENSITIVE TO WHAT WAS SAID, THAT THIS WAS GOING TO THROW THE SCHEDULE OFF. SO I WONDER IF IT'S POSSIBLE, I WOULD RECOMMEND THAT WE APPROVE THIS. AND THEN I DON'T KNOW HOW YOU DO THIS TECHNICALLY, BUT THAT WE BRING A MOTION BACK THAT WE ARE GOING TO REVISIT IT AT A CERTAIN TIME WHEN WE SEE THE APPLICATION, BUT IT'S ACTUALLY CODIFIED THAT WE'RE DOING THAT, SO IT WON'T BE A SITUATION WHERE IT JUST GETS LOST. DO YOU KNOW? I DON'T WANT TO HARM THE SCHEDULE OF WHAT YOU WANT. I'M ALSO MINDFUL OF THE CONCERN. SO WHY NOT APPROVE IT, BUT ALSO, THEN, I'LL MAKE AN AMENDMENT THAT WE REEVALUATE IT, AND GIVE ME A TIME THAT MAKES EVERYBODY COMFORTABLE.

MR. SERRANO-SEWELL: SHERRY, DO YOU MEAN BY REEVALUATION THE ISSUES HAVE BEEN ADDRESSED BY EVERYONE?

MS. LANSING: YES.

DR. POMEROY: FOR THIS RFA?

DR. PRICE: GENERICALLY.

DR. AZZIZ: NOT FOR THIS RFA.

MS. LANSING: WHAT I'M REALLY TRYING TO SAY, AND I'M HAVING TROUBLE DOING IT --

CHAIRMAN KLEIN: LET ME HELP YOU THERE. DR.

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PIZZO HAS SUGGESTED I APPOINT A TEAM FROM THE BOARD THAT WILL WORK WITH THE STAFF THAT CAN BRING BACK A REPORT AT THE MAY MEETING. THEY'LL ADDRESS THESE SUBJECTS, AND I THINK IT WOULD ACCOMPLISH YOUR GOAL.

MS. LANSING: YES. WE ACTUALLY HAVE -- WHAT SEEMS TO BE THE CONCERN IS THAT WE'RE GOING TO LOSE THE MOMENTUM THAT YOU NEED, AND I REALLY RESPECT THAT. AND THE OTHER CONCERN IS, BUT WE'LL NEVER READDRESS IT. SO I'D LIKE TO CONTINUE THE MOMENTUM BY APPROVING THIS, AND I'D LIKE TO BE SURE THAT WE READDRESS IT AND ACTUALLY HAVE A DATE AT WHICH WE WILL READDRESS IT.

DR. AZZIZ: BUT IT WILL NOT AFFECT THIS RFA; IS THAT CORRECT? SO THIS RFA WILL GO WITH THE LIMITATIONS THAT IT CURRENTLY HAS?

MS. LANSING: YES. BUT WE WILL OBSERVE IT AND WE WILL HAVE THE THING.

MR. SERRANO-SEWELL: SO FAR AS THE MOTION HAS BEEN STATED, AS A POINT OF ORDER, CHAIRMAN KLEIN, THERE HAS BEEN ONE EFFORT TO DO A FRIENDLY AMENDMENT THAT THE MAKER OF THE MOTION DID NOT ACCEPT. BUT I WONDER IF, DR. HENDERSON, YOU MIGHT -- BECAUSE THAT SEEMS TO BE A CRUCIAL ISSUE OVER HERE. I RESPECT, I ABSOLUTELY RESPECT IT. IF IT'S A DEAL BREAKER ON THE CAPS ON THE APPLICATIONS, LET'S SPEND JUST ONE MORE MINUTE WITH DR. HENDERSON AND STAFF. SHOULD WE JUST SAY FOUR AND FOUR?

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CHAIRMAN KLEIN: WE HAVE A MOTION PENDING. WE HAVE DISCUSSION. DR. PIZZO, IF WE COULD HAVE A VERY SHORT COMMENT.

DR. PIZZO: SHORT. I THINK THAT THE ISSUE OF CAPS IS SOMETHING WE SHOULD BE DISCUSSING BROADLY, NOT SPECIFICALLY. I'D LIKE THAT GROUP THAT I SUGGESTED TO YOU TO LOOK AT THAT. I'M WILLING TO GO FORWARD WITH THIS RIGHT NOW AS A TEST.

THE SECOND THING IS, TO SHERRY'S COMMENT, WHEN I TALKED ABOUT A PORTFOLIO ANALYSIS THAT LOOKED AT THE BALANCE OF OUR INVESTMENTS, IT WAS SPECIFICALLY ADDRESSING THAT CONCERN SO THAT WE WOULDN'T LET THINGS SLIDE AND WE WOULD LOOK AT OVER THE COURSE OF A YEAR OUR BALANCE OF INVESTMENTS IN DIFFERENT AREAS OF RESEARCH.

CHAIRMAN KLEIN: JEFF SHEEHY AND MARCY FEIT, AND THEN I'M GOING TO CLOSE THE DISCUSSION, IF I CAN.

MR. SHEEHY: I JUST WANT TO MAKE ONE POINT. WHEN WE WERE DOING THE PRESIDENTIAL SEARCH, WE WERE ABLE, ON RELATIVELY SHORT NOTICE, TO HAVE TELEPHONIC BOARD MEETINGS THAT WERE SUCCESSFUL. WE HAVE ONE ISSUE TO DEAL WITH WITH THIS RFA. THIS RFA, THIS CONCEPT IS FATALLY FLAWED. I DON'T KNOW WHY WE CAN'T TAKE A WEEK, A FEW DAYS FOR SOME OF THE CONCERNS OF THE BOARD TO BE ADDRESSED, BRING BACK SOMETHING THAT WE CAN ALL LOOK AT, TALK ABOUT OVER THE PHONE IN A PUBLIC MEETING LIKE WE DID



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FOR THE PRESIDENTIAL SEARCH BECAUSE EVERYBODY SAYS A WEEK IS NOT GOING TO DELAY OUR PROGRAM. FORTY-FIVE DAYS, I THINK, IS A REASON, BUT I DON'T THINK WE OUGHT TO BE DRIVEN BY THAT NEED.

THE OTHER POINT I WOULD MAKE IS IN ANY CIRCUMSTANCE I WILL NOT SUPPORT THE DISCRIMINATION BETWEEN NONPROFIT, NOT-FOR-PROFIT, AND FOR-PROFITS. I DO THINK THAT MR. SIMPSON HAS A POINT IN THAT IT DOES NOT LOOK GOOD AS A BOARD TO MAKE THAT DISTINCTION. AND I THINK AT A MINIMUM THAT SHOULD BE PART OF THIS AMENDMENT.

DR. HENDERSON: ACCEPTED. SO I WOULD LIKE TO AMEND MY MOTION AND SUGGEST THAT WE SAY UP TO FOUR APPLICATIONS, PERIOD.

CHAIRMAN KLEIN: OKAY. DOES THE SECOND ACCEPT THE AMENDMENT?

DR. PRICE: YES, I DO.

CHAIRMAN KLEIN: SECOND ACCEPTS THE AMENDMENT. WE HAVE HAD VERY VIBRANT DISCUSSION. I'D LIKE TO GET MARCY.

MS. FEIT: THIS LAST AMENDMENT KIND OF HELPED ME A LITTLE BIT ON THIS SUBJECT. I REALLY THINK IT'S IMPORTANT THAT WE NOT MOVE AHEAD IF THERE ISN'T A GENERAL COMFORT LEVEL ON THIS BOARD ABOUT WHAT WE'RE DOING TODAY. IF WE HAVE TO HAVE A BOARD MEETING IN TWO WEEKS, SO BE IT. BUT I WOULD CAUTION US TO MOVE AHEAD BECAUSE WE

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DON'T WANT TO LOSE MOMENTUM, AND WE DON'T. WE WANT TO SUPPORT THE STAFF AND WHERE WE'RE GOING. BUT I REALLY THINK AT THIS POINT THERE ARE SO MANY ISSUES I'VE JUST HEARD, THAT WE NEED TO HAVE A CLEAR STATEMENT OF WHAT THE ISSUES ARE AT HAND RIGHT NOW AND BEFORE WE GO FORWARD. BECAUSE I THINK THEY'RE ALL IMPORTANT, ALL OF THEM. WHETHER WE ALL AGREE OR NOT, THEY'RE IMPORTANT.

CHAIRMAN KLEIN: SO, MARCY, I THINK THAT THE TEAM THAT DR. PIZZO SUGGESTED IS GOING TO DEFINITELY LOOK AT FULL-TIME AND PART-TIME FACULTY. FOR ME THAT'S VERY IMPORTANT. I THINK WE HAVE TO AMEND THIS PROVISION TO ALLOW PART-TIME FACULTY WITH PREDICTABLE AND UNDERSTANDABLE ACCOUNTABILITY OF THAT DETERMINATION AND DEFINITION.

THE OTHER PRINCIPAL ISSUE WE HAVE IS HOW TO ACCOMMODATE THE VOLUME AS REQUIRED TO HAVE FULL PARTICIPATION OF THE PRIVATE SECTOR WITH THE PUBLIC AND NONPROFIT SECTOR IN THE COMPETITION FOR APPLICATIONS. AND WE'VE CERTAINLY ALREADY ADDRESSED HAVING PROGENITOR CELLS INCLUDED SO THAT WE HAVE A FULL RANGE OF THE OPPORTUNITY FOR DEVELOPING TOOLS.

NOW, THERE ARE OTHER ISSUES THAT ARE SUBORDINATE TO THOSE THAT HAVE COME UP TODAY THAT WE'LL ALSO CAPTURE FROM THE TRANSCRIPT, BUT WE WILL MAKE CERTAIN TO ADDRESS THEM.

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I WANT TO, IF I CAN, MARCY, SEE WHAT KIND OF A VOTE WE HAVE HERE. IF WE HAVE A DEEPLY DIVIDED VOTE, I'M GOING TO DEFINITELY IMMEDIATELY LOOK AT THE ISSUE OF A TELEPHONIC BOARD MEETING EVEN IF WE DO PASS THIS. IF WE DON'T, PERHAPS WE'LL TRY AND MAKE SURE WE CHANGE THESE WITH GOOD POLICY DISCUSSIONS IN THE INTERIM BEFORE THE NEXT MEETING.

COULD WE DO A ROLL CALL VOTE, PLEASE.

MS. PACHTER: MR. CHAIR, IF YOU WOULD ALLOW ME TO RESTATE THE MOTION FOR THE RECORD.

CHAIRMAN KLEIN: YES.

MS. PACHTER: THE MOTION IS TO APPROVE THE CONCEPT PLAN FOR TOOLS AND TECHNOLOGY, RFA NO. 0802 AS PRESENTED TO THE BOARD EXCEPT THAT PROGENITOR CELLS SHALL BE INCLUDED AMONG THE APPLICATIONS THAT WILL BE GIVEN A PREFERENCE, AND UP TO FOUR APPLICATIONS WILL BE ALLOWED FOR EACH APPLICANT INSTITUTION REGARDLESS OF FOR-PROFIT OR NONPROFIT STATUS.

CHAIRMAN KLEIN: THANK YOU.

MS. KING: FOR THE RECORD, JOAN SAMUELSON HAS JOINED THE MEETING.

CHAIRMAN KLEIN: THANK YOU, JOAN. ROLL CALL, PLEASE.

MS. KING: RICARDO AZZIZ.

DR. AZZIZ: I'M SORRY. I CAN'T SUPPORT THIS.

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MS. KING: ROBERT PRICE.

DR. PRICE: YES.

MS. KING: FLOYD BLOOM.

DR. BLOOM: YES.

MS. KING: DAVID BRENNER.

DR. BRENNER: YES.

MS. KING: SUSAN BRYANT.

DR. BRYANT: YES.

MS. KING: MARCY FEIT.

MS. FEIT: YES.

MS. KING: LEEZA GIBBONS.

MS. GIBBONS: YES.

MS. KING: SAM HAWGOOD.

DR. HAWGOOD: YES.

MS. KING: BRIAN HENDERSON.

DR. HENDERSON: YES.

MS. KING: BOB KLEIN.

CHAIRMAN KLEIN: YES.

MS. KING: SHERRY LANSING.

MS. LANSING: YES.

MS. KING: TED LOVE.

DR. LOVE: YES.

MS. KING: ED PENHOET.

DR. PENHOET: YES.

MS. KING: PHIL PIZZO.

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DR. PIZZO: YES.

MS. KING: CLAIRE POMEROY.

DR. POMEROY: YES.

MS. KING: FRANCISCO PRIETO.

DR. PRIETO: YES.

MS. KING: DUANE ROTH.

MR. ROTH: NO.

MS. KING: JOAN SAMUELSON.

MS. SAMUELSON: I THINK PRESENT FOR THE MOMENT.

MS. KING: DAVID SERRANO-SEWELL.

MR. SERRANO-SEWELL: YES.

MS. KING: JEFF SHEEHY.

MR. SHEEHY: NO.

MS. KING: JANET WRIGHT.

DR. WRIGHT: NO.

CHAIRMAN KLEIN: OKAY. MOTION CARRIES. AND WE WILL HAVE A REALLY FOCUSED FOLLOW-UP ON THESE ISSUES.

LET ME GO TO THE NEXT ITEM, ITEM 9. IN THE INTEREST OF TIME, THE BIOS ARE UNDER TAB 9. I THINK THE BIOS ARE PUBLICLY AVAILABLE. I'D LIKE TO KNOW, DR. SAMBRANO, IF WE CAN JUST ASK THE BOARD IF THEY'RE PREPARED TO VOTE WITHOUT AN ORAL DESCRIPTION GIVEN THAT THE BIOS HAVE BEEN VETTED BY STAFF, ARE AVAILABLE TO THE PUBLIC, ARE AVAILABLE TO THE BOARD. IF THAT'S ACCEPTABLE TO THE BOARD, I'D ASK ARE THERE PUBLIC COMMENTS ON THE

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ADDITIONAL MEMBERS? SEEING NO PUBLIC COMMENT, I'D LIKE TO CALL THE QUESTION WITH A MOTION IF SOMEONE WOULD MAKE IT.

DR. PRIETO: SO MOVED.

DR. BLOOM: SECOND.

CHAIRMAN KLEIN: THE QUESTION IS BEFORE US.  
AGAIN, BOARD COMMENT?

DR. LOVE: I DO HAVE ONE QUESTION ACTUALLY. I WANT TO GET AT HOW DO WE COME UP WITH NAMES? AND I REALLY WANT TO COME AT IT FROM THE PERSPECTIVE OF WE TALK ABOUT MAKING SURE THAT WE THINK ABOUT DIVERSITY IN HOW WE DO THINGS. AND OBVIOUSLY I THINK WE NEED TO THINK ABOUT DIVERSITY AS WELL IN TERMS OF HOW WE COMPOSE THINGS. IF WE DON'T GET IT EARLY, SINCE THE PROCESS KIND OF FEEDS ITSELF AS PEOPLE NOMINATE PEOPLE THEY KNOW, WE MAY LOSE THAT. SO MY QUESTION IS FUNDAMENTAL. HOW DO WE COME UP WITH THESE ADDITIONAL NAMES, AND HOW DO WE THINK ABOUT DIVERSITY?

DR. SAMBRANO: BOTH ARE VERY IMPORTANT POINTS. IN TERMS OF HOW WE GET NAMES, WE LARGELY GET THEM BASED ON RECOMMENDATIONS FROM EXISTING GRANTS WORKING GROUP MEMBERS AND WHO WE RECOGNIZE AS BEING EXPERTS IN THE AREAS THAT WE NEED EXPERTISE. SO AS WE ARE MOVING, FOR EXAMPLE, TOWARDS MORE TRANSLATIONAL AND CLINICAL, WE ARE LOOKING FOR RECOMMENDATIONS BASED ON THAT. WE ALSO LOOK

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TO YOU, THE BOARD, FOR ANY RECOMMENDATIONS THAT YOU MIGHT HAVE ON BOTH ASPECTS IN TERMS OF THOSE WHO ARE CRITICAL EXPERTS AND THOSE WHO MAY CONTRIBUTE TO THE DIVERSITY OF THE GRANTS WORKING GROUP AS A WHOLE.

CHAIRMAN KLEIN: LET ME SAY IT'S PUBLIC KNOWLEDGE THAT WE HAVE A BOARD SUBCOMMITTEE WHERE BOARD MEMBERS HELPED RECRUIT AND IDENTIFIED SOME 800 POTENTIAL PEOPLE FOR THIS PEER REVIEW INITIALLY. IN MANY CASES WE'RE DRAWING FROM PEOPLE ON THAT LIST STILL TODAY; BUT WITH THE ADVANTAGE OF ADDITIONAL PROPOSALS BY PEER GROUP MEMBERS, WE MAY HAVE TO RECONVENE THAT GROUP TO GET THE BOARD TO HELP US RECRUIT MORE PEER REVIEWERS.

AND I WILL ASK DR. TROUNSON AND DR. OLSON AND DR. SAMBRANO AFTER THIS MEETING ABOUT THAT POTENTIAL. DR. PRIETO, YOU HAD A QUESTION.

DR. PRIETO: I GUESS FOR GIL. DO WE OR PERHAPS SHOULD WE ALSO BE DOING OUTREACH, FOR EXAMPLE, TO PROFESSIONAL SOCIETIES IN ORDER TO EXPAND THE POOL?

DR. SAMBRANO: I THINK WE CAN DO THAT. I WANTED ALSO TO POINT OUT THAT, FOR EXAMPLE, WITH THESE TWO INDIVIDUALS, THEY HAVE HELPED US IN THE PAST AS SPECIALISTS. SO SPECIALISTS ARE REVIEWERS THAT WE CALL UPON TO PARTICIPATE IN THE MEETING AND REVIEW TWO OR THREE APPLICATIONS AND PARTICIPATE BY PHONE. BUT FOR US IT'S ALSO A SCREENING PROCESS. IT ALLOWS US TO DETERMINE

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HOW WELL THEY DO IN THE REVIEW, THEIR LEVEL OF INTEREST, AND ALSO GET AN IDEA OF WHAT THEIR EXPERTISE IS LIKE. SO HAVING PEOPLE THAT WE CAN RECRUIT FOR SPECIALISTS GIVES US AN IDEA OF HOW WELL THEY WILL DO AS ACTUALLY GRANTS WORKING GROUP MEMBERS AS WELL.

CHAIRMAN KLEIN: WE HAVE COMMENT FROM DR. LOVE AND DR. POMEROY.

DR. LOVE: THE ONLY EXTRA POINT, I'M SURE THESE ARE GREAT CANDIDATES. THEY HAVE WONDERFUL BIOS. I'M CERTAINLY A HUNDRED PERCENT SUPPORTIVE. I DO WANT TO JUST ASK AND MAYBE MAKE THE POINT THAT I THINK IN THE FUTURE, GIL, WHEN WE HAVE ADDITIONS, IT WOULD BE APPROPRIATE FOR THE BOARD TO LOOK AT HOW ARE WE DOING ON DIVERSITY SO IT PUTS SOME PERSPECTIVE. WE MAY BE DOING WELL; WE MAY BE DOING POORLY, BUT I THINK IT'S AT LEAST IMPORTANT FOR US TO LOOK AT THE ISSUE AND BE CLEAR ON HOW WE'RE DOING ON THAT SINCE IT IS ONE OF OUR STATED MISSIONS.

CHAIRMAN KLEIN: DR. LOVE, WE HAD AN OUTREACH, AS YOU KNOW, AT OUR ORIGINAL BOARD RECRUITMENT EFFORT FOR PEER REVIEW MEMBERS. I'M GOING TO TALK TO DR. TROUNSON AND DR. OLSON AND DR. SAMBRANO AFTER THIS TO LOOK AT THE NEED TO DO THAT BECAUSE WE'RE GOING TO HAVE TO HAVE A WHOLE DIFFERENT LEVEL OF RECRUITMENT TO SPEED UP THIS CALENDAR. THAT'S GOING TO BE AN IMPORTANT ISSUE.



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DR. POMEROY: I WANT TO REEMPHASIZE THE POINT THAT TED HAS JUST MADE. AND I WOULD LIKE TO ACTUALLY EXPRESS SOME DISAPPOINTMENT BECAUSE AT A PREVIOUS MEETING I ASKED TO HAVE THE STATISTICS ON DIVERSITY OF THE WORKING GROUPS PRESENTED TO US. AND THAT ITEM HAS NOT BEEN BROUGHT BACK TO US. SO IT IS OF CONCERN TO ME THAT WE ARE BEING ASKED TO APPROVE ADDITIONAL PEOPLE WITHOUT THE ISSUE THAT WE SPECIFICALLY ASKED, OR I SPECIFICALLY ASKED FOR DATA ON AND DIDN'T RECEIVE. BUT THESE TWO PEOPLE, I AGREE, LOOK FANTASTIC, AND I AM IN SUPPORT OF THEM.

CHAIRMAN KLEIN: OKAY. CAN I -- I THINK WE'RE GOING TO HAVE AN OPPORTUNITY TO DO THIS IN GREATER DEPTH AS WE REPORT BACK. I'D LIKE TO CALL THE QUESTION HERE. ALL IN FAVOR? OPPOSED.

ITEM NO. 10. AND THANK YOU VERY MUCH, DR. SAMBRANO.

THE DELEGATION TO THE PRESIDENT TO AUTHORIZE REIMBURSEMENT OF ACTUAL RELOCATION EXPENSES. THESE ARE ACTUAL RELOCATION EXPENSES WITHIN THE LIMITATIONS OF STATE LAW, WITHIN THE RESTRICTIONS SET BY THE DEPARTMENT OF FINANCE. IF I COULD ASK HERE ON THIS ITEM, TAMAR, COULD YOU PLEASE JUST QUICKLY SUMMARIZE THOSE LIMITATIONS?

MS. PACHTER: YES. I JUST HAVE THREE SLIDES.

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THE CALIFORNIA CODE OF REGULATIONS GOVERNS WHEN STATE AGENCIES CAN APPROVE ACTUAL MOVING AND RELOCATION EXPENSES FOR EXISTING AND NEW EMPLOYEES. AND IT PLACES LIMITATIONS ON WHAT CAN BE REIMBURSED AND THE AMOUNTS THAT CAN BE REIMBURSED.

THE ONLY THING THIS RESOLUTION DOES IS TO DELEGATE THE AUTHORITY TO APPROVE THAT FROM THE BOARD TO THE PRESIDENT SO THAT THE PRESIDENT DOESN'T HAVE TO COME TO THE BOARD EVERY TIME THERE'S A HIRE FROM OUT OF STATE IN ORDER TO GET THOSE APPROVED. THIS IS DIFFERENT FROM THE RELOCATION ALLOWANCE THAT THE BOARD PREVIOUSLY APPROVED.

SO THESE ARE JUST THE ACTUAL EXPENSES OF MOVING YOUR HOUSEHOLD GOODS, IN ALAN'S CASE FROM AUSTRALIA TO SAN FRANCISCO. AND THESE ARE NOT TAXED. THESE ARE REIMBURSEMENTS THAT ARE EXPENSES THAT ARE NOT TAXED.

CHAIRMAN KLEIN: AND THIS DELEGATION DOES NOT COVER ALAN'S MOVE. IT'S SUBORDINATE STAFF.

MS. PACHTER: THAT'S RIGHT. THIS IS ONLY SUBORDINATE STAFF. IT ONLY APPLIES TO NEW STATE EMPLOYEES LIVING MORE THAN 75 MILES FROM CIRM. THESE MUST BE APPROVED IN ADVANCE BY THE PRESIDENT, IF YOU SO DELEGATE. IT'S NOT TO EXCEED \$1,000 AT MINIMUM RATES ESTABLISHED BY THE CPOC, AND IT REQUIRES DEPARTMENT OF FINANCE APPROVAL IN EXCESS OF THAT \$1,000. SO THIS IS A

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FAIRLY LIMITED DELEGATION OF AUTHORITY FROM THE BOARD.

DR. POMEROY: MOVE APPROVAL.

CHAIRMAN KLEIN: MOVE APPROVAL BY DR. POMEROY.

IS THERE A SECOND?

DR. PRIETO: SECOND.

CHAIRMAN KLEIN: I THINK, DR. LOVE, YOU HAVE A COMMENT?

DR. LOVE: NO. I WAS GOING TO MAKE THE MOTION.

CHAIRMAN KLEIN: ADDITIONAL DISCUSSION FROM THE BOARD? ADDITIONAL DISCUSSION FROM THE PUBLIC?

MS. PACHTER: JUST TO RESTATE FOR THE RECORD, THIS IS TO APPROVE RESOLUTION 2008-01.

MR. SIMPSON: JOHN SIMPSON, FOUNDATION FOR TAXPAYER AND CONSUMER RIGHTS. WHAT YOU'RE DOING IS ESSENTIALLY BRINGING YOURSELVES INTO CONFORMITY WITH STATE PROCEDURES. AND THAT'S WHAT YOU SHOULD BE DOING SINCE YOU'RE A STATE AGENCY, SO THIS MAKES PERFECT SENSE.

CHAIRMAN KLEIN: ALL RIGHT. ALL IN FAVOR? OPPOSED?

MOVE TO ITEM 11, INTELLECTUAL PROPERTY ITEM AND POLICY AMENDMENTS. SCOTT TOCHER AND DR. PENHOET, I THINK, ARE GOING TO JOINTLY ADDRESS THIS. WE'RE LOOKING AT TAB 11. SCOTT TOCHER.

MR. TOCHER: MEMBERS OF THE BOARD, THIS IS NOT ACTUALLY A REQUEST TO AMEND AT THIS MEETING THE

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REGULATIONS. THIS IS JUST A REQUEST FOR APPROVAL TO INITIATE THE PROCESS UNDER THE OFFICE OF ADMINISTRATIVE LAW TO RECEIVE FEEDBACK ON CERTAIN PROPOSED CHANGES.

THE PROPOSED CHANGES TO THE NONPROFIT INTELLECTUAL PROPERTY REGULATIONS, THOSE STARTING WITH 103, THOSE ARE JUST SORT OF HOUSEKEEPING AMENDMENTS TO BRING THEM INTO UNIFORMITY WITH THE IDENTICAL OR SIMILAR PROVISIONS THAT WERE JUST APPROVED BY OAL IN THE FOR-PROFIT CONTEXT.

WITH RESPECT TO THE AMENDMENTS MADE IN THE FOR-PROFIT, WHICH IS REGULATION 100407, THOSE CHANGES ARE PROPOSED BY THE -- INSPIRED BY LEGISLATIVE PROPOSALS THAT WE WOULD LIKE TO SEND OUT TO THE PUBLIC TO GET FEEDBACK ON. ALL OF THESE CHANGES WOULD VET THROUGH THE NORMAL PUBLIC INPUT PROCESS AND BE BROUGHT BACK TO THE BOARD BEFORE ANY FINAL AMENDMENT DECISIONS WOULD BE MADE. SO, AGAIN, THIS IS APPROVAL JUST TO SEEK PUBLIC INPUT ON THESE CHANGES AS PROPOSED, AND THEY WOULD BE BROUGHT BACK TO THE BOARD.

CHAIRMAN KLEIN: AND I BELIEVE THAT THESE ARE IN COOPERATION WITH THE LEGISLATURE AND THEIR COMMENTS; IS THAT CORRECT?

MR. TOCHER: THAT'S CORRECT.

CHAIRMAN KLEIN: ALL RIGHT. SO DISCUSSION. DR. PENHOET, WOULD YOU LIKE TO MAKE ANY STATEMENTS ABOUT THIS

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ITEM, OR WOULD YOU LIKE TO MAKE A MOTION, WHICH WE WILL CONTINUE DEBATE ON?

DR. PENHOET: WELL, I'LL MOVE WE APPROVE THE PROCESS THAT SCOTT JUST OUTLINED FOR US, WHICH WILL BE TO PROPOSE MODIFYING THE REGULATIONS IN THE NOT-FOR-PROFIT TO MAKE THEM CONSISTENT WITH WHAT WE ENDED UP WITH IN THE FOR-PROFIT. AND THEN TO ADD SOME ADDITIONAL LANGUAGE THAT GREW OUT OF CONVERSATIONS WITH A NUMBER OF LEGISLATORS.

CHAIRMAN KLEIN: ALL RIGHT. AND IS THERE A SECOND TO THE MOTION?

MS. GIBBONS: SECOND.

CHAIRMAN KLEIN: DISCUSSION ON THIS MOTION?

MR. ROTH: I HAVE A COUPLE THINGS I WANT TO COMMENT ON. FIRST, ON THE 300, THE NOT-FOR-PROFIT, SCOTT. ONE OF THE THINGS THAT WE SHOULD CONFORM THAT I DON'T SEE HERE IS THE PUBLICATION-RELATED BIOMATERIALS TO INCLUDE THE LANGUAGE THAT WE PUT IN THE FOR-PROFIT. IN OTHER WORDS, THE INSTITUTION WHO'S PROVIDING THESE MATERIALS AT NO CHARGE OR AT COST IS RELIEVED OF THAT OBLIGATION ONCE THE PRODUCT BECOMES COMMERCIALY AVAILBLE. THERE'S THREE OR FOUR HEADINGS. THAT NEEDS AND SHOULD CONFORM TO THIS IN THE NOT-FOR-PROFIT.

MR. TOCHER: CERTAINLY. YOU'RE REFERRING TO REGULATION 100404, I BELIEVE.

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MR. ROTH: IT NEEDS TO GO INTO --

MR. TOCHER: YES. WE COULD CERTAINLY MAKE THAT PART OF THE PUBLIC COMMENT PROCESS AS WELL AND BRING THAT BACK.

MR. ROTH: BECAUSE WE LEFT IT OPEN THERE, AND THEORETICALLY A PRODUCT COULD BE BROADLY COMMERCIALY AVAILABLE, AND AN INSTITUTION HAS TO CONTINUE TO PROVIDE IT AT NO CHARGE OR AT COST, AND THAT WOULD BE OVERLY BURDENSOME.

SECOND, THE OTHER QUALIFICATIONS THAT GO IN THERE SHOULD PROBABLY BE INCLUDED. IN TERMS OF THE REQUEST FOR THESE ADDITIONS, THE POINT I WOULD LIKE TO MAKE TO THOSE THAT AREN'T AS CLOSE TO THIS, AS THE COMMITTEE WAS WORKING ON IT, EACH OF THESE THINGS WERE EXTREMELY WELL THOUGHT OUT AND BALANCED BETWEEN CONCERNS OF THE INDUSTRY NOT TO BUY INTO SOMETHING THAT WAS UNCERTAIN IN THE FUTURE. THE MORE CERTAINTY WE CAN GIVE THEM OF WHAT THEY WERE REQUIRED TO DO THE BETTER. AND SO THINGS LIKE HAVING A PATIENT ACCESS PROGRAM AT THE TIME OF COMMERCIALIZATION, THIS NOW SAYS PRIOR. PRIOR HAD ALL KINDS OF ISSUES. PRIOR MEANING WHEN EXACTLY?

THE SECOND ONE IS PUBLIC HEARINGS. PUBLIC HEARINGS ON THESE PATIENT ACCESS PROGRAMS ARE REALLY GOING TO BE DIFFICULT, AND I THINK COMPANIES WILL ABSOLUTELY NOT AGREE TO THAT WHEN THEY SEE THIS CHANGE

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BECAUSE THEY DON'T WANT TO STAND UP IN FRONT OF THEIR COMPETITORS AND EVERYBODY ELSE AND TELL THEM WHAT THEY'RE SPECIFICALLY BUDGETING FOR THESE PATIENT ACCESS PROGRAMS. THERE'S MANY, MANY OTHER CONFIDENTIAL THINGS THAT WOULD BE THERE, AND I JUST THINK THEY WILL NOT STAND FOR THAT. THEY'LL STAND FOR SHOWING IT TO CIRM, HAVING A DISCUSSION WITH PEOPLE INTERNALLY.

AND THEN THE LAST ONE IS THIS BUSINESS OF ABIDING BY CALIFORNIA RX OR WHATEVER THE LAW IS AT THE POINT IN TIME THAT THEY AGREE TO, I THINK, IS FINE. BUT THE HOOK OF PUTTING IN OR IF IT SHOULD BE OVERTURNED FOR ANY REASON, THAT YOU HAVE TO ABIDE BY THE LAST AVAILABLE PRICE UNDER THAT IS ALSO VERY TROUBLING. YOU WOULD ASSUME, IF IT'S OVERTURNED, IT'S FOR A REASON, AND A GOOD REASON, THAT THE LEGISLATORS WOULD SAY CALRX IS NO LONGER OPERABLE. AND TO HAVE SOMEBODY THEN STILL BOUND FOREVERMORE BY THE LAST PRICE IS JUST NOT GOING TO BE WORKABLE. THOSE WOULD BE MY COMMENTS.

CHAIRMAN KLEIN: JUST TO CLARIFY, THIS IS GOING TO GO THROUGH A COMMENT PERIOD. MY UNDERSTANDING, DR. PENHOET AND SCOTT TOCHER, THAT WE ESSENTIALLY, IN ORDER TO START THAT COMMENT PERIOD, WOULD NEED TO ADOPT WHAT'S BEFORE US, TAKE THESE COMMENTS THAT DUANE ROTH MADE INTO CONSIDERATION DURING THE COMMENT PERIOD, AND THEN WE WOULD BRING THEM BACK HERE AT THE TIME OF THE FINAL

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ADOPTION. IT IS IMPORTANT TO NOTE THAT THE PUBLIC MEETING ON BEHALF OF THE ACCESS PLANS OR PUBLIC MEETING TO REVIEW THE ACCESS PLANS IS SOMETHING THAT WAS ADOPTED AT THE MEETING AT UCLA AT THE REQUEST OF THE LEGISLATURE. SO WE'RE GOING TO HAVE DISCUSSION ON THAT ITEM WHEN WE BRING IT BACK, BUT WE HAVE PREVIOUSLY ADOPTED THAT ITEM.

DR. PENHOET, WOULD YOU LIKE TO HAVE ANY FURTHER COMMENT AT THIS TIME?

DR. PENHOET: NO. I THINK WE'LL HAVE A ROBUST PROCESS OF SETTING UP SOME MORE MEETINGS AND GETTING PUBLIC COMMENT ON THESE. I THINK, DUANE, THERE MAY BE SOME CLARIFICATION. I THINK THE BENCHMARK PRICE WAS NOT MEANT TO TAG A SPECIFIC PRICE, BUT TO USE THE SAME BENCHMARKS THAT WERE IN PLACE FOR THE CALRX PRICES. SO WE PROBABLY NEED TO CLARIFY THAT LANGUAGE AS WE GO FORWARD. IT WASN'T A SPECIFIC PRICE, BUT IT'S THE BENCHMARK THAT DETERMINED THE PRICE.

CHAIRMAN KLEIN: WE HAVE BOTH JOAN SAMUELSON AND JEFF SHEEHY.

MS. SAMUELSON: BOB, DO YOU THINK IN APPROVING THIS WITH THE HEARING REQUIREMENT, WE'RE NOT MAKING IT SIGNIFICANTLY MORE DIFFICULT TO CHANGE THAT PROVISION IF WE SEE FIT?

CHAIRMAN KLEIN: WE PREVIOUSLY APPROVED THAT PROVISION AT A PRIOR MEETING. SO WHAT WE HAVE IN HERE IS



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WHAT WE PREVIOUSLY APPROVED. AND SO WE'RE GOING TO GO THROUGH A COMMENT PERIOD. DUANE'S COMMENTS ARE VERY IMPORTANT. THERE ARE OTHER COMMENTS WE'LL RECEIVE DURING THAT PROCESS, BUT IT COMES BACK TO US BEFORE IT'S FINAL.

MR. ROTH: WAS THAT APPROVED? DID WE APPROVE THIS NEW LANGUAGE ON PUBLIC HEARING?

MR. TOCHER: THE PROVISION THAT WAS APPROVED PREVIOUSLY BY THE BOARD WAS IN DECEMBER. THAT WAS RELATING TO THE PERPETUITY OF THE BENCHMARKS IN THE EVENT OF THE CALRX COMING OFF THE BOOKS.

WITH REGARD, I'M SORRY --

CHAIRMAN KLEIN: I THINK HE'S CORRECT. DUANE IS CORRECT. THERE'S TWO DIFFERENT ISSUES, AND WE NEED TO DECOUPLE THEM. ONE OF THESE WAS APPROVED IN DECEMBER. ONE OF THESE CAME OUT OF A DISCUSSION WITH SENATOR KUEHL THAT CAME BACK TO DR. PENHOET IN A DISCUSSION WHERE THERE WAS A MEETING OF THE MINDS WITH THE LEGISLATIVE SPONSOR. BUT THAT PORTION ACTUALLY, TO BE CORRECT, WAS NOT IN THAT PRIOR MOTION, BUT IT WAS -- SO IT WAS APPROVED IN A LATER DISCUSSION WITH THE COMMITTEE CHAIR.

MS. SAMUELSON: I'D JUST LIKE TO EXPRESS THE CONCERN THAT THE PATIENT ACCESS ISSUE IS AN IMPORTANT ONE, AND THE LEGISLATURE HAS OFTEN EXPRESSED THAT AS A HIGH PRIORITY OF ITS OR MANY MEMBERS. ON THE OTHER HAND, IF INDUSTRY DOES NOT HAVE ENOUGH INCENTIVES, FINANCIAL

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INCENTIVES, TO DEVELOP A PRODUCT, THERE'S NOT GOING TO BE ANYTHING TO GET ACCESS TO.

CHAIRMAN KLEIN: I THINK IT'S VERY CLEAR THAT, AS A MATTER OF GOOD FAITH, WE'RE GOING FORWARD WITH THE LANGUAGE WE PREVIOUSLY DISCUSSED WITH THE LEGISLATURE, BUT IT IS A COMMENT PERIOD. AND WE WILL TAKE IN ALL COMMENTS, INCLUDING OUR LEADERSHIP COMMENTS FROM DUANE.

DR. PENHOET: I THINK THE UNDERSTANDING AT LEAST I HAD IN OUR CONVERSATIONS WITH THE LEGISLATURE WAS WE WOULD MAKE A GOOD-FAITH EFFORT TO DISCUSS THESE IN PUBLIC TO REACH A REASONED CONCLUSION ON THE BASIS OF THOSE DISCUSSIONS AND MOVE FORWARD, NOT THAT WE HAVE COMMITTED TO ANYONE THAT WE WILL ACTUALLY PASS THIS AS IT'S CURRENTLY WRITTEN.

MR. SHEEHY: I GUESS JUST TWO POINTS. I DO THINK THAT WHEN WE COME BACK, WE NEED TO REALLY -- I UNDERSTAND WE DON'T WANT TO DEAL WITH THESE RIGHT NOW. WE REALLY NEED TO ADDRESS THESE KIND OF DE NOVO. DUANE IS RIGHT. THESE ARE NEW. I KNOW WE'VE GOT TO START THE COMMENT PROCESS, SO THIS IS HELPFUL JUST TO MOVE STUFF FORWARD.

I ALSO AGREE WITH DUANE, THAT THAT PHRASE "PRIOR TO" IS ALARMLINGLY NEBULOUS. AND IF IT HELPS -- CAN WE -- I DIDN'T HAVE THE DISCUSSION WITH THE LEGISLATORS, BUT I WOULD SURE HATE, IF I WERE LOOKING AT THIS, TO HAVE THIS

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VAGUE TIMEFRAME. IF WE GAVE IT A SPECIFIC TIMEFRAME, 90 DAYS BEFORE COMMERCIALIZATION, 180 DAYS BEFORE COMMERCIALIZATION, OR SOME DEGREE OF SPECIFICITY BECAUSE I DO THINK, THIS CAME OUT VERY OFTEN, AS DUANE NOTED, IN OUR PROCESS, THAT THE LACK OF SPECIFICITY IS THE MOST ALARMING PART OF SOME ASPECTS OF THIS.

I'M NOT SURE WHY IT WAS CHANGED. BUT THE FACT THAT IT WAS, THERE IS SOME SENSE THAT SOMETHING PRIOR TO COMMERCIALIZATION NEEDS TO TAKE PLACE. GIVEN HOW LONG IT TAKES TO GET COMMERCIALIZATION, IS THERE NOT SOME REASONABLE TIMEFRAME THAT WE COULD, NOT LESS THAN, PUT IN THAT WOULD GIVE SOME SPECIFICITY, BUT ALLAY WHATEVER CONCERNS THE LEGISLATORS HAD IN WANTING THAT CHANGE?

MR. ROTH: MAYBE I CAN TAKE A SHOT AT THAT. THE PROBLEM WITH THAT IS YOU DO NOT KNOW IF YOU ARE GOING TO GET FDA APPROVAL. IT'S A DROP-DEAD DATE, AND YOU DO NOT ANNOUNCE YOUR PRICING OR YOUR PLANS OR ANYTHING PRIOR TO GETTING THAT FDA APPROVAL. SO IT HAS TO HAPPEN BEFORE YOU ACTUALLY LAUNCH THE DRUG OR SIMULTANEOUS WITH THE LAUNCH. THAT COMES AFTER APPROVAL, AND YOU DON'T KNOW WHAT THAT'S GOING TO BE. AS WE LEARNED TOO OFTEN, IT'S BACK TO ANOTHER CLINICAL TRIAL.

CHAIRMAN KLEIN: I THINK IT'S IMPORTANT TO NOTE THAT I'M NOT AWARE THAT THE LEGISLATURE'S VIEW IS ANY DIFFERENT THAN DUANE'S. REALLY PRIOR MEANING AT

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COMMERCIALIZATION. AND SO WHAT WE'LL NEED TO DO IN THIS COMMENT PERIOD IS REFINE THAT UNDERSTANDING, BUT AT COMMERCIALIZATION IS A DEFINITIVE POINT.

MR. ROTH: SO MY POINT IS WE HAD THIS DISCUSSION OVER AND OVER AGAIN, AND THAT'S WHY IT SAID COMMENSURATE WITH MARKETING THE PRODUCT AS OPPOSED TO -- THE PREVIOUS LANGUAGE AS OPPOSED TO THIS. ALL I'M SAYING IS WE'RE GOING BACK TO REEVALUATE THINGS WE'VE ALREADY HAD A LOT OF DISCUSSION ON, AND I DON'T REALLY UNDERSTAND COMPLETELY WHY WE NEED TO DO THIS EVERY TIME.

CHAIRMAN KLEIN: I DON'T KNOW WHERE THIS WORDING CAME FROM, BUT WE'RE GOING TO HAVE A COMMENT PERIOD WHERE WE CAN GET THE REFINEMENT THAT WE CLEARLY ALL AGREE NEEDS TO BE DONE. ALL RIGHT.

SO WITH THAT DISCUSSION, IS THERE PUBLIC DISCUSSION? SEEING NO PUBLIC DISCUSSION, I'D LIKE TO CALL THE MOTION. ALL IN FAVOR?

MS. PACHTER: CAN I RESTATE THE MOTION TO MAKE SURE I UNDERSTAND IT, DR. PENHOET. THE MOTION IS TO INITIATE THE RULEMAKING PROCESS WITH RESPECT TO THESE AMENDMENTS AS PRESENTED UNDER TAB 11; IS THAT RIGHT? THANK YOU.

MR. ROTH: CAN WE ALSO INCLUDE, SCOTT, THAT CONFIRMATION PIECE IN THAT MOTION, THAT WE --

MR. TOCHER: FOR PUBLICATION-RELATED BIOMEDICAL

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MATERIAL SHARING.

DR. PENHOET: AMENDED TO INCLUDE --

MR. TOCHER: THE REGULATION PERTAINING TO  
PUBLICATION-RELATED BIOMEDICAL MATERIALS.

DR. POMEROY: CAN I JUST ASK A PROCESS QUESTION?  
IF WE HAVE A PUBLIC HEARING, AND IT'S DECIDED THAT THIS  
IS NOT A GOOD WAY TO GO, DO WE THEN HAVE TO HAVE A --  
CHANGE IT AGAIN AND HAVE A WHOLE NOTHER PUBLIC HEARING;  
IS THAT CORRECT?

MR. TOCHER: NO.

DR. PENHOET: NO. WE WILL MAKE A RECOMMENDATION  
BASED ON THE PUBLIC HEARING. THIS BOARD WILL THEN  
APPROVE THAT RECOMMENDATION AND THEN --

DR. POMEROY: EVEN IF IT'S DIFFERENT THAN THE  
CURRENT LANGUAGE?

DR. TOCHER: THE LANGUAGE THAT'S BEING SHOWN AS  
PROPOSED AMENDMENTS, YOU'RE NOT ADOPTING FORMALLY THESE  
CHANGES. SO IF AT THE END OF THE DAY YOU DECIDE NOT TO  
MAKE ANY CHANGES OR DIFFERENT CHANGES, THEN THE STATUS  
QUO REMAINS.

DR. POMEROY: OKAY.

CHAIRMAN KLEIN: ALL RIGHT. SO WE NOW HAVE A  
CLARIFIED MOTION.

MS. PACHTER: IS THAT ACCEPTABLE TO THE SECOND,  
WHICH WAS MS. GIBBONS, THE AMENDMENT TO THE MOTION TO

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INCLUDE AMENDMENTS TO THE REGULATION PERTAINING TO BIOMEDICAL MATERIALS, SHARING OF BIOMEDICAL MATERIALS?

MS. GIBBONS: YES.

CHAIRMAN KLEIN: I'D CALL THE QUESTION. ALL IN FAVOR? OPPOSED? MOTION PASSES.

WE'RE NOT DOING ITEM 12 TODAY. WE'RE GOING TO ITEM 13. AND I WOULD LIKE TO JUST STATE FOR THE RECORD, IT'S MY UNDERSTANDING, WHICH I'D LIKE MR. HARRISON TO CLARIFY, THAT ACTUALLY TAMAR PACHTER IS WORKING ON THIS ITEM, I'D LIKE TAMAR PACHTER TO CLARIFY, THAT THE FORM THAT THE PETITION WAS PUT TO US, IT WAS OUR OPTION TO EITHER ADOPT IT IN THAT FORM OR NOT ADOPT IT, THAT IT WASN'T A SITUATION WHERE WE HAD THE OPPORTUNITY TO HAVE A FULL DISCUSSION, WORK OUT LANGUAGE THAT WAS FUNCTIONAL, AND HAVE SOMETHING BEFORE THIS BOARD THAT WE COULD ADOPT AS AN ALTERNATIVE TO THIS PARTICULAR DEFINITION.

WHAT'S IMPORTANT HERE IS WE HAVE THOUGHTFUL DEFINITIONS BECAUSE IT AFFECTS THE ENTIRE STATE, ENTIRE INDUSTRY, AND THE SCIENTIFIC RESEARCH. AND SO MY UNDERSTANDING OF THE EXECUTIVE COMMITTEE'S POSITION ON THIS THAT BRINGS IT TO THE BOARD IS THAT WE DEFINITELY NEED A DEFINITION ON CALIFORNIA SUPPLIER. IT'S JUST THAT WE WERE GIVEN A PETITION THAT HAD AN EXTREMELY EXACTING DEFINITION THAT THIS BOARD HAD NOT HAD TIME TO CONSIDER. THE STAFF REALLY DIDN'T HAVE TIME TO CONSIDER WITH ITS

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WORKLOAD, AND IT'S INTENDED TO COME BACK TO THE MAY MEETING OR THE JUNE MEETING WITH THE RECOMMENDATIONS FOR A FULL DISCUSSION.

THE MAY MEETING MAY BE PROBLEMATIC BECAUSE THE MAJOR FACILITIES AND THE ACTUAL RECOMMENDATION BY STAFF THINK THAT THEY PROBABLY WILL HAVE IT FOR THE JUNE MEETING. SO THE INTENT IS TO BE RESPONSIVE, TO MAKE SURE THAT WE DO HAVE A GOOD DEFINITION; BUT, IN FACT, NOT TRY AND ACT PRECIPITOUSLY ON WHAT IS A THOUGHTFUL DEFINITION, BUT VERY PARTICULARLY DESIGNED WITHOUT INPUT FROM OUR STAFF OR OUR BOARD.

IS THAT AN APPROPRIATE STATEMENT OF OUR GENERAL DISCUSSION AND INTENT?

MS. PACHTER: IT IS AN APPROPRIATE STATEMENT OF OUR GENERAL DISCUSSION AND INTENT, MR. CHAIR. THE PETITION, TO GIVE THE MEMBERS OF THE BOARD SOME BACKGROUND, HAS ATTRACTED THE INTEREST OF SEVERAL LEGISLATORS WHO HAVE WRITTEN TO CIRM IN FAVOR OF THE PETITION, AS WELL AS TWO TRADE ASSOCIATIONS.

AND THIS INTEREST IS UNDERSTANDABLE GIVEN THAT WE FIND OURSELVES IN AN ECONOMIC DOWNTURN. THE STATE IS FACING DECLINING REVENUES AND ACROSS-THE-BOARD CUTS AFFECTING HEALTH, EDUCATION, AND OTHER BASIC NEEDS, AND STAFF IS SENSITIVE TO THESE REALITIES AND RECOGNIZES THAT IN THIS CONTEXT A PETITION LIKE THIS ONE MAY SEEM TO BE

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AS UNASSAILABLE AS MOTHERHOOD AND APPLE PIE. SO WE NEED TO BE VERY CLEAR ABOUT WHAT'S AT STAKE HERE AND WHAT ISN'T AT STAKE.

MS. SAMUELSON: MAY I SPEAK TO WHAT'S AT STAKE?

CHAIRMAN KLEIN: I DON'T KNOW. TAMAR, ARE YOU THROUGH WITH YOUR PRESENTATION OR YOU HAD MORE TO SAY ON THIS?

MS. PACHTER: IF YOU COULD LET ME GET THROUGH THE BACKGROUND AND CONTEXT. WHAT'S NOT AT STAKE HERE IS WHETHER THE CALIFORNIA ECONOMY WILL BENEFIT FROM PROPOSITION 71. WE KNOW THAT IT DOES AND THAT IT WILL. IT'S A PROMISE OF THE STATUTE ITSELF, WHICH YOU SEE BEFORE YOU IN THE SLIDE. AND IT'S A BENEFIT THAT THE GOVERNOR HAS PUBLICLY RECOGNIZED IN NOTING THE BENEFITS TO THE STATE ECONOMY THAT WILL RESULT FROM THE UPCOMING AWARD OF THE MAJOR FACILITIES GRANTS.

ALSO NOT AT STAKE IS WHETHER THE ICOC SHOULD ADOPT SOME DEFINITION OF CALIFORNIA SUPPLIER, AS THE CHAIR HAS ALREADY DISCUSSED. WHAT IS AT STAKE IS WHETHER THE ICOC SHOULD ADOPT THIS DEFINITION, WHICH IS PROPOSED BY A SINGLE CALIFORNIA SUPPLIER, AND WHETHER IT SHOULD BE ADOPTED ON THE PETITIONER'S SCHEDULE.

STAFF HAS RECOMMENDED A MORE DELIBERATIVE PATH THAN THAT RECOMMENDED BY THE PETITIONER. THIS PATH IS PART OF AN ONGOING STAFF REVIEW OF THE GRANTS



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ADMINISTRATION POLICY, WHICH IS NOW ALMOST THREE YEARS OLD AND IN NEED OF SOME RECONSIDERATION IN VIEW OF THE HISTORY OF GRANT-MAKING ACTIVITY AND OUR ACTUAL EXPERIENCE WITH THE GRANTS ADMINISTRATION POLICY.

THIS PATH WILL HAVE AT ITS CENTER CIRM'S PRIMARY MISSION, WHICH IS TO MAKE SURE THAT OUR GRANTEES HAVE WHAT THAT THEY NEED TO ACHIEVE CURES AND THERAPIES FOR THE TREATMENT OF DISEASE AND INJURY. IT WILL ALSO MAKE RECOMMENDATIONS TO THE ICOC TO ASSURE THAT THE PROMISE OF THE BENEFIT TO THE CALIFORNIA ECONOMY IS MET.

CHAIRMAN KLEIN: UNDER THIS PETITION PROCEDURE, WE ONLY HAD 30 DAYS TO EITHER ACCEPT IT OR DENY THE PETITION; IS THAT CORRECT?

MS. PACHTER: THAT'S RIGHT. SO IF YOU LOOK AT THE SLIDE --

CHAIRMAN KLEIN: SO THE DESIRE WOULD BE ALWAYS TO TRY AND WORK WITH INDIVIDUALS PROPOSING DEFINITIONS, WORK OUT THOUGHTFUL LANGUAGE, AND BRING IT TO THE BOARD WITH A FULL DEVELOPMENT. WE JUST DIDN'T HAVE THE TIME BECAUSE THE STATUTORY TIME LIMIT WAS ONLY 30 DAYS.

MS. PACHTER: THAT'S RIGHT. WHAT YOU SEE BEFORE YOU IS WHAT EXISTS IN THE GAP. THIS IS THE STANDARD THAT THE ICOC ADOPTED IN THE GAP TO CARRY OUT THE REQUIREMENT OF PROP 71. THIS IS WHAT THE GRANTEES MUST COMPLY WITH WHEN THEY REPORT TO US ON HOW THEY'RE SPENDING THE GRANT

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MONEY.

CHAIRMAN KLEIN: WITH THAT BACKGROUND, I'D LIKE TO TAKE JOAN SAMUELSON'S COMMENTS, AND INDICATE THE ISSUE IS ONE THAT IS VERY IMPORTANT.

MS. SAMUELSON: THERE'S AN INITIAL QUESTION THAT MR. SERRANO-SEWELL JUST WANTED ME TO GET CLARIFIED ABOUT --

MR. SERRANO-SEWELL: WHAT LEGISLATOR SENT IN LETTERS?

MS. PACHTER: THERE WERE SEVERAL, AND UNFORTUNATELY I DON'T HAVE ACCESS TO MY HARD DRIVE HERE, SO I DON'T HAVE A LIST. BUT WE DID HAVE LETTERS FROM FIVE OR SIX MEMBERS OF THE ASSEMBLY WHO SPOKE IN FAVOR OF THE PETITION.

MR. SERRANO-SEWELL: AND THE STATE SENATE?

MS. PACHTER: NO. NO ONE FROM THE STATE SENATE.

MR. SERRANO-SEWELL: WAS ASSEMBLYMAN MULLIN ONE OF THEM?

MS. PACHTER: NOT THAT I RECEIVED.

CHAIRMAN KLEIN: TO CLARIFY FOR YOU, DAVID SERRANO-SEWELL, ASSEMBLYMAN MULLIN, WHO HAS BEEN VERY SUPPORTIVE OF THIS AGENCY, HAD A BILL THAT WAS A BILL THAT HE ELIMINATED YESTERDAY ALL THE LANGUAGE IN THE BILL, AND PUT THIS DEFINITION IN THE BILL. SO IT'S ONLY AS OF YESTERDAY THAT HE HAS A BILL ADDRESSING IT.

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HE HAD DIRECTED HIS STAFF TO WORK WITH US OVER THIS TIME PERIOD TO THOUGHTFULLY COME UP WITH SOMETHING. HE DOESN'T NECESSARILY THINK IT'S NECESSARY IN LEGISLATION. HE JUST WANTS TO SEE THIS ADDRESSED AND WAS HAPPY FOR US TO VISIT HIM YESTERDAY AND BEGIN A DIALOGUE TO TRY AND DEVELOP A COOPERATIVE DEFINITION.

MS. SAMUELSON: THEN TO CONTINUE, I APPRECIATE THAT STAFF AND MEMBERS OF THE ICOC ARE HELPING TRY TO ACCOMMODATE THESE SECONDARY CONCERNS OF PROP 71. AND THEY'RE IMPORTANT, ALBEIT SECONDARY. AND THERE IS AN ECONOMIC DOWNTURN. BUT THERE ALSO IS AN ONGOING DAILY HEALTH DOWNTURN THAT IS A HUGE CRISIS THAT THIS INITIATIVE WAS PASSED OVERWHELMINGLY TO ADDRESS. WE HAVE TO KEEP OUR EYE ON THE BALL. AND THERE ARE SO MANY THINGS THAT ARE DIFFUSING AND DIVERTING OUR ENERGY AND EFFORT ALREADY, PREVENTING US FROM SPEEDILY GETTING THOSE CURES, THAT WE JUST CAN'T BE GETTING ANY MORE DISTRACTED THAN ABSOLUTELY NECESSARY.

SO I WOULD SUGGEST THAT WE VOTE AGAINST THIS SPEEDILY AND GET ON WITH BUSINESS, UNDERSTANDING THAT WE ALWAYS WANT TO GIVE APPROPRIATE ATTENTION TO THIS KIND OF CONCERN.

CHAIRMAN KLEIN: ALL RIGHT. DUANE ROTH.

MR. ROTH: SO IF YOU LOOK AT THIS, THE GRANTS ADMINISTRATION POLICY WHERE THIS GOAL IS SPELLED OUT,

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IT'S VERY CLEAR THAT WE WANT THEM TO MAKE AN ATTEMPT TO BUY 50 PERCENT OF THEIR GOODS AND SERVICES FROM CALIFORNIA COMPANIES. I CAN'T IMAGINE ANY OF US NOT SUPPORTING THAT. THE PROBLEM IS THERE'S NO DEFINITION OF WHAT A CALIFORNIA SUPPLIER IS.

AND FOR ME, THIS IS A TWO-HOUR EXERCISE, THAT WE GET THE RIGHT PEOPLE IN THE ROOM AND WE COME UP WITH A DEFINITION AND IT'S DONE, THEN GET PUBLIC COMMENT, AND GET IT IN. THIS IS NOT -- I THINK THE FRUSTRATION HERE, IF YOU RECALL, MEETING AFTER MEETING, THEY SAID WE'LL BE PATIENT, BUT IT'S BEEN A YEAR, AND WE'RE STILL WAITING FOR THIS SIMPLE DEFINITION OF WHAT IS A CALIFORNIA SUPPLIER. SO I THINK THAT'S THE ANGST. THE ANGST IS THAT THIS WAS INTENDED, WE ALL AGREED TO IT, THE VOTERS AGREED TO IT, AND NOW WE HAVEN'T BEEN ABLE GIVE A SIMPLE DEFINITION OF WHAT WE MEAN WHEN WE SAY CALIFORNIA SUPPLIER SO THE RECIPIENTS CAN TELL US WHETHER THEY'RE MEETING THIS GOAL OR NOT.

CHAIRMAN KLEIN: DUANE, I'D POINT OUT FOR EVERYONE, INCLUDING MEMBERS OF THE AUDIENCE, THAT WE HAVE A NEW ADMINISTRATION HERE. SO THEY WEREN'T HERE WHEN THIS OCCURRED, AND THEY'RE PLAYING CATCHUP, INCLUDING, FOR EXAMPLE, BRINGING FORWARD AND GIVING US A SCHEDULE ON RESPONDING TO THE STATE UNIVERSITIES AND COMMUNITY COLLEGES, WHICH HAS BEEN PENDING FOR OVER A YEAR. SO

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IT'S JUST A LIMITATION ON TIME, BUT IS VERY -- THEY'RE EFFECTIVELY, I THINK, TRYING TO DEAL WITH IT.

DR. PRIETO AND THEN SHERRY LANSING.

DR. PRIETO: QUESTION FOR MS. PACHTER, I THINK. GIVEN THAT THIS DEFINITION COULD AFFECT SO MANY OTHER ACTIVITIES OF CALIFORNIA STATE GOVERNMENT, IS IT REALLY OUR ROLE?

MS. PACHTER: IT WOULD NOT. IT WOULD ONLY BE A DEFINITION THAT WE WOULD AND THE BOARD WOULD ADOPT THROUGH REGULATION THAT WOULD APPLY TO PROP 71. SO IT WOULD NOT AFFECT OTHER LAWS AND OTHER INTERPRETATIONS OF OTHER AGENCIES. THIS WOULD BE SPECIFIC TO OUR GRANTEEES AND THE STANDARD THAT THEY WOULD HAVE TO MEET.

DR. PRIETO: MAYBE THIS IS JUST SIMPLEMENTED, BUT WOULDN'T IT BE MORE REASONABLE FOR THE STATE OF CALIFORNIA TO HAVE ONE DEFINITION OF WHO IS AND WHO IS NOT A CALIFORNIA SUPPLIER?

MS. PACHTER: IT WOULD BE, DR. PRIETO, BUT WE HAVE MANY DIFFERENT DEFINITIONS ALL THROUGH STATE LAW DEPENDING ON THE STATE AGENCY. I AGREE WITH YOU. THAT WOULD MUCH MORE EFFICIENT.

MS. LANSING: WELL, I THINK, YOU KNOW, AS ONE OF MY COLLEAGUES SAID, WE HAVE BEEN ASKED TO DEFINE WHAT IS A CALIFORNIA SUPPLIER, AND WE'VE NEVER DONE IT. AND SO I THINK THAT SHOWS IT'S SLIPPED THROUGH THE CRACKS. LET'S

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JUST SAY THAT. SO I WOULD LIKE TO SUGGEST THAT WE FORM A SUBCOMMITTEE BECAUSE IT CROSSES AGAINST ALL SORTS OF LINES, AND THAT WE HAVE A TIMELINE, AND THAT WE GET BACK AS TO WHAT IT IS BECAUSE I THINK THAT IS OUR RESPONSIBILITY.

CHAIRMAN KLEIN: SHERRY, WOULD IT BE ACCEPTABLE, AS I MADE THE SUGGESTION TO DR. PIZZO, THAT WE HAVE A TWO-PERSON TEAM THAT CAN SIT DOWN WITH INDUSTRY?

MS. LANSING: ABSOLUTELY.

CHAIRMAN KLEIN: THAT'S GREAT.

MS. LANSING: AND REPORT BACK TO US.

CHAIRMAN KLEIN: IN THE PUBLIC HEARING FOR A FULL PUBLIC DISCUSSION.

MR. SHEEHY: I ACTUALLY WOULD RATHER SEE SOMETHING THAT -- I KNOW IT'S COMPLICATED, BUT I WOULD RATHER -- I ALWAYS FIND IF IT'S SOMETHING THAT SEEMS TO HAVE A LOT OF INTEREST FROM LEGISLATORS AND FROM STAKEHOLDERS TO LET THEM KIND OF REALLY WORK OUT THEIR ISSUES AT A COMMITTEE LEVEL THAN HERE. AND IF WE MAKE ANY MISTAKES IN THIS TWO-PERSON STAFF MIX, WE'RE GOING TO BE SPENDING AN ENTIRE DAY IN MAY. MY HOPE IS WE CAN RATHER SPEEDILY APPROVE THIS IN MAY, THAT WE CAN WORK ALL THIS OUT BECAUSE I THINK THAT THERE'S A LEGITIMATE BEEF THAT WE HAVE FAILED TO DO WHAT WE SAID WE WOULD DO. SO WHY NOT GO AHEAD AND DO THIS IN PUBLIC, LET PEOPLE

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EXPRESS THEMSELVES, AND GET IT RIGHT? IF WE GET IT WRONG IN THIS MORE CLOSED FASHION, WE'RE GOING TO BE BACK HERE DOING -- WE'RE GOING TO HAVE A WHOLE MEETING DEVOTED TO JUST THIS ISSUE BECAUSE WE'LL HAVE VARIOUS STAKEHOLDERS TELLING US HOW WE GOT IT WRONG, AND THEY HAVEN'T HAD AN OPPORTUNITY TO HAVE ANY COMMENT ON IT.

CHAIRMAN KLEIN: LET ME MAKE IT PERFECTLY CLEAR. THE INTENT IS TO SCHEDULE THIS SO WE CAN HAVE A FULL PUBLIC DEBATE WITH ALL CONSTITUENTS REPRESENTED. THIS IS ONLY TO HAVE TWO PEOPLE GO OUT, TRY AND COLLECT INFORMATION, AND BRING TOGETHER SOME WORKABLE DEFINITION OPTIONS THAT WE CAN USE AS A STARTING POINT FOR DISCUSSION.

MR. SHEEHY: WITH ALL DUE RESPECT, I THINK THIS WOULD BE BETTER HANDLED AT A SUBCOMMITTEE LEVEL, PERSONALLY, I THINK. I CERTAINLY HEARD A LOT ABOUT THIS, AND I THINK PEOPLE WANT TO EXPRESS THEIR OPINIONS ON THIS, IF NOTHING ELSE TO EXPRESS THEIR FRUSTRATION. NOW, WE CAN EITHER LISTEN TO THEIR FRUSTRATION HERE, OR WE CAN LISTEN TO IT AT THE COMMITTEE LEVEL. BUT IN MAY I THINK WE NEED TO APPROVE A WHOLE SET OF GRANTS THAT THE SUM TOTAL OF, I THINK, WILL HAVE A MEANINGFUL IMPACT ON THE CALIFORNIA ECONOMY, THREE-QUARTERS OF A BILLION WHEN YOU TAKE IN THE MATCHING GRANTS. AND IT WOULD BE GREAT IF WE COULD PUT IN A REASONABLE DEFINITION THAT EVERYBODY COULD

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AGREE TO AT THAT TIME THAT EVERYBODY FELT COMFORTABLE WITH SO THAT CALIFORNIA SUPPLIERS COULD ALSO GET SOME OF THE BENEFIT OF ALL THIS MONEY WE'RE SPENDING.

SO I THINK IF WE WANT TO HAVE THIS GREAT MEETING IN MAY AND WE HAVEN'T GOT THIS ISSUE COMPLETELY RESOLVED IN THE BEST WAY, WE'RE GOING -- AS WE'RE STARTING TO MOVE THIS MONEY OUT THE DOOR, THAT REALLY, I THINK, IS GOING TO HAVE A MEANINGFUL IMPACT ON THE CALIFORNIA ECONOMY, AND SOMEBODY GETS UP AND SAYS WE HAVEN'T DONE THE RIGHT THING FOR CALIFORNIA SUPPLIERS, AND THEY HAVEN'T HAD A CHANCE TO VOICE THAT OPINION BEFORE THEN, I THINK WE'RE NOT GOING TO HAVE THE MOMENT THAT WE ARE ANTICIPATING IN MAY.

CHAIRMAN KLEIN: TAKING YOUR SUGGESTION, LET ME TALK TO THE COMMITTEE CHAIRS, GOVERNANCE, AND OTHER SUBCOMMITTEES, SEE WHAT WE CAN DO THERE AND SEE WHAT WE CAN DO WITH A TWO-PERSON ASSIGNMENT TO TRY AND MOVE THIS FORWARD SO THAT IF WE HAVE A COMMITTEE HEARING, WE'VE GOT SOME INFORMATION DEVELOPED AND HAVE HAD SOME MEANINGFUL EXCHANGES.

MR. ROTH: MR. CHAIRMAN, I KNOW THESE CONSTITUENTS PRETTY WELL, AND I'D VOLUNTEER TO BE ONE OF THOSE, AND I THINK COME UP, JEFF, WITH THE STRAWMAN DEFINITION SO WE HAVE SOMETHING TO REACT TO AFTER DOING THE RESEARCH SO THAT WE REALLY REACH OUT TO THE



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COMPANIES, THE LEGISLATORS, AND OTHERS WHO HAVE AN INTEREST IN THIS AND BRING THAT BACK WITH A RECOMMENDATION, WORKING WITH STAFF, ON WHAT IT MIGHT LOOK LIKE. THEN LET'S HAVE A PUBLIC DISCUSSION, BOARD DISCUSSION OR A PUBLIC DISCUSSION, ABOUT THAT DEFINITION.

CHAIRMAN KLEIN: OKAY. WHAT WE'LL DO AS WELL IS THAT WE MAY HAVE AN INTERIM COMMITTEE BASED UPON THIS, BUT LET ME TRY AND RESOLVE THAT BETWEEN NOW AND THAT MAY MEETING.

DR. LOVE, DO YOU HAVE A COMMENT?

DR. LOVE: I THINK MY COMMENT WAS GOING TO BE VERY SIMILAR TO WHAT DUANE WAS SUGGESTING. FIRST OF ALL, I THOUGHT THE LETTER THAT WE GOT IN THE PETITION WAS VERY WELL WRITTEN. AND AT LEAST AS A STARTING POINT FOR A DEFINITION MAY VERY WELL BE ON THE MARK. BUT I DO THINK WE NEED TO HAVE A PROCESS WHICH ENGAGES AN AUDIENCE BEYOND ONE COMPANY, ONE VERY FINE COMPANY, THAT MAKES SURE THAT WE GET IT RIGHT. BUT I DON'T THINK THAT WE'RE THAT FAR AWAY FROM GETTING THERE. I WOULDN'T WANT TO SEE US CREATE TOO MUCH OF A PROCESS OR CREATE TOO MUCH TIME WASTED BECAUSE I THINK WE COULD PROBABLY GET THERE FAIRLY QUICKLY. I'D BE VERY HAPPY TO WORK WITH DUANE AND WORK WITH VARIOUS COMPANIES TO GET THE DEFINITION RIGHT SO THAT WE CAN APPROVE SOMETHING AT THE NEXT MEETING.

CHAIRMAN KLEIN: GREAT. IT SOUNDS LIKE WE HAVE

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OUR TWO PEOPLE. DR. PENHOET.

DR. PENHOET: IF I COULD, I DON'T THINK THIS IS JUST A COMPANY ISSUE. YOU'VE GOT A RESTRICTION PLACED ON ALL GRANTEES, THAT THEY HAVE TO PURCHASE 5 PERCENT FROM A QUOTE, UNQUOTE CALIFORNIA SUPPLIER. IF YOU DEFINE THAT TOO NARROWLY, YOU MAY RESTRICT THE PROGRESS OF RESEARCH BECAUSE THEY MAY NOT -- THE PRODUCTS MAY NOT BE AVAILABLE OR NOT AS GOOD OR WHATEVER. SO THIS IS NOT A SIMPLE ISSUE OF JUST ENGAGING INDUSTRY. I THINK YOU NEED SOME PURCHASERS ON THIS COMMITTEE WITH ALL DUE RESPECT TO MY COLLEAGUES.

DR. LOVE: I AGREE WITH THAT.

MR. ROTH: I THINK ALL THE STAKEHOLDERS HAVE TO -- YOU HAVE TO REACH OUT TO ALL OF THEM. I DO UNDERSTAND THAT. BUT THAT LANGUAGE IS SUFFICIENT TO COVER WHAT YOU JUST TALKED ABOUT, ED. IF THERE IS A COMPELLING REASON, ALL YOU HAVE TO DO IS REPORT IT, BUT YOU HAVE TO DOCUMENT IT. THE PROBLEM IS NOBODY KNOWS RIGHT NOW HOW TO EVEN MEET THAT.

CHAIRMAN KLEIN: I THINK WE'RE IN HEATED AGREEMENT. I WANT TO GET THE PUBLIC COMMENT, IF I CAN.

DR. POMEROY: JUST FOR CLARIFICATION AS WE CONSIDER THE MAJOR FACILITIES GRANTS, DOES THIS PROVISION APPLY TO THE PURCHASE OF CONSTRUCTION BIDS RELATED TO THE MAJOR FACILITIES?

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MS. PACHTER: THIS IS NOT PART OF THE GRANTS ADMINISTRATION POLICY THAT APPLIES TO THE -- THAT'S SPECIFIC TO THE MAJOR FACILITIES, BUT THIS DEFINITION IS, I THINK, RICK, IN THE GRANTS ADMINISTRATION POLICY THAT DOES APPLY TO THE MAJOR FACILITIES. THIS PARTICULAR PETITION DOESN'T APPLY TO THAT PORTION OF THE GAP, BUT IT'S THE SAME DEFINITION.

DR. PIZZO: I WAS GOING TO ASK THE SAME QUESTION JUST AS TO WHETHER OR NOT THIS WILL ALTER COST ESTIMATES THAT HAVE BEEN DONE.

CHAIRMAN KLEIN: IT'S IMPORTANT TO NOTE THAT IN WRITING THIS, THIS IS WRITTEN AS A GOAL, AND IT'S SPECIFICALLY INTENDED NOT TO ENCUMBER THE SCIENCE OR CREATE ANY SIGNIFICANT COST DEVIATIONS. AS A GOAL, YOU'RE JUST ASKED TO EXPLAIN IF YOU CAN'T MEET THIS GOAL, WHY YOU CAN'T MEET IT. IT'S IMPORTANT THAT WE HAVE AS MUCH PURCHASING IN CALIFORNIA AS POSSIBLE. UNDER CONSTRUCTION PROJECTS, IT'S HIGHLY LIKELY WITH YOUR SUBS FROM CALIFORNIA, THAT YOU ARE GOING MEET THIS GOAL. IT IS IMPORTANT TO NOTE THAT IT IS WRITTEN IN A FORM SO AS NOT TO INTERFERE WITH THE SCIENTIFIC MISSION.

WHAT I'D LIKE TO DO HERE, IF I CAN, WHERE DO WE STAND ON HAVING A PUBLIC -- WE HAVE A PUBLIC COMMENT. AND THEN THE QUESTION BEFORE US TODAY IS WHETHER WE ACCEPT OR DENY THIS PETITION.

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MS. PACHTER: THAT'S RIGHT. THERE'S NO MOTION PENDING.

CHAIRMAN KLEIN: WE HAVE REPORTED THAT WE ARE INTENDING TO COME BACK, IN FACT, TO ADDRESS THIS.

MR. SERRANO-SEWELL: I HAVE A PROCEDURAL MATTER. IS THAT OUR ONLY TWO OPTIONS, BOB, TO ACCEPT OR DENY? IS THAT WHAT YOU SAID EARLIER?

MS. PACHTER: THIS BOARD CAN DENY THE PETITION. IT CAN GRANT THE PETITION IN WHOLE OR IN PART. IT HAS A LOT OF FLEXIBILITY ABOUT WHAT IT CAN DO AT THIS POINT.

CHAIRMAN KLEIN: WE DON'T HAVE ANY OTHER ALTERNATIVE LANGUAGE TODAY.

MS. PACHTER: NO, WE DON'T HAVE ALTERNATIVE LANGUAGE TODAY.

DR. LOVE: CAN WE DEFER TAKING ACTION?

CHAIRMAN KLEIN: WE HAVE TO ACT WITHIN 30 DAYS. THAT'S THE PROBLEM. IF IT WEREN'T A 30-DAY ISSUE, AS CHAIR, AND I'M SURE THE REST OF THE MEMBERS OF THE EXECUTIVE COMMITTEE WOULD HAVE REALLY PREFERRED TO SEND PEOPLE OUT TO WORK WITH THE INDUSTRY, TO WORK WITH THE PURCHASERS SCIENTIFICALLY TO GET LANGUAGE THAT MET EVERYONE'S OBJECTIVES AND COULD BE FULLY VETTED. WE HAVE PUBLIC COMMENT, PLEASE.

SENATOR WYLAND: YES, THANK YOU. SENATOR MARK WYLAND. I THINK THERE ARE TWO OR THREE THINGS I'D LIKE

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TO SAY BRIEFLY. ONE IS THAT THIS SEEMS TO HAVE BEEN A VERY, VERY LONG PROCESS. AND AS DUANE ROTH AND OTHERS HAVE POINTED OUT, WE BELIEVE IT'S TIME TO GET THIS DONE. WE LIVE IN A WORLD OF BUREAUCRACY. WE'D LIKE TO SEE THAT NOT BEFALL THIS BODY.

THERE WAS MENTION OF AN INTERIM MEETING. THAT'S NOT A BAD IDEA. I THINK GETTING THIS COMMITTEE TOGETHER, AND CERTAINLY THOSE WHO ARE EXPERIENCED IN THIS AREA OUGHT TO BE SOMETHING THAT THIS BODY OUGHT TO CONSIDER. AND I WOULD ADD THAT MY COLLEAGUES AND MANY MORE EACH DAY, AS THEY BECOME AWARE OF THIS ISSUE, ARE CONCERNED ABOUT IT.

ANOTHER POINT I'D LIKE TO MAKE IS THERE WAS A DISCUSSION ABOUT A DOWNTURN IN THE ECONOMY. I DON'T THINK WE'RE TALKING ABOUT THAT ISSUE IN THIS INDUSTRY. THAT DOWNTURN REALLY IS NOT THE ISSUE. I THINK THE ISSUE THAT BOTH THE VOTERS AND THIS INDUSTRY FEEL STRONGLY ABOUT IS THAT CALIFORNIA IS THE LOCUS AND ONE OF THE FEW OF AN ENORMOUS AMOUNT OF ABILITY TO PROVIDE PRODUCT, SERVICES, RESEARCH, AND ALL THE REST IN THIS AREA. SO WHAT WE WOULD LIKE TO SEE IS PROMPT ACTION.

AND OUR OWN INTERPRETATION OF THIS IS THAT THIS IS AN IMPORTANT GOAL, AND THAT A GOOD-FAITH EFFORT WOULD BE INTERPRETED AS A VERY STRONG EFFORT TO ACCOMPLISH THIS. THANK YOU VERY MUCH.

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CHAIRMAN KLEIN: THANK YOU VERY MUCH, SENATOR. WE DEEPLY APPRECIATE YOUR GUIDANCE. AND I THINK THIS BOARD HIGHLY IDENTIFIES WITH YOUR DESIRE FOR SPEED.

SENATOR WYLAND: THANK YOU.

ASSEMBLYMAN GARRICK: THANK YOU, MR. CHAIRMAN. MY NAME IS MARTIN GARRICK, ASSEMBLYMAN 74TH DISTRICT. I AM ONE OF THE SIGNERS OF THE LETTER OF CONCERN AS IT RELATES TO THE 50 PERCENT. REFLECTING BACK ON THE INITIAL INITIATIVE ITSELF, PROP 71, AND THE COMMITMENT MADE BY THOSE BOTH PROFFERING THE PROPOSITION AND THE VOTERS THEMSELVES TO INDEBT THEMSELVES TO THE TUNE OF 3 BILLION PLUS DOLLARS, AS I RECALL THE NUMBER, CORRECT ME IF I'M WRONG, PLEASE, MR. CHAIRMAN, THAT THEY WERE CALIFORNIA VOTERS, THAT THEY ARE WILLING TO TAKE ON THAT DEBT FOR THE CAUSE AS OUTLINED FOR THE GOOD WORK THAT WILL BE DONE. AND THEIR REQUEST AND THE INTENT OF THE PROPOSITION WAS, AS PROPOSED, TO HAVE AT LEAST 50 PERCENT, AS I RECALL IT, AND THAT WAS THE REASON THAT PROMOTED ME OR PROMPTED ME TO GO AHEAD WITH THE LETTER OF SUPPORT.

THE LANGUAGE, TO BE SPECIFIC, WAS DRAWN FROM SOMETHING AS A BUSINESSMAN OF 22 YEARS BEFORE I ENTERED THIS NEW FIELD OF THE ASSEMBLY, I HAVE BEEN SUBJECT TO THIS SAME LANGUAGE. AND THAT IS THE LANGUAGE AS IT RELATES TO CALIFORNIA CORPORATIONS AND WHAT DEFINES THOSE

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CORPORATIONS THAT WILL BE PAYING TAXES IN CALIFORNIA.

WITH THAT SAID, THAT LANGUAGE SEEMS TO RULE THE DAY AS FAR AS THE CALIFORNIA TAX COLLECTOR IS CONCERNED. AND I WOULD HOPE IT WOULD RULE THE DAY AND HAVE A SIGNIFICANT INFLUENCE IN ANY LANGUAGE THAT YOU WOULD ADOPT AS IT RELATES TO DEFINING A CALIFORNIA CORPORATION AS IT RELATES TO ONLY 50 PERCENT. AGAIN I WANT TO BRING THAT NUMBER UP. I FEEL VERY STRONGLY ABOUT THIS AND APPRECIATE THE OPPORTUNITY TO SPEAK TO THE ISSUE AND WOULD LIKE YOU TO CONSIDER MY THOUGHTS.

MR. SERRANO-SEWELL: BOB, IF I MAY ASK THE MEMBER A QUESTION.

CHAIRMAN KLEIN: ABSOLUTELY. AND, MARTIN, I KNOW FROM 25 YEARS AGO, THAT YOU FOLLOW UP EXTRAORDINARILY WELL ON ISSUES, HAVE TREMENDOUS FOCUS, AND THAT WE BOTH SHARE A DESIRE TO CUT THROUGH OBSTACLES AND TIMING TO GET SOMETHING EFFECTIVE IN PLACE SO THE STATE CAN OPERATE BETTER. APPRECIATING THAT QUALITY IN YOU, WE WILL MAKE CERTAIN THAT WE COMMUNICATE AS WE GO FORWARD.

ASSEMBLYMAN GARRICK: APPRECIATE YOUR COMPLIMENT. YOU COULD HAVE DROPPED THE NUMBER OF YEARS THOUGH.

MR. SERRANO-SEWELL: COUPLE QUICK QUESTIONS. THE FIRST ONE IS A REALLY IGNORANT QUESTION, BUT WHERE IS

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THE --

ASSEMBLYMAN GARRICK: 74TH ASSEMBLY DISTRICT IS NORTH SAN DIEGO COUNTY. I REPRESENT NINE CITIES. THAT'S HALF OF THE NUMBER OF CITIES IN SAN DIEGO COUNTY, INCLUDING SAN DIEGO, AND BASICALLY EVERYTHING FROM DEL MAR NORTH ALL THE ACROSS THE COUNTY.

MR. SERRANO-SEWELL: THANK YOU. SO YOUR COUNTERPART IN THE STATE SENATE.

ASSEMBLYMAN GARRICK: SENATOR MARK WYLAND, 38TH ASSEMBLY DISTRICT. HE LEFT. WE HAVE TIGHT SCHEDULES TODAY.

MR. SERRANO-SEWELL: I'LL BE REAL QUICK. HE MENTIONED THAT HE WOULD GET SUPPORT FROM HIS COLLEAGUES IN THE SENATE.

ASSEMBLYMAN GARRICK: CORRECT.

MR. SERRANO-SEWELL: DO YOU THINK YOU WILL FIND SUPPORT AS WELL AMONGST YOUR COLLEAGUES IN THE STATE ASSEMBLY FOR THE DEFINITION THAT'S BEEN PROPOSED?

ASSEMBLYMAN GARRICK: YES, I WOULD. HAVING SPOKEN LAST NIGHT WITH MR. MULLIN AFTER SOME VISITS AND SHARING, AS VICE CHAIR OF EDUCATION, AND MR. MULLIN IS CHAIR OF EDUCATION FOR THE ASSEMBLY, WE BOTH FEEL STRONGLY ABOUT IT. SO THERE YOU HAVE HOPEFULLY SOME EXTRA EMPHASIS ON THE FEELING IN THE ASSEMBLY. AND I KNOW, FROM SPEAKING WITH MARK WYLAND, THERE'S EQUAL



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SENTIMENT ON THE SENATE SIDE. THANK YOU.

CHAIRMAN KLEIN: DR. LOVE HAS A COMMENT.

DR. LOVE: BOB, AS I THINK YOU COMMENTED, WE ARE AGGRESSIVELY IN AGREEMENT HERE. AND I THINK THE REAL ISSUE IS NOT DO WE THINK THIS IS A GOOD GOAL. I THINK THE ISSUE REALLY IS LET'S MAKE SURE WE GET IT RIGHT. FOR EXAMPLE, I'M NOT SURE IF SOME OF THE COMPANIES WILL EVEN BE PAYING TAXES BECAUSE THERE COULD EVEN BE AN ISSUE OF SOME OF THESE COMPANIES ARE MERGING, THEY HAVE LOSSES THAT ARE BEING CARRIED FORWARD, AND THEY MAY NOT BE TAXPAYING COMPANIES. I THINK WE JUST NEED TO TAKE A LITTLE BIT OF TIME TO MAKE SURE THAT WE CREATE A LEVEL PLAYING FIELD FOR THE COMPANIES THAT ARE GOING TO BE CALIFORNIA SUPPLIERS. THAT'S REALLY MY ONLY CONCERN.

ASSEMBLYMAN GARRICK: I APPRECIATE THAT.

COMPANIES IN THIS FIELD TAKE A LOT OF RISK. AND AS YOU IDENTIFIED, SOME OF THE COMPANIES MAY NOT PAY TAXES, BUT THE CITIZENS IN CALIFORNIA THAT ARE TAKING ON THIS DEBT ALONG WITH THE CITIZENS THAT WILL BE WORKING FOR THOSE CALIFORNIA COMPANIES WILL BE PAYING TAXES. I DON'T THINK THEY'LL BE DOING IT ON A VOLUNTEER BASIS, AND THEY WOULD LIKE TO SEE THOSE TAXES STAY IN CALIFORNIA.

DR. LOVE: IF THEY WOULD, THEY COULD ALL COME AND WORK AT MY COMPANY.

CHAIRMAN KLEIN: THANK YOU VERY MUCH,

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ASSEMBLYMAN.

MS. PIZZARO: I THINK IT'S FAIR TO SAY GOOD AFTERNOON NOW. MY NAME IS SANDRA PIZZARO. I'M THE VICE PRESIDENT OF STATE GOVERNMENT AFFAIRS FOR THE CALIFORNIA HEALTHCARE INSTITUTE. AND WE WERE ONE OF THE TRADE ASSOCIATIONS THAT DID WRITE A LETTER OF SUPPORT FOR THE DEFINITION THAT WAS PROPOSED BY THE PETITIONER.

AS YOU MAY OR MAY NOT KNOW, WE REPRESENT MORE THAN 250 MEMBERS, WHO INCLUDE OUR STATE'S PREMIERE LIFE SCIENCES COMPANIES AND ACADEMIC RESEARCH INSTITUTIONS. I WILL BE REALLY BRIEF BECAUSE I THINK EVERYONE IS IN FULL AGREEMENT. WE'D BE HAPPY TO PARTICIPATE IN THE STAKEHOLDER PROCESS. WE ARE HAPPY TO HEAR THAT YOU ARE GOING TO MOVE FORWARD EXPEDITIOUSLY ON THIS. WE DO THINK THAT IT HAS BEEN A LONG TIME COMING, AND I THINK WE ARE GOING TO ENCOURAGE OUR MEMBERS WHO CARE ABOUT THIS ISSUE TO PARTICIPATE AS WELL.

I KNOW THAT INVITROGEN, WHO IS A PETITIONER, IS ONE OF OUR MEMBER COMPANIES. SO WE'D BE HAPPY TO HELP IN THE PROCESS, AND WE JUST ARE HAPPY TO HEAR WHAT HAS GONE ON TODAY. SO THANK YOU VERY MUCH.

CHAIRMAN KLEIN: THANK YOU VERY MUCH FOR YOUR INPUT.

MR. RUF: MY NAME IS BRIAN RUF, AND I'M THE OWNER OF ONE OF THE SMALL SUPPLIERS IN THE RESEARCH

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INDUSTRY CALLED E&K SCIENTIFIC PRODUCTS. AGAIN, I THINK EVERYTHING THAT'S BEEN SAID IS APPROPRIATE WITH MY LINE OF THOUGHT AS WELL. I'M ONE OF THE BUSINESS OWNERS. I'M ONE OF THE GUYS THAT WOULD BE AFFECTED. I THINK THAT THE LANGUAGE IS -- THE MODIFIED LANGUAGE IS APPROPRIATE. I'M A SECOND GENERATION OWNER OF A BUSINESS THAT'S BEEN -- WAS INCORPORATED IN 1972. WE EXCLUSIVELY SERVE THE LIFE SCIENCE INDUSTRY.

AND I THINK IF YOU RESEARCH THIS MORE, THERE ARE PLENTY OF -- KNOWING THE LAB INDUSTRY VERY WELL AND THE RESEARCH THAT GOES ON, I THINK BETWEEN THE INVITROGENS, THE APPLIED BIOSYSTEMS, THERE'S QUITE A FEW CALIFORNIA COMPANIES WHERE I THINK THE SPEND WOULD BE EASY TO BE MAINTAINED AS WELL AS WITH MY COMPANY. SO WE'RE ONE OF THE SMALL PLAYERS. AGAIN, I APPRECIATE YOUR TIME AND THOUGHT ON THE ISSUE, AND I THINK IT'S IN THE RIGHT DIRECTION.

AND I SAW A SLIDE POP UP. I DON'T KNOW IF THIS IS GOING TO BE THE OTHER -- NOT THAT ONE. I'LL JUST THROW IT IN HERE IN CASE -- THE OTHER ISSUE THAT I'VE BEEN FINDING, AND I TALKED TO MELISSA KING ON THIS ISSUE, IS ALSO SOME DEGREE OF AUDITING OR MONITORING BECAUSE I'VE TALKED TO DIRECTLY IN THE FIELD WITH QUITE A FEW OF THE GRANT RECIPIENTS BOTH AT UCSF AND UC BERKELEY, THE BUCK INSTITUTE. AND NOBODY KNOWS THAT THIS LANGUAGE EVEN

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EXISTS. I'VE TALKED TO PI'S WHO GET THE GRANT MONEY, AND THEY GO, "OH, THAT'S INTERESTING. WOW, GOOD TO KNOW." SO I THINK THAT'S THE OTHER PART OF IT THAT I'D LIKE TO SEE. MAKE SURE -- THEY CAN'T MAKE A GOOD-FAITH EFFORT IF THEY DON'T KNOW IT EXISTS.

AGAIN, FROM MY EXPERIENCE, I HAVEN'T TALKED TO ONE PERSON YET, EXCEPT FOR THE PURCHASING AGENTS AT UCSF, WHO ACTUALLY ARE AWARE OF THE LANGUAGE AND ARE PUSHING IT FORWARD. THANK YOU FOR YOUR TIME.

CHAIRMAN KLEIN: THANK YOU VERY MUCH.

ADDITIONAL PUBLIC COMMENT?

MR. VALENCIA: MR. CHAIRMAN AND MEMBERS, GOOD AFTERNOON. MY NAME IS JOHN VALENCIA. I AM THE ATTORNEY REPRESENTING INVITROGEN CORPORATION AND THE AUTHOR OF THE PETITION. I JUST WANT TO CLARIFY ONE THING. THE ACTION THAT'S PENDING BEFORE YOU DOES NOT INSIST ON THE IMMEDIATE ADOPTION OF WHAT WE REQUESTED. I'M A BIT BAFFLED BY THE REPRESENTATION TO YOU THAT THAT IS THE CASE.

LIKE ANY STATE AGENCY, WHEN YOU GET A PETITION FROM OUTSIDE THE AGENCY FOR THE PROMULGATION OF PUBLIC CONSIDERATION OF A RULEMAKING PROCEEDING, IT IS EXACTLY THE PUBLIC COUNTERPART TO WHAT YOU'VE SPENT MOST OF THE MORNING DISCUSSING A VARIETY OF ISSUES. YOU ARE NOT HANDCUFFED TO THE ADOPTION OF THE SPECIFIC LANGUAGE THAT

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WE HAVE PROPOSED. BECAUSE YOU'RE NEXT QUESTION FOR STAFF WOULD HAVE TO BE IF WE TOOK THE ACTION, WHICH WE WOULD RESPECTFULLY REQUEST THAT YOU DO, IF WE TOOK THE ACTION TO ACCEPT THE PETITION TODAY, WHAT WOULD BE OUR NEXT STEP? YOUR NEXT STEP WOULD BE TO PUBLISH THE REGULATIONS -- THE PROPOSED REGULATION FOR PUBLIC COMMENT. AND AS QUICKLY AS YOU COULD PUBLISH THE REGULATION FOR PROPOSED COMMENT, THERE WOULD BE A 45-DAY, SO FAMILIAR AS A TIME PERIOD, A 45-DAY PUBLIC COMMENT PERIOD ON THE PROPOSED RULE WITH PUBLIC COMMENTS VERY MUCH ECHOING, PERHAPS, SOME OF THE ONES RAISED IN THE STAFF COMMENT, THAT PERHAPS THERE'S A DEFECT IN THE RULE, OR PERHAPS IT DOESN'T WORK FOR EVERYONE.

IT IS MINI LEGISLATION. YOU CONTROL IT. IT'S IN THIS ARENA WITH PUBLIC INPUT. AS YOU ARE VERY WELL EXPERIENCED AS AN AGENCY, IF THERE ARE REASONS TO MODIFY WHAT IS PRESENTED TO YOU, YOU MODIFY IT, YOU REPUBLISH IT FOR PUBLIC COMMENT, AND YOU CONTINUE THAT PROCESS AS YOU ARE VERY WELL EXPERIENCED AS AN AGENCY AS LONG AS IT TAKES TO ARRIVE AT AN AGREED-UPON DEFINITION OF CALIFORNIA SUPPLIER.

AND THEN THE FINAL STEP IS IT COMES BACK HERE FOR FINAL RATIFICATION. I'M BAFFLED BY ANY REPRESENTATION TO THE CONTRARY BECAUSE THAT SIMPLY IS NOT THE ADMINISTRATIVE PROCEDURE ACT

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CHAIRMAN KLEIN: CAN I GET A POINT OF INFORMATION HERE? TAMAR, WAS THE REASON THAT WE WERE PREVIOUSLY INFORMED THAT WE HAD TO ACCEPT THIS AS IT WAS OR DENY IT BECAUSE WE DON'T HAVE ANOTHER BOARD MEETING WITHIN THE 45 DAYS? CAN YOU PLEASE EXPLAIN? I'M TRYING TO RECONCILE WITH THE COMMENTS BEING MADE HERE.

MS. PACHTER: MR. CHAIR, YOU WERE NEVER INFORMED THAT HAD YOU TO ACCEPT THIS OR DENY THIS AS IS, BUT YOU EITHER HAVE TO START THE RULEMAKING PROCESS OR NOT.

CHAIRMAN KLEIN: THAT'S A MAJOR DIFFERENCE FROM MY PRIOR UNDERSTANDING, AND I APPRECIATE THIS PRESENTATION.

MR. VALENCIA: I WOULD RESPECTFULLY SUBMIT THAT THE 45-DAY PERIOD WITH THE PUBLIC INPUT THAT YOU WERE SEEKING, APROPOS OF THE EARLIER COMMENTS, IS PRECISELY THE PROCEDURE THAT YOU ARE LOOKING FOR AND THAT YOU WOULD WELCOME. THIS SORT OF DISCUSSION SHOULD TAKE PLACE IN A PUBLIC FORUM. THAT'S WHY WE INITIATED A RULEMAKING PROCEEDING FOR THE MOST PUBLIC OF PARTICIPATION. MEMBERS OF THE COMMISSION HAVE COMMENTED ON THE FACT THAT WE'VE BEEN A LOYAL PARTICIPANT AND A PERSISTENT PARTICIPANT IN THE SEVERAL YEARS OF THE DEVELOPMENT OF THE DRAFT GRANTS ADMINISTRATION PROCESSES.

IN FACT, I'M REMINDED AND HAD IT IN MY HAND QUESTIONS PROMULGATED BY DR. SAMUELSON TO DR. CHIU AT THE

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TIME AND DR. ORKIN WHO CHAIRED THE TASK FORCE. WHY HAVEN'T WE USED THIS DEFINITION? ONCE WE ADOPT IT, HOW ARE WE GOING TO MONITOR IT? DR. CHIU'S RESPONSE WAS, "I'M NOT SURE. THAT'S A VERY GOOD QUESTION." THAT WAS IN MARCH OF 2006. WE ARE STILL WAITING FOR THAT NECESSARY ACTION. AND SEVERAL MEMBERS OF THE COMMISSION HAVE MENTIONED WHY IT IS SO ESSENTIAL.

THE ACTION YOU TOOK EARLIER TODAY TO ADOPT A GRANTS ADMINISTRATION POLICY FOR YOUR FACILITIES AND EACH ONE OF YOUR MAJOR GRANTS ADMINISTRATION POLICIES HAVE ESSENTIALLY THIS LANGUAGE. APPLICANTS ARE REQUIRED TO SHOW HOW THEY PROPOSE TO ACHIEVE THE STATED GOAL WITH RESPECT TO ANY AWARD, IN THIS CASE OF A FACILITIES OR EQUIPMENT GRANT, INCLUDING ASSOCIATED MATCHING FUNDS. AT THE CONCLUSION OF THE PROJECT, GRANTEES WILL PROVIDE A FINAL REPORT INDICATING THE PARTICIPATION ACHIEVED ON THE PROJECT. AND THAT'S OF CALIFORNIA SUPPLIERS.

YOUR GRANTS ADMINISTRATION POLICIES ARE EVEN MORE FORCEFUL. LET ME JUST READ THE NONPROFIT GRANT POLICY AS HAS BEEN INCORPORATED IN YOUR FOR-PROFIT GRANT POLICY. GRANTEES, QUOTE, MUST PROVIDE A CLEAR AND COMPELLING EXPLANATION IN THE ANNUAL PROGRAMMATIC REPORT FOR NOT PURCHASING MORE THAN 50 PERCENT OF ITS GOODS AND SERVICES FROM CALIFORNIA SUPPLIERS. CIRM EXPECTS THE GRANTEE TO PURCHASE FROM CALIFORNIA SUPPLIERS, AND HERE

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IS THE GOLD PORTION, MR. CHAIRMAN, YOU'RE ABSOLUTELY CORRECT, TO THE EXTENT REASONABLY POSSIBLE, THE GOODS AND SERVICES IT USES IN CIRM-SUPPORTED RESEARCH, QUOTE.

OUR SIMPLE QUESTION IS HOWEVER IN THE WORLD ARE GRANTEES OF THIS ORGANIZATION AND CALIFORNIA SUPPLIERS TO KNOW WHO'S WHO AND WHAT IS WHAT? WE'VE SIMPLY RECOMMENDED TO YOU THAT, IN ACCEPTING THIS REGULATORY PETITION, THAT YOU TAKE THE VERY FIRST STEP BY ACCEPTING IT, PUT THIS IN PUBLIC FORUM, AND POTENTIALLY, ASSUMING NO AMENDMENT, IN 45 DAYS, BY YOUR NEXT MEETING, YOU COULD BE READY TO COME BACK. WE ANTICIPATE PUBLIC INPUT, AND SO WE EXPECT IT WOULD TAKE SLIGHTLY LONGER THAN THAT, BUT CERTAINLY MOVING ON TRACK COMPARABLE TO WHAT YOU'VE BEEN DISCUSSING PRIOR TO NOW.

THANK YOU VERY MUCH. I'M AVAILABLE FOR ANY QUESTIONS.

CHAIRMAN KLEIN: WELL, YOUR COMMENTS HAVE BEEN VERY INFORMATIVE FOR ME PERSONALLY BECAUSE THEY PAINT A DIFFERENT PICTURE ON THIS THAN I PREVIOUSLY UNDERSTOOD.

MR. VALENCIA: AND I REALIZE THAT YOU WERE OPERATING UNDER THAT MISIMPRESSION BECAUSE I ENCOUNTERED THOSE REMARKS IN THE CAPITOL FOLLOWING THE HOST OF YOUR VISITS, AND IT'S FUNDAMENTALLY NOT CORRECT. I SUBMIT THAT RESPECTFULLY.

CHAIRMAN KLEIN: YOU KNOW, WE'RE HERE TO LEARN



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EVERY DAY, AND I APPRECIATE YOUR INPUT VERY MUCH.

MR. VALENCIA: SO IN CONCLUSION, WE WOULD ASK YOU TO VOTE WHEN YOU DO TO ACCEPT THE REGULATORY PETITION AND START THAT PROCESS ON ITS WAY. THANK YOU.

CHAIRMAN KLEIN: OKAY.

MS. LAMBERT: I'M JANET LAMBERT FROM INVITROGEN, SO I THOUGHT IT WOULD MAKE SENSE FOR ME TO SORT OF STAND UP SINCE WE WERE ON THE POINT OF THE SPEAR OF INITIATING THIS PETITION. I WON'T RESTATE WHAT JOHN HAD TO SAY, BUT I DID WANT TO ADDRESS THE REALLY IMPORTANT POINT THAT ED PENHOET BROUGHT UP AND JOAN SAMUELSON ABOUT WHAT IS UNDERSTANDABLY YOUR CONCERN ABOUT ARE WE FACING A QUESTION OF HAVING TO PRIORITIZE ECONOMIC BENEFIT AT THE EXPENSE OF SCIENTIFIC EXCELLENCE.

AND IN TRYING TO THINK ABOUT THAT, I WENT THROUGH AN EXERCISE OF PULLING UP EVERY YEAR THE LIFE SCIENCE SUPPLY INDUSTRY HAS AN AWARDS SHOW. IT'S CALLED THE LIFE SCIENCE INDUSTRY AWARDS. AND AWARDS ARE GIVEN IN 14 DIFFERENT SCIENTIFIC PRODUCT CATEGORIES. AND I PULLED 2007 JUST TO SORT OF DO AN ANALYSIS OF IT. OF THOSE 14 CATEGORIES, CALIFORNIA COMPANIES RATE FIRST IN NINE. CALIFORNIA COMPANIES ARE IN THE TOP TWO OR THREE IN ELEVEN CATEGORIES. AND A CALIFORNIA COMPANY, THAT IS, WOULD FIT UNDER THE DEFINITION THAT WE'VE PROPOSED IS NOT IN THE TOP THREE ONLY IN TWO CATEGORIES, PLASTICWARE AND

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MI CROSCOPES.

SO, INSTEAD, IN CASES I THINK THAT YOU WOULD AGREE ARE SORT OF IMPORTANT LIKE INSTRUMENTATION FOR GENOMIC ANALYSIS, API METRICS, APPLIED BIOSYSTEMS, BIORAD, CELL BIOLOGY INSTRUMENTS, BD BIOSCIENCES, BECKMAN COULTER, DAKOCYTOMATION, ALL OF THESE COMPANIES ARE CALIFORNIA COMPANIES. AND SO I THINK IT'S A TOTALLY REASONABLE CONCERN FOR YOU TO HAVE. AND I JUST WANT TO SAY I THINK, WHEN YOU HAVE TIME TO LOOK AT THE DEFINITION, THAT YOU WILL SEE THAT ALL OF THESE COMPANIES FALL UNDER THE DEFINITION AS WE'VE PROPOSED IT AND AS WE UNDERSTAND IT, AND THAT REALLY, TO THE POINT MADE EARLIER, THE RESEARCH TOOLS AND LIFE SCIENCE SUPPLY IS TO CALIFORNIA WHAT BAGELS AND PROFESSIONAL THEATER ARE TO NEW YORK. THIS IS REALLY WHERE THE HEART OF THE INDUSTRY IS. AND YOU WILL DO, I THINK -- YOU WILL CREATE ABSOLUTELY NO QUALITY OR EVEN EFFICIENCY AND CONVENIENCE DIFFICULTY FOR GRANTEES BY GOING DOWN THIS PATH.

CHAIRMAN KLEIN: THANK YOU VERY MUCH. LET ME ALSO ASK. WE HAVE A 45-DAY COMMENT PERIOD. EVEN THOUGH WE HAVE A MEETING IN MAY, IT DOESN'T AUTOMATICALLY BECOME FINAL UNTIL WE HAVE OUR MEETING AND TAKE AN ADOPTION; IS THAT CORRECT?

MS. PACHTER: MR. CHAIR, THAT'S CORRECT. BUT AS WE'VE TALKED ABOUT WHEN DR. PENHOET TOOK US THROUGH THE

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IP POLICY, WE HAD A LOT OF EDUCATION AND CONSIDERATION BEFORE WE STARTED THE RULEMAKING PROCESS. ONCE YOU START THE RULEMAKING PROCESS, YOU'RE ON A TRACK TO COMPLETE IT. SO IT'S OFTEN PREFERABLE TO START THE INFORMATION GATHERING PROCESS IN ADVANCE OF INITIATING THE FORMAL RULEMAKING PROCESS SO THAT WHEN YOU GO THROUGH THE RULEMAKING PROCESS, YOU HAVE DONE A LOT OF YOUR HOMEWORK UP FRONT AND YOU'RE NOT PRESSURED BY THE TIME LIMITS ON THE RULEMAKING PROCESS. THAT'S WHY WE'VE DONE IT THAT WAY IN THE PAST.

CHAIRMAN KLEIN: AND IF WE STARTED THE RULEMAKING PROCESS, WE DON'T HAVE TO ACT ON THE 45TH DAY; IS THAT CORRECT? THE RULEMAKING PROCESS, HOW LONG DO WE HAVE TO ACT AFTER WE START THE RULEMAKING PROCESS?

MS. PACHTER: YOU HAVE A LONG TIME TO ACT, BUT YOU KEEP TRIGGERING DEADLINES AS YOU GO ALONG.

CHAIRMAN KLEIN: SO IF THIS HAD TO FALL TO JUNE'S MEETING, WOULD WE HAVE THAT MUCH TIME?

MS. PACHTER: YOU'D HAVE TO GIVE ME A MINUTE TO GO THROUGH AND CALCULATE ALL THE DEADLINES.

MR. SERRANO-SEWELL: WHAT HAS TO HAPPEN -- I THINK THIS IS WHAT YOU'RE ASKING, BOB. WHAT IS THIS 45 DAYS? IS THAT JUST THE PUBLIC COMMENT PERIOD?

CHAIRMAN KLEIN: THAT'S WHAT I'M TRYING TO UNDERSTAND. JAMES, CAN YOU ADD TO THIS UNDERSTANDING?

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MR. HARRISON: THE 45 DAYS IS THE PUBLIC COMMENT PERIOD. IT'S NOT THE PERIOD WITHIN WHICH YOU HAVE TO FINALLY ADOPT THE REGULATION.

CHAIRMAN KLEIN: THAT'S VERY HELPFUL.

MR. SERRANO-SEWELL: SO WE COULD AT OUR JUNE MEETING TAKE ACTION, AND WE'LL HAVE SATISFIED THAT 45-DAY COMMENT STATUTORY REQUIREMENT.

CHAIRMAN KLEIN: THAT'S VERY HELPFUL. I APPRECIATE THAT. JOHN SIMPSON.

MR. SIMPSON: JOHN SIMPSON WITH THE FOUNDATION FOR TAXPAYER AND CONSUMER RIGHTS. I OFTEN FIND MYSELF ON THE OPPOSITE SIDE OF MY GOOD FRIENDS FROM CHI AND INVITROGEN AND MR. VALENCIA. IN THIS CASE, I'M COMPLETELY BEHIND THEM. I SHOULD ALSO SAY I HAD A LONG CONVERSATION WITH JOYDEEP GASWAMI FROM INVITROGEN ABOUT THIS VERY ISSUE.

YOU SHOULD PASS IT TODAY, YOU SHOULD, AS AN AMENDMENT. YOU DON'T HAVE TO TAKE ALL OF YOUR PUBLIC COMMENT IN WRITING. YOU SHOULD SET A PUBLIC HEARING BEFORE EITHER YOUR GOVERNANCE COMMITTEE OR YOUR IP COMMITTEE IN WHICH TO DISCUSS AND TO TAKE INFORMATION. AND JUST IT SEEMS THAT THIS WOULD KEEP THINGS GOING FORWARD VERY SMOOTHLY AND ALSO HAVE A FORUM THAT WOULD BE SMALL ENOUGH TO HAVE THE GIVE-AND-TAKE THAT HAS SERVED YOU SO WELL IN IP RULEMAKING POLICY.

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CHAIRMAN KLEIN: JOHN, I OFTEN FIND MYSELF ON THE OTHER SIDE OF THE ISSUE FROM YOU. IN THIS PARTICULAR CASE, I WOULD LIKE TO MOVE THIS FORWARD TO MAKE A MOTION THAT WE ADOPT THIS RESOLUTION TO PLACE IT IN THE ADMINISTRATIVE PROCEDURES ACT AND BEGIN THIS PROCESS. BECAUSE WITH THE UNDERSTANDING I NOW HAVE, WHICH WAS SUBSTANTIALLY DIFFERENT THAN IT WAS BEFORE, I THINK THIS IS AN ADEQUATE PLACE TO START. AND WE HAVE A PROCESS FOR TAKING PUBLIC COMMENT. IS THERE A SECOND TO THAT MOTION?

MR. SHEEHY: SECOND.

CHAIRMAN KLEIN: PUBLIC COMMENT?

DR. PRICE: WELL, I'D LIKE TO AT THIS POINT, UNLESS I'M CONVINCED OTHERWISE, I WOULD VOTE AGAINST THIS AMENDMENT TO THIS RESOLUTION -- THIS MOTION FOR THE FOLLOWING REASON. FIRST, I WANT TO STIPULATE THAT, YES, WE ABSOLUTELY NEED AN OPERATIONAL DEFINITION OF CALIFORNIA SUPPLIER. NO DOUBT ABOUT IT. I DON'T THINK ANYBODY DISAGREES WITH THAT. YES, WE HAVE TO HAVE A PERIOD OF PUBLIC COMMENT IN ORDER TO GET TO A FINAL DEFINITION. AND, YES, THIS HAS GOT TO BE DONE SOONER RATHER THAN LATER. AND, YES, THIS HAS DRAGGED ON TOO LONG.

BUT HAVING SAID ALL OF THAT, IT SEEMS TO ME THAT IT MAKES SENSE THAT IF YOU ARE GOING TO A PUBLIC HEARING PERIOD, YOU SHOULD PROPOSE SOMETHING THAT YOU'RE IN FAVOR

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OF RATHER THAN JUST TAKE SOMETHING WHICH YOU'RE EITHER NOT IN FAVOR OF OR THAT YOU REALLY HAVEN'T THOUGHT VERY HARD ABOUT AND PUT THAT OUT FOR PUBLIC COMMENT. YES, WE OUGHT TO DO ALL OF THIS, BUT I THINK WE SHOULD START WITH A DEFINITION THAT CIRM AND THE ICOC THINKS IS WORKABLE AND HAVE THAT AS THE BASIS FOR THE PUBLIC COMMENT.

CHAIRMAN KLEIN: COMMENTS?

MR. SERRANO-SEWELL: BOB, YOU'RE ABSOLUTELY RIGHT. ARGUABLY THAT WOULD BE THE BEST CASE SCENARIO IN WHICH WE'VE GIVEN THOUGHTFUL CONTEMPLATION TO THIS ISSUE. BUT YOU STIPULATED ONE VERY IMPORTANT POINT, IN MY OPINION. THAT IS, WE HAVEN'T GIVEN THOUGHTFUL CONTEMPLATION TO IT FOR A VARIETY OF REASONS. WHATEVER THE REASON WAS, WE MISSED IT, WE WERE BUSY, THERE WAS A CHANGE, FILL IN THE BLANK.

IN MY MIND WE'RE NOW AT A POINT WHERE WE DO HAVE TO ACT BECAUSE WE'RE HEARING FROM A VERY IMPORTANT STAKEHOLDER, IN MY MIND, AND THAT IS THE STATE LEGISLATURE. THEY HAVE TAKEN TIME OUT OF THEIR SCHEDULE TO APPEAR TODAY. THAT IN AND OF ITSELF DOESN'T CONVINC ME TO DO ANYTHING. THAT'S WHAT THEY GET PAID TO DO. THAT'S THEIR JOB. BUT IT DOES EXPRESS THAT THIS ISSUE IS ON THEIR RADAR SCREEN. WE HAVE A HOST OF ISSUES IN SACRAMENTO THAT WE'RE CONTENDING WITH, AND THIS OUGHT NOT TO BE ONE OF THEM.

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I DON'T KNOW IF WE DID AN INFORMAL POLL IF PEOPLE WOULD AGREE THAT THIS IS A GOOD PLACE TO START OR NOT. I THINK GIVEN THE TOTALITY OF THE SITUATION, AND I THINK -- I DO THINK IT'S A GOOD DEFINITION, BY THE WAY. THAT'S WHAT I PERSONALLY THINK, AND I THINK IT IS A GOOD PLACE TO START, BUT I WOULD HAVE LIKED MORE INFORMATION, AND WE DON'T HAVE IT. SO WE DID GET CORRESPONDENCE FROM MEMBERS OF THE LEGISLATURE. WE WILL GET MORE. THOSE CORRESPONDENCE CAME IN EARLY MARCH. THEY WEREN'T SHARED WITH US. ALL THIS INFORMATION IS SORT OF ROLLING IN. NOW IS THE TIME -- I WOULD AGREE WITH THE CHAIRMAN'S MOTION TO ACCEPT THE PETITION AND START THE ADMINISTRATIVE PROCEDURE ACT PROCESS.

CHAIRMAN KLEIN: WE HAVE --

MR. SERRANO-SEWELL: THOSE ARE MY REASONS.

CHAIRMAN KLEIN: WE HAVE TIME HERE CLEARLY UNTIL JUNE. WE HAVE TIME FOR THOUGHTFUL CONSIDERATION. A NUMBER OF INDIVIDUALS DISCUSSED THIS MOTION WITH US FROM THE LEGISLATURE. THERE ARE LEGITIMATE QUESTIONS HERE ON HOW TO DEFINE THINGS. IS OFFICE MAX, WHO MAY HAVE A HEADQUARTERS IN SOME OTHER STATE, ARE THEY A CALIFORNIA SUPPLIER OR NOT? THESE ARE THE KINDS OF THINGS WE CAN WORK OUT IN THE PROCESS.

EXCUSE ME. I HAD ASKED JEFF SHEEHY TO DEFER FOR A MOMENT, AND THEN I'LL GO TO DR. PIZZO.

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MR. SHEEHY: I JUST WANT TO MAKE THE POINT THAT I READ MY MATERIALS, AND I LOOKED AT THIS, AND I ACTUALLY CONSIDERED THIS ISSUE AND I CAME INTO THIS MEETING TODAY PREPARED TO ADOPT THIS PETITION. NOW, IF OTHER BOARD MEMBERS AREN'T READY TO DO SO, TO TAKE A POSITION EITHER PRO OR CON ON THIS POSITION, THEN THAT SHOULD NOT PENALIZE THESE FOLKS WHO HAVE WAITED TWO YEARS. SO I LOOKED AT IT. THIS IS A VERY SERVICEABLE DEFINITION THAT IS FOUND IN THE TAX CODE.

AND I WOULD NOTE IF YOU LOOK AT WHAT I CONSIDER TO BE THE LEGISLATIVE HISTORY OF THIS MEASURE, THE REASON THIS IS HERE IS SO THAT CALIFORNIA TAXPAYERS CAN RECOUP THROUGH OUR FUNDING SOME OF THE DEBT THAT THEY'RE INCURRING AS PART OF THIS BOND MEASURE. THIS IS IN PROP 71 WITH THE IDEA THAT WE CAN SPEND \$3 BILLION IN CALIFORNIA AND THAT THERE WILL BE SOME RETURN BACK TO CALIFORNIANS THROUGH THE TAX CODE TO PAY THE INTEREST AND FOR THESE BONDS AS THEY COME DUE.

AND I AM VERY IMPRESSED. THIS HAS BEEN MY UNDERSTANDING THROUGHOUT THIS PROCESS AS WE'VE HEARD FROM BUSINESS AND THE IP PROCESS, THAT AT LEAST WHERE TOOLS AND TECHNOLOGIES ARE CONCERNED, WHICH A LOT OF THIS IS WHAT WE'RE TALKING ABOUT, BY FAR AND AWAY CALIFORNIA IS THE BIGGEST PLAYER IN THIS FIELD.

SO THERE'S NOT, I SEE, ANY SERIOUS INHIBITION TO



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AT LEAST USING THIS AS A STARTING POINT TO GO DOWN THIS ROAD. AND I WOULD ALSO REMARK THIS IS A GOAL. THIS IS NOT A HARD AND FAST RULE. THIS IS A GOAL. THIS IS THE PREFERENCE. THAT'S WHY, BY THE WAY, THAT COMMERCE CLAUSE ARGUMENT THAT WE PUT IN THERE IN RESPONSE TO OUR PETITIONERS HAS ABSOLUTELY NO MERIT AS A RESPONSE. WE ARE NOT MAKING A RULE THAT SAYS THAT YOU MUST USE CALIFORNIA SUPPLIERS FOR 50 PERCENT OF WHAT YOU DO. WE'RE SAYING TRY, AND IF YOU CAN'T, COME BACK WITH A REASON. I THINK THE FACT THAT YOU WOULD HAVE A SUBSTANTIAL PRICE DIFFERENCE IS A GOOD AND VALID REASON THAT WE WOULD ALL ACCEPT.

WE DON'T WANT TO WASTE MONEY, AND I DON'T THINK THE TAXPAYERS WANT US TO WASTE MONEY. IF YOU'RE GOING TO GET AN INFERIOR PRODUCT, I THINK THAT'S REASONABLE. WE CAN ALL THINK OF WHAT WE WOULD ALL CONSIDER BROADLY AS REASONABLE MEASURES. SO I CAN SEE NO JUSTIFICATION FOR NOT GOING AHEAD WITH THIS PETITION MYSELF.

CHAIRMAN KLEIN: ALL RIGHT. WE HAVE DR. PIZZO, THEN DR. BRYANT.

DR. PIZZO: I THINK THAT BOTH JEFF AND YOU, BOB, MAY HAVE BROUGHT SOME CLARITY TO MY CONCERN, WHICH IS THIS IS A MERITORIOUS PROPOSITION, BUT AT THIS POINT IT'S NOT BINDING.

CHAIRMAN KLEIN: THAT'S RIGHT.

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DR. PIZZO: WE REALLY DO HAVE AN OPPORTUNITY TO BETTER UNDERSTAND AND MODIFY IT AS WE GO FORWARD, AMONG WHICH WOULD BE UNDERSTANDING WHAT THE IMPLICATIONS WERE, JUST FOLLOWING JEFF'S LAST EXAMPLE. IF THERE WAS SOMETHING THAT, QUOTE, DIDN'T FIT THE STANDARD, IT WOULD BE IMPORTANT TO KNOW HOW THAT WOULD BE DETERMINED SO THAT IF SOMEONE CAME FORWARD AND SAID THIS IS A BETTER PRODUCT OR A CHEAPER COST, WE DON'T WANT TO OVERWASTE OR OVERLY BUREAUCRATIZE AND WASTE TIME OF OUR STAFF. THOSE KINDS OF DETAILS, I IMAGINE, WE CAN COME TO WHEN WE FINALLY ACT ON THIS IN JUNE.

CHAIRMAN KLEIN: ABSOLUTELY. NEITHER DR. PENHOET OR I UNDERSTOOD THAT OPTION BEFORE. I THINK WE CLEARLY UNDERSTAND IT NOW, SO WE'RE LEARNING AS WE GO.

DR. BRYANT: SO I JUST HAVE A COMMENT. JUST TO MAKE SURE THAT THIS ISN'T GOING TO BE TOO RESTRICTIVE, I KNOW THAT IT'S JUST GUIDANCE. NEVERTHELESS, I MEAN WOULDN'T -- IF THERE WERE A COMPANY THAT WAS HEADQUARTERED ELSEWHERE, BUT SOLD PRODUCTS IN CALIFORNIA, THERE WOULD BE PEOPLE EMPLOYED IN THAT BUSINESS IN CALIFORNIA, AND THERE WOULD BE TAXES PAID IN CALIFORNIA. SO I WOULD SAY THAT THIS -- MAYBE THIS IS THE FIRST PRIORITY, BUT AS A SECOND PRIORITY, IF YOU CAN'T BUY IT FROM A CALIFORNIA-OWNED COMPANY, AT LEAST BUY IT IN CALIFORNIA IF YOU CAN. AND THEN THAT WOULD GIVE MORE

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FLEXIBILITY.

CHAIRMAN KLEIN: CALIFORNIA SUPPLIER DID NOT NECESSARILY MEAN CALIFORNIA OWNED. THIS DEFINITION STARTS THERE.

DR. BRYANT: THIS DEFINITION.

CHAIRMAN KLEIN: THAT WAS MY OFFICE MAX EXAMPLE. SO I THINK WE'RE GOING TO HAVE TO THOUGHTFULLY LOOK AT THIS BECAUSE THERE'S A HUGE AMOUNT OF TAX REVENUES AND EMPLOYMENT GENERATED IN CALIFORNIA BY COMPANIES THAT ARE NOT NECESSARILY OWNED IN CALIFORNIA. WE NEED TO THOUGHTFULLY LOOK AT THESE OPTIONS. WE HAVE TIME TO DO IT. THESE PEOPLE HAVE WAITED PATIENTLY FOR A LONG TIME. NOW THAT WE UNDERSTAND WE HAVE THE TIME TO THOUGHTFULLY LOOK AT IT, I THINK WE SHOULD START THE PROCESS BECAUSE EVEN THE INSTITUTIONS NEED THIS DIRECTION.

MR. ROTH: IF I COULD JUST QUICKLY ADDRESS SUSAN AND FIELD YOUR QUESTION. THE REASON, IT'S 50 PERCENT YOU HAVE TO JUSTIFY; THE OTHER 50 PERCENT DO WITH WHAT YOU WANT. BUT YOU'RE GOING TO HAVE TO HAVE A PRETTY TIGHT DEFINITION OF A CALIFORNIA SUPPLIER FOR THAT 50 PERCENT. THEN IF YOU WANT TO DO BUSINESS WITH PEOPLE THAT HAVE SALESPEOPLE HERE OR A SALES OFFICE, JUST SAY THAT'S MY OTHER 50 PERCENT. YOU'RE GOING TO HAVE TO HAVE A TIGHT DEFINITION OR WE'LL NEVER COME UP WITH SOMETHING THAT WORKS. THAT'S WHY USING SOMETHING THAT'S ALREADY BEEN

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REALLY PRETTY THOROUGHLY SCRUTINIZED FOR THE 50-PERCENT GOAL AND, AGAIN, EVEN IF YOU DON'T HIT IT, YOU CAN STILL JUSTIFY WHY NOT.

CHAIRMAN KLEIN: WE HAVE COMMENTS. ANYONE -- YOU HAVE A PRESSING COMMENT, JOAN?

MS. SAMUELSON: WELL, I WANTED POSE IT TO A COUPLE OF THE WITNESSES, JOHN SIMPSON AND THE WOMAN FROM INVITROGEN, BECAUSE I WAS HEARING FROM THEM THAT THE DRAFT LANGUAGE WILL NOT IN ANY MEASURABLE EXTENT SLOW OR MAKE MORE DIFFICULT THE DRIVE TO A CURE BY A SCIENTIST, SCIENTIFIC TEAM. IF THAT'S THE CASE, TERRIFIC, WE'RE ALL ON THE SAME SIDE. I'M ALSO A TAXPAYER AND A CONSUMER AND SO ON.

BUT I DON'T KNOW THAT FOR A FACT. AND I THINK GIVEN THAT OUR MISSION IS TO BE LOYAL TO THE OVERRIDING CONCERN OF PROP 71, THAT WE SHOULDN'T FEEL GUILTY -- MAYBE WE SHOULD FEEL GUILTY ABOUT HAVING LET SOMETHING FALL THROUGH THE CRACKS, AND I'LL HELP APOLOGIZE FOR THAT, BUT THAT'S NOT A REASON TO PASS SOMETHING THAT'S GOING TO ADD A LITTLE BIT TO A SLIPPERY SLOPE THAT WITH PI PROBLEMS AND SUFFICIENT INCENTIVES FOR INDUSTRY AND PATIENT ACCESS AND SCIENTIFIC DIFFICULTY AND YADA, YADA, YADA, WE'RE NEVER GOING TO GET CURES.

CHAIRMAN KLEIN: THIS IS A DUE DILIGENCE PROCESS. SO WHAT WE NEED IS WE NEED A STARTING POINT TO

## BARRISTERS' REPORTING SERVICE

GET REACTION TO IT, AND THAT'S WHAT IT PROVIDES US.

DR. TROUNSON: I'D JUST LIKE TO MAKE A COUPLE OF COMMENTS. ONE WE ACTUALLY DON'T KNOW. HAVING BEEN A LAB SCIENTIST, I DO KNOW SOMETIMES THERE'S A VERY STRONG PREFERENCE IN THE LAB TOWARD SOMETHING. AND IT MAY BE THE SALES THAT DRIVE ALL YOUR EXPERIMENTS, SO YOU MIGHT END UP ON THE WRONG SIDE OF 50 PERCENT IF YOU HAD THAT. I DON'T KNOW. IT'S PROBABLY RARE, BUT I DON'T KNOW.

THE THING THAT I THINK WE NEED TO KEEP IN MIND IS THE COMPLIANCE ISSUE BECAUSE WHATEVER THE DEFINITION IS, WE'VE GOT TO GET THE INSTITUTIONS TO BE ABLE TO GIVE US FEEDBACK. I DON'T WANT TO HAVE TO SEND STAFF OUT THERE TO GO AND LOOK AT EVERY ORDER IN THE INSTITUTES. WHAT WE NEED IS A DEFINITION WHICH IS ABLE TO BE REPORTED ON IN A REASONABLY COMPLIANT WAY.

SO THE INSTITUTIONS MUST HAVE A ROLE IN THIS. OTHERWISE YOU ARE JUST GOING TO CREATE A HECK OF A LOT MORE WORK FOR A LITTLE BENEFIT. AND SO I THINK THE INSTITUTIONS MUST BE INVOLVED IN THIS BECAUSE IT'S OKAY WITH ME. IT'S MORE ABOUT WHAT THE COMPLIANCE, HOW ACTUALLY YOU DETERMINE HOW COMPLIANT WE'RE BEING BECAUSE THAT'S THE REAL ISSUE HERE.

CHAIRMAN KLEIN: DR. TROUNSON, SPEAKING INDIVIDUALLY FROM THE LEGISLATIVE INTENT OF THE INITIATIVE, IF A SCIENTIST FEELS THAT A STEM CELL LINE IS

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SUPERIOR, THEY SHOULD BE USING THAT. SO THIS IS NOT INTENDED TO IMPAIR THE SCIENCE OR COMPROMISE THE QUALITY OF SCIENCE. IT'S IN THE INTEREST OF ALL CALIFORNIA FAMILIES TO GET THE SCIENCE RIGHT AS A PRIORITY. OKAY.

SO WE'VE HAD A VERY GOOD DISCUSSION. WE'VE HAD GREAT PUBLIC INPUT. I'VE LEARNED A LOT IN THIS PROCESS. I THANK YOU. AND WHAT I'D LIKE TO DO IS CALL THE QUESTION, IF WE COULD, AFTER THE MOTION IS RESTATED. COULD THE MOTION BE RESTATED?

DR. HENDERSON: COULD I JUST ASK ONE QUESTION BEFORE -- I JUST WANT TO PICK UP ON ONE ISSUE THAT'S BEEN RAISED; THAT IS, HOW THIS ACTUALLY IS GOING TO BE PUT INTO EFFECT. I CAN SEE -- I'M AN INVESTIGATOR IN A LAB. AND I'VE GOT GRADUATE STUDENTS AND POST DOCS, AND I'M TRYING TO DO RESEARCH. HOW DO I ACTUALLY DO THIS, ENSURE THAT 50 PERCENT OF OUR PRODUCTS ARE CALIFORNIA WHATEVER? AND HOW AM I GOING TO BE AUDITED BY WHOM? WHO'S TAKING RESPONSIBILITY FOR MY LAB DOING THINGS BECAUSE IT'S UNLIKELY I'M GOING TO? I DON'T HAVE A CLUE WHAT'S GOING ON IN TERMS OF PURCHASING SUPPLIES IN MY LAB. SO HOW IS THIS GOING TO ACTUALLY BE IMPLEMENTED IN OUR INSTITUTIONS BECAUSE THIS IS SOMETHING -- I THINK WE'RE ALL FOR IT. LOOK, I THINK IT'S THE GREATEST THING SINCE MOTHERHOOD AND APPLE PIE, AS SOMEONE SAID, AND WE'RE PROBABLY ALL DOING IT ANYWAY, AND WE'RE PROBABLY ALL GOING TO DO IT

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ANYWAY.

I CAN SEE AT THE IMPLEMENTATION LEVEL, IF WE HAVE TO BE SURE THIS IS INVESTIGATORS AND CIRM HAS TO AUDIT US TO BE HELD TO THIS STANDARD, THAT WE COULD SPEND AN AWFUL LOT OF TIME ON THIS PROBLEM. SO I JUST WANT TO KNOW HOW IT'S GOING TO BE IMPLEMENTED.

CHAIRMAN KLEIN: TWO THINGS, DR. HENDERSON. LET ME TRY AND INFORMATIONALLY ANSWER YOUR QUESTION, AND THEN GET DR. PENHOET. THIS IS IN EFFECT NOW. PART OF THE NEED FOR URGENCY IS THAT THIS IS IN THE INITIATIVE AND WE HAVE IT IN THE GAP POLICY YOU'RE SUPPOSED TO REPORT ANNUALLY. THE PROBLEM IS HOW DO YOU REPORT WHEN YOU DON'T HAVE A DEFINITION?

SO THE KEY HERE IS THIS SHOULD HELP BY PROVIDING GOOD DEFINITION IN THAT REPORTING PROCESS. AND WE DO NEED TO WORK OUT THE MECHANICS IN THIS TIME PERIOD. INFORMATION GATHERED FROM THE INSTITUTIONS ON THE MECHANICS IS GOING TO BE VERY IMPORTANT SO WE HAVE A LOW COST, NOT A COST BURDEN TYPE OF TRANSACTIONAL IMPLEMENTATION.

DR. PENHOET: I WAS JUST GOING TO POINT OUT ONE ADVANTAGE OF HAVING A CLEAR DEFINITION IS WE WOULD THEN BE ABLE TO CREATE A LIST OF QUALIFIED SUPPLIERS UNDER THIS DEFINITION. AND I'M SURE THERE'S NO SUPPLIER IN THE STATE WHO WON'T BE QUITE HAPPY TO PUT THEIR NAME ON THE

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LIST, SO WE CAN SEND TO EVERY GRANTEE A LIST OF QUALIFYING SUPPLIERS. THEY' LL HAVE THE LIST. IT'S AN EASY WAY FOR THEM TO DECIDE.

MR. ROTH: ED, IF I COULD JUST ADD, IN TERMS OF DR. HENDERSON'S QUESTION, MOST JOB ACCOUNTING SOFTWARE NOW ALREADY TRACKS TO THE BUDGET WHERE THINGS ARE COMING FROM. I THINK THIS ISN'T GOING TO BE UNDUE BURDEN ON THE INSTITUTIONS AT ALL.

CHAIRMAN KLEIN: WELL, WE'VE LEARNED A LOT. I'D LIKE TO CALL THE QUESTION IF I COULD.

MS. PACHTER: THE MOTION IS TO GRANT THE PETITION.

CHAIRMAN KLEIN: AND BEGIN THE ADMINISTRATIVE PROCEDURES ACT PROCESS WITH THE UNDERSTANDING THAT WE MAY BRING THIS BACK IN MAY OR JUNE, DEPENDING UPON OUR TIMING.

MS. PACHTER: OKAY.

CHAIRMAN KLEIN: THE MOTION HAS BEEN MADE AND SECONDED, SO THE QUESTION IS I'D LIKE TO CALL THE QUESTION AT THIS POINT. ALL IN FAVOR? OPPOSED?

MS. SAMUELSON: NO.

CHAIRMAN KLEIN: THANK YOU. WE LEARN AS WE GO. I'M GOING TO SKIP ITEM 14. ITEM 15, I BELIEVE, WE NEED TO HANDLE. CAN I HAVE THE STAFF PRESENTATION ON ITEM 15. IT'S IMPORTANT GENERALLY TO MAKE CERTAIN THAT WE UPDATE



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OUR SALARY RANGES SO IN OUR AUDITS OUR AUDITING CAN SEE THE APPROPRIATE RANGES ARE BEING RECOGNIZED BY THE BOARD.

MS. LANSING: THIS IS MINE.

CHAIRMAN KLEIN: IN ORDER FOR THE PROPER ATTENTION FOR THE CHAIRMAN OF THE GOVERNANCE COMMITTEE, IT'S BEEN REQUESTED WE HAVE A FIVE-MINUTE BREAK.

(A RECESS WAS TAKEN.)

CHAIRMAN KLEIN: ALL RIGHT. IF THE BOARD COULD RECONVENE. ALL RIGHT. COULD THE PRESTIGIOUS CHAIR OF THE GOVERNANCE COMMITTEE PLEASE INTRODUCE THIS ITEM.

MS. LANSING: THE VERY HUNGRY CHAIR OF THE GOVERNANCE COMMITTEE. THE GOVERNANCE SUBCOMMITTEE MET ON FEBRUARY 20TH, AND WE DISCUSSED SOME POTENTIAL CHANGES TO SOME OF THE CIRM SALARY RANGES. NOT TO SPECIFIC SALARIES, I WANT TO STATE, FOR INDIVIDUALS, BUT CHANGES SIMPLY TO THE RANGES.

WE ARE AWARE OF THE CURRENT STATE BUDGET SITUATION; AND ALONG WITH CIRM'S TRACK RECORD AS A GOOD AND FRUGAL STEWARD OF THE STATE'S FUNDS, FOR THREE YEARS WE'VE BEEN KEEPING THE OVERHEAD BUDGET SIGNIFICANTLY LOWER THAN WHAT IS AUTHORIZED BY PROPOSITION 71. BECAUSE OF THIS, THE GOVERNANCE SUBCOMMITTEE THOUGHT IT WISE TO BALANCE THE NEEDS OF CIRM WITH BEST PRACTICES IN TERMS OF OUR SALARY RANGES.

TO MEET THE NEEDS OF BOTH CIRM AND ITS SPECIFIC

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STAFFING NEEDS, GIVEN THE RECRUITING LIMITATIONS AND THE NEEDS OF THE STATE, THE SUBCOMMITTEE CAME TO A GROUP SENSE, THIS WAS THE SENSE OF THE GROUP BECAUSE WE DID NOT HAVE A QUORUM FOR THE FULL MEETING, THAT THE RANGES SHOULD BE ADJUSTED UPWARD. AND THIS WAS IN LIGHT OF THE MERCER SALARY SURVEY RESULTS AS REQUIRED BY THE BSA AUDIT. AND THEY PROVIDED GUIDANCE ON HOW THAT SHOULD BE DONE.

SO I'D NOW LIKE TO ASK ALEXANDRA TO WALK US THROUGH THE DETAILS ON THE CHANGES TO THE SUBCOMMITTEE, THE CHANGES THAT THE SUBCOMMITTEE ASKED THE CIRM STAFF TO MAKE AND OUR RECOMMENDATION. THIS IS REALLY A SENSE OF THE COMMITTEE, BUT IT WAS A UNANIMOUS SENSE OF THE COMMITTEE. AND WE'D LIKE IT FOR CONSIDERATION BY THE ICOC.

PLEASE LOOK AT THE TAB, THERE'S DOCUMENTS BEHIND ITEM 15 AS ALEXANDRA WALKS US THROUGH THIS INFORMATION.

MS. CAMPE: THANK YOU, SHERRY, AND THANK YOU, MEMBERS OF THE BOARD. I'D LIKE TO GIVE A LITTLE QUICK HISTORY ON OUR EXPERIENCES. IN THE SPRING OF 2007, CIRM DID ISSUE A REQUEST FOR PROPOSAL TO CONTRACT WITH AN EXPERIENCED FIRM FOR THE REVIEW AND SURVEY OF ALL BUDGETED CIRM POSITIONS. CIRM RECEIVED TWO RESPONSIVE BIDS AND SIGNED A CONTRACT WITH MERCER HUMAN RESOURCES CONSULTING ON APRIL 30TH, 2007. IN ADDITION, CIRM HAS

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DOCUMENTED SALARY ADMINISTRATION PHILOSOPHY AND PRACTICE.

UNDER ITS TOTAL COMPENSATION PHILOSOPHY ADOPTED IN JANUARY 2008, CIRM WILL TARGET BASE PAY AT THE 80TH PERCENTILE OF RELEVANT MARKET DATA FOR COMPARABLE POSITIONS IN ORGANIZATIONS DEFINED BY PROPOSITION 71. A COPY OF THE COMPENSATION PHILOSOPHY HAS BEEN PROVIDED TO YOU AND WAS RECENTLY UPDATED AND IT IS INCLUDED IN YOUR PACKET TODAY.

MERCER DELIVERED ITS FINAL REPORT TO CIRM ON JANUARY 14, 2008, AND WITHIN THE REPORT INCLUDED A LIST OF PARTICIPATING ORGANIZATIONS THAT HAVE BEEN PROVIDED TO YOU THIS MORNING.

SO TODAY WE ARE ACTUALLY REQUESTING APPROVAL OF CHANGES TO SALARY LEVELS 9 AND 10 AND SCIENTIFIC OFFICER I AND II POSITIONS, WHICH PERTAIN TO POSITIONS THAT ARE BEING CONSIDERED TO HIRE SOON OR NEEDED IMMEDIATE UPGRADING. THE REQUESTED CHANGES ARE REFLECTED ON THE SPREADSHEET PROVIDED TO YOU. THE INSTITUTE IS CURRENTLY REVIEWING ALL JOB DESCRIPTIONS TO IMPROVE ACCURACY AND CONSISTENCY. CIRM IS IN THE PROCESS OF EVALUATING MERCER'S DATA TO ENSURE THE JOB DESCRIPTIONS USED WERE ACCURATE BASED ON CURRENT EXPECTATIONS AND WILL REQUEST APPROVAL OF CHANGES TO OTHER SALARY LEVELS LATER THIS YEAR.

AS YOU KNOW, FOR CIRM TO BE SUCCESSFUL, WE NEED

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TO HIRE AND RETAIN AN EXCEPTIONAL GROUP OF EMPLOYEES TO CARRY OUT OUR SCIENTIFIC AND ADMINISTRATIVE FUNCTIONS. WE RELY ON TOTAL COMPENSATION STRUCTURE TO OFFER EMPLOYEE CAREER GROWTH AND PAY OPPORTUNITIES. A COMPETITIVE COMPENSATION PROGRAM ENHANCES OUR ABILITY TO ATTRACT, RETAIN, AND MOTIVATE A DIVERSE GROUP OF TALENTED INDIVIDUALS. AS YOU KNOW, CIRM DOES NOT PROVIDE A LONG-TERM CAREER PATH OR ADVANCEMENT FOR STAFF WITHIN CIRM DUE TO LIMITED NUMBER OF POSITIONS DEFINED BY LAW TO BE WITHIN CIRM'S STRUCTURE.

SO IF WE TAKE A LOOK AT THE SPREADSHEET, WE'D LIKE TO ESTABLISH THE TOP SALARY LEVELS 9 AND 10 AS EXECUTIVE IN TERMS OF THE DEFINITION OF TYPE OF POSITION. FOR THE TOP TWO SALARY LEVEL RANGES, 9 AND 10, THE RANGE SPREADS. THE MINIMUM OF THE RANGE WILL NOT CHANGE. WE DID NOT SUGGEST OR PROPOSE A CHANGE IN THE MINIMUM OF THE RANGE, BUT THE MAXIMUM WILL INCREASE BASED ON A 2008 MERCER SALARY SURVEY DATA. THE WIDER SALARY RANGE PROPOSAL IS CONSISTENT WITH EXECUTIVE LEVEL POSITIONS AT THE UNIVERSITY OF CALIFORNIA AND ELSEWHERE.

SO BASED ON THE FEEDBACK THAT WE RECEIVED FROM THE GOVERNANCE SUBCOMMITTEE ON FEBRUARY 21ST, THE EXECUTIVE LEVEL POSITIONS WILL NOT TARGET THE 80TH PERCENTILE. INSTEAD, THE MAXIMUM OF THE SALARY RANGE WILL BE ADJUSTED DOWN TO TARGET THE 53D PERCENTILE LEVEL

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FOR LEVEL 10, WHICH IS THE ICOC CHAIR AND THE CIRM PRESIDENT. IT WILL TARGET THE 65TH PERCENTILE FOR THE VICE CHAIR, THE CHIEF SCIENTIFIC OFFICER, AND THE CHIEF OPERATING OFFICER, AND SLIGHTLY OVER THE 50TH PERCENTILE FOR THE GENERAL COUNSEL OR THE IP PROPERTY TRANSACTION ATTORNEY POSITION.

THE 75TH PERCENTILE THAT WE RECEIVED FROM MERCER WAS USED TARGET THE TOP OF THE CIRM SALARY RANGES FOR THE SCIENTIFIC OFFICER I AND II. FOR EXAMPLE, THE 75TH PERCENTILE SALARY DATA FROM THE MERCER SALARY SURVEY FOR THE SENIOR SCIENTIST IS 164,575. THE NEW RANGE WAS ADJUSTED UP JUST 10 PERCENT, BUT REMAINS A 50-PERCENT SPREAD, SO THE SPREAD OF THE RANGE HAS NOT CHANGED. THE OLD RANGE WAS A HUNDRED TO 150,000. WE'RE PROPOSING THE NEW RANGE START AT 110,000 AND THE MAXIMUM BEING 165, WHICH IS JUST A SMIDGEON ABOVE THE 75TH PERCENTILE THAT WAS PROVIDED TO US BY THE MERCER SALARY SURVEY.

IS THERE ANY QUESTIONS?

MR. SHEEHY: I JUST HAD A QUESTION. SINCE WE'VE ADOPTED THESE, THESE ARE NOT INDEXED. SO WHEN WE ADOPTED THESE, THESE WERE FIXED. SO PART OF THIS IS PROBABLY NECESSARY TO CATCH -- WE'RE RUNNING IN SAN FRANCISCO PROBABLY BETWEEN 3 TO 5 PERCENT INFLATION RATE, SO SOME OF THIS IS JUST KEEPING PACE WITH WHAT WE'VE BEEN DOING. I LOOK AT THESE NUMBERS. ACTUALLY SOME OF THEM SEEM A

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LITTLE LOW. WE'RE PROBABLY ACTUALLY IN REAL TERMS, ESPECIALLY AT, I THINK, THE LOWEST LEVEL, I LOOK AT THIS, WE'RE ONLY DOING A 10-PERCENT INCREASE IN THE INFLATION. THAT DOESN'T EVEN BEGIN TO CAPTURE THE RATE OF INFLATION.

SO GIVEN THAT WE DON'T INDEX THESE TO BEGIN WITH, SOME OF THIS IS JUST NATURAL PROGRESSION WITH THE DECLINE IN THE VALUE OF MONEY OVER TIME.

MS. CAMPE: GOOD POINT. THIS IS ALSO TRYING TO ADDRESS THE NEWEST SALARY DATA WE GOT THAT WAS TWO YEARS AFTER THE ORIGINAL SALARY DATA THAT WE GOT IN 2005.

MS. LANSING: ARE THERE ANY OTHER QUESTIONS OR COMMENTS FROM THE ICOC MEMBERS?

DR. LOVE: THE CURRENT SALARY STUDY THAT WE DID, IS THE DATA AGED APPROPRIATELY TO MAKE SURE THAT IT'S REALLY REPRESENTING TODAY?

MS. CAMPE: MERCER CONFIRMED THAT, YES.

MS. LANSING: ANY OTHER QUESTIONS? THANK YOU, ALEXANDRA. THAT WAS A GREAT REPORT. CAN I HAVE QUESTIONS OR COMMENTS FROM THE PUBLIC? WELL, SEEING AS THERE ARE NONE, IS THERE A MOTION TO APPROVE THESE CHANGES TO THE CIRM?

MR. SERRANO-SEWELL: SO MOVED.

DR. LOVE: SECOND.

MS. LANSING: DO I NEED TO DO A ROLL CALL OR ALL IN FAVOR. ALL IN FAVOR? ANY OPPOSED? MOTION CARRIES.

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I WANT THANK THE ICOC AND THE GOVERNANCE SUBCOMMITTEE FOR ITS CONTINUED SERVICE TO THE CIRM AND THE STATE AS WE CONTINUE TO FOLLOW AND TRY TO DEVELOP THE BEST POLICIES AND THE MOST CONSERVATIVE POLICIES FOR ALL US. THANK YOU FOR YOUR TIME.

CHAIRMAN KLEIN: THANK YOU, MADAM CHAIRMAN. WE WILL NOW GO INTO A CLOSED SESSION, AND THE CLOSED SESSION WILL BE FOR DISCUSSION OF PERSONNEL AND PENDING LITIGATION. THE DISCUSSION OF PERSONNEL WILL BE UNDER GOVERNMENT CODE SECTION 11126 AND HEALTH AND SAFETY CODE SECTION 125290.30 AND THE APPROPRIATE SUBDIVISIONS OF BOTH OF THOSE. DO I HAVE TO STATE THE SUBDIVISION? NO. THANK YOU VERY MUCH.

IN TERMS OF PENDING LITIGATION, THE GOVERNMENT CODE SECTION IS 11126 AND APPROPRIATE SUBDIVISIONS, INCLUDING THE MARY SCOTT DOE VS. ROBERT KLEIN. I THINK THE GOVERNOR IS IN THAT LIST TOO, SO I'M IN GOOD COMPANY. THIS IS THE FEDERAL CASE AT ISSUE IN OTHER LITIGATION.

SO, STAFF, WOULD YOU DIRECT US AS TO WHERE WE SHOULD BE FOR THE EXECUTIVE SESSION?

MS. KING: YES. WE'RE GOING DOWNSTAIRS, THE SAME PLACE WE WERE FOR BREAKFAST THIS MORNING, SO IT'S DOWN THE BACK STAIRS OVER TO MY LEFT.

CHAIRMAN KLEIN: SO WE WOULD HOPE TO BE BACK HERE IN THE NEXT 40 MINUTES, 35 IF WE CAN DO IT.

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(A RECESS WAS TAKEN.)

CHAIRMAN KLEIN: ALL RIGHT. I THINK WE HAVE A QUORUM; IS THAT CORRECT? IF THE BOARD COULD TAKE THEIR POSITIONS, WE NEED ALL OF YOU FOR A VOTE. ALL RIGHT. WHERE ARE WE IN TERMS OF QUORUM? ALL RIGHT. I THINK WE HAVE A QUORUM; IS THAT CORRECT?

MS. KING: THAT IS CORRECT.

CHAIRMAN KLEIN: COMING FROM CLOSED SESSION, WE HAVE AN ITEM TO REPORT, OUR PUBLIC REPORT. THAT ITEM DEALS WITH A NEW STAFF MEMBER. DR. TROUNSON, WOULD YOU LIKE TO ADDRESS THAT ITEM?

DR. TROUNSON: THANK YOU, MR. CHAIRMAN. I'D ASK YOU AND THE BOARD TO GIVE AN INDICATION TO US OF YOUR APPROVAL TO APPOINT DR. MARIE CSETE AS CHIEF SCIENTIFIC OFFICER OF CIRM AT A SALARY OF 310,000 PER ANNUM.

CHAIRMAN KLEIN: AND, DR. TROUNSON, WOULD YOU LIKE TO, FOR THE BENEFIT OF THE PUBLIC, JUST GIVE US A SHORT BIOSKETCH ON DR. MARIE CSETE.

DR. TROUNSON: SURE. SO DR. CSETE IS THE JOHN E. STEINHAUS PROFESSOR OF ANESTHESIOLOGY AT EMORY UNIVERSITY AND HOLDS ADJUNCT APPOINTMENTS IN CELL BIOLOGY AND PROGRAM FACULTY APPOINTMENTS IN BIOCHEMISTRY, CELL, AND DEVELOPMENTAL BIOLOGY, NEUROSCIENCES, AND THE EMORY GA TECH MEDICAL ENGINEERING PROGRAM. SHE'S ALSO THE DIRECTOR OF LIVER TRANSPLANT ANESTHESIOLOGY AT EMORY



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UNIVERSITY HOSPITAL IN ATLANTA AND DIRECTOR OF THE EMORY GA TECH HUMAN EMBRYONIC STEM CELL CORE AND CODIRECTOR OF THE EMORY M. D. , PH. D. PROGRAM.

SHE'S LED AND PARTICIPATED IN NUMEROUS CLINICAL STUDIES RELATING TO PATIENTS WITH END-STAGE LIVER DISEASE AND SERVED ON THE EDITORIAL BOARD OF *LIVER TRANSPLANTATION* AND KEEPS ACTIVELY INVOLVED IN CLINICAL RESEARCH IN THE TRANSPLANT SERVICE. SHE SERVES ON THE CIRM WORKING GROUP AND HAS SERVED ON A NUMBER OF EDITORIAL BOARDS, INCLUDING JOURNALS THAT ARE WELL-KNOWN, SUCH AS *PLUS ONE*, *ANESTHESIA AND ANALGESIA*, AND *AGING*, AND ON THE NIH STUDY SECTION ON CELLULAR MECHANISM OF AGING AND DEVELOPMENT.

SHE'S ORIGINALLY A GRADUATE OF PRINCETON UNIVERSITY IN MUSIC, MR. CHAIRMAN, SO THAT WILL IMPROVE OUR QUALITY AT HOME CONSIDERABLY. SHE RECEIVED AN M. D. FROM COLUMBIA UNIVERSITY COLLEGE OF PHYSICIANS AND SURGEONS. AND AFTER RESIDENCY AND FELLOWSHIP TRAINING AT THE MASS GENERAL HOSPITAL AND ELIZABETH'S HOSPITAL IN BOSTON, SHE WAS ASSISTANT PROFESSOR IN RESIDENCE AT UCSF WHERE SHE DIRECTED THE LIVER TRANSPLANT ANESTHESIOLOGY TEAM. AT UCLA SHE BECAME ASSOCIATE PROFESSOR IN RESIDENCE IN ANESTHESIOLOGY AND CONTINUED TO DIRECT THE TRANSPLANT TEAM.

AFTER A SABBATICAL YEAR AT CALTECH, DR. CSETE

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ENTERED A PH. D. PROGRAM WHERE HER WORK WAS FOCUSED ON THE ROLE OF PHYSIOLOGIC GASES AND STEM CELLS. SHE RECEIVED A PH. D. FROM CALTECH IN 2000. HER THESIS WAS AWARDED THE CLAUSER PRIZE, WHICH IS A BEST CAMPUSWIDE THESIS, PH. D. THESIS. SHE'S ESTABLISHED A LABORATORY AT THE UNIVERSITY OF MICHIGAN TO CONTINUE THIS WORK AND THEN WAS RECRUITED TO THE STEINHAUS CHAIR IN 2003 BY EMORY.

SHE'S JUST GOT A REALLY GREAT BACKGROUND FOR WHAT WE NEED, AND IT'S CLEAR THAT, YOU KNOW, THE CAPACITY WE NEED IN THE CLINICAL SIDE MOVING INTO THE CLINICAL PROGRAMS IS WHERE SHE'LL HAVE HER FOCUS, AND SHE'LL LEAD CIRM IN THAT REGARD. I FIND HER AN EXTREMELY GOOD PERSON AND A PERSON OF EXTREMELY HIGH QUALITY, AND I COULD NOT THINK OF A BETTER EXECUTIVE APPOINTMENT THAN MARIE CSETE.

CHAIRMAN KLEIN: I THINK THAT THOSE OF US WHO SERVED ON THE PEER REVIEW COMMITTEE WITH HER FEEL THAT SHE HAS GIVEN EXTRAORDINARY COMMITMENT, AND HER COMMENTS AND INSIGHTS ARE VERY, VERY MUCH REPRESENTATIVE OF THE KIND OF QUALITY THAT YOU REFERENCED IN HER BIOLOGICAL BACKGROUND AND HER CAREER DEVELOPMENT. SO IF THERE'S OTHER BOARD MEMBERS WHO'D LIKE TO COMMENT OR IF THERE IS A MOTION IN ORDER. DAVID SERRANO-SEWELL.

MR. SERRANO-SEWELL: MR. CHAIRMAN, I WOULD MOVE TO ACCEPT PRESIDENT TROUNSON'S RECOMMENDATION TO APPOINT MARIE CSETE AS THE CIRM CHIEF SCIENTIFIC OFFICER AT A PAY

**BARRISTERS' REPORTING SERVICE**

SCALE OF 310,000 A YEAR.

DR. TROUNSON: MR. CHAIRMAN, JUST BEFORE. IT'S BEEN DRAWN TO MY ATTENTION THAT THERE'S A SALARY AT 310,000, BUT THERE IS A 20,000 RELOCATION ALLOWANCE THAT NEEDS TO BE CONSIDERED IN OPEN SESSION. I'M SORRY.

MR. SERRANO-SEWELL: PRESIDENT TROUNSON, I'LL ADD THAT TO MY MOTION TO INCLUDE THE \$20,000 RELOCATION REIMBURSEMENT.

CHAIRMAN KLEIN: IS THERE A SECOND TO THAT?

MR. SHEEHY: SECOND.

CHAIRMAN KLEIN: ADDITIONAL COMMENT?

MR. SHEEHY: I JUST WANTED TO SAY BRIEFLY BECAUSE IT'S EASY TO TALK ABOUT PEOPLE'S SCIENTIFIC QUALIFICATIONS. I KNOW HOW MANY PEOPLE, LOOKING AT THE PUBLIC, ENJOYED WORKING WITH DR. CHIU. AND THIS IS ANOTHER PERSON WHO IS VERY OPEN AND VERY -- YOU ARE GOING TO ENJOY KNOWING HER. I HAVE IN THE TIME I'VE BEEN ON THE WORKING GROUP WITH HER. SHE'S COMMITTED TO OUR MISSION. SHE'S PUT IN LONG, DIFFICULT HOURS REVIEWING GRANTS FOR US. AND WE COULD NOT DO BETTER. I'M PROUD OF ALAN FOR FINDING HER, AND I THINK WE'VE GOT A FIRST-CLASS TEAM GOING FORWARD.

(APPLAUSE.)

CHAIRMAN KLEIN: PUBLIC COMMENT? SEEING NO PUBLIC COMMENT, ALL IN FAVOR? OPPOSED? UNANIMOUSLY

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PASSES. THANK YOU, DR. TROUNSON. THIS IS A WONDERFUL, WONDERFUL CANDIDATE. CONGRATULATIONS AND CONGRATULATIONS TO ALL OF US BECAUSE THIS IS A HUGE ASSET FOR OUR FUTURE.

WITH THAT, MR. HARRISON, CAN I ADJOURN THE MEETING OR IS THERE ANOTHER ITEM THAT NEEDS TO BE ADDRESSED?

MR. HARRISON: THERE'S AN INFORMATIONAL ITEM.

CHAIRMAN KLEIN: THAT'S RIGHT. AND THEN I WOULD LIKE TO PROVIDE PUBLIC COMMENT ON THE PRESIDENT'S REPORT AND CHAIRMAN'S REPORTS AND GENERAL REPORT. MR. SIMPSON, AFTER THE INFORMATIONAL ITEM, COULD YOU LEAD OFF, PLEASE.

WHAT IS THE NATURE OF THE INFORMATIONAL ITEM?

MR. HARRISON: IT'S AN UPDATE FROM THE LOAN TASK FORCE.

MR. ROTH: I THINK, BOB, YOU DID A VERY GOOD JOB OF BRINGING US UP TO DATE AT THE BEGINNING OF THE MEETING, SO I DON'T HAVE A LOT TO ADD TO THAT OTHER THAN I BELIEVE WE'LL BE ABLE TO HAVE SOMETHING FAIRLY DEFINITIVE BY THE MAY MEETING WITH POTENTIAL ACTION IN JUNE.

CHAIRMAN KLEIN: THANK YOU VERY MUCH FOR YOUR LEADERSHIP. IT'S BEEN TREMENDOUS THE OUTREACH THAT DUANE HAS LED US THROUGH IN BRINGING THE EXPERTS AND THE CONSTITUENCIES TOGETHER ON THE LOAN TASK FORCE.

MR. SIMPSON: JOHN SIMPSON, FOUNDATION FOR

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TAXPAYER AND CONSUMER RIGHTS. VERY QUICKLY, ON THE PRESIDENT'S REPORT, I JUST WAS GOING TO ASK WHETHER ALL OF THOSE WONDERFUL SLIDES THAT WERE SO THOROUGH WERE GOING TO BE POSTED TO THE WEB. I THINK I WOULD HOPE YOU WOULD DO THAT. THEY WERE VERY USEFUL OR BE MADE AVAILABLE SOMEHOW.

DR. TROUNSON: SURE. NO PROBLEM ABOUT THAT. WILL DO.

MR. SIMPSON: AND THE OTHER THING WAS WAS THAT THERE WAS BUDGET INFORMATION THERE, AND THE ONLY SORT OF TAKE-AWAY THAT WOULD BE USEFUL TO THE PUBLIC WAS ON THE SLIDE. AND IF YOU'RE GOING TO DO THOSE AGAIN IN THE FUTURE, IT WOULD BE HELPFUL TO HAVE HARD COPY BUDGETS.

THE OTHER THING, JUST QUICKLY, I WAS OUT OF THE ROOM WHEN THE SALARIES PASSED, SALARY RANGES. MY QUESTION IS THIS. TWO OF THOSE POSITIONS, THE CHAIR AND THE VICE CHAIR, AS FAR AS I KNOW, BOTH OF YOU HAVE, AND YOU ARE TO BE CONGRATULATED AND THANKED FOR THIS, GIVEN YOUR SERVICES WITHOUT PAY, I BELIEVE, SINCE THE INCEPTION OF THE AGENCY. AND I'M JUST CURIOUS WHETHER THERE'S A CHANGE CONTEMPLATED IN THAT. I'M NOT SAYING THAT SOMEONE IS NOT ENTITLED TO THE PAY THAT THEY'RE ENTITLED TO. I'M JUST ASKING WHETHER THOSE RANGES HAVE MORE RELEVANCE NOW PERHAPS.

CHAIRMAN KLEIN: I DON'T THINK THAT WE KNOW AT

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THIS POINT. I WILL TELL YOU FROM MY PERSONAL VIEWPOINT THAT AT SOME POINT AFTER FIVE YEARS, I HAVE TO FIGURE OUT HOW LONG I CAN CONTINUE TO SERVE IF I CONTINUE NOT TO RECEIVE COMPENSATION. IT IS A PERTINENT ISSUE THAT I'M CONSIDERING. I EXPECT THE BOARD TO CONSIDER THAT AT SOME POINT IN THE FUTURE, BUT AT THIS POINT THERE IS NO DETERMINATION THAT I'M AWARE OF.

MR. SIMPSON: WE THANK YOU, NOR WOULD WE SAY THAT YOU SHOULD CONTINUE TO SERVE WITHOUT PAY. I JUST WAS SIMPLY TRYING TO CLARIFY THE STATUS.

FINALLY, I HAVE I THINK AT THE LAST MEETING REPORTED TO YOU ALL THAT WE WERE SEEKING A GRANT FROM THE NATHAN CUMMINGS FOUNDATION TO CONTINUE OUR PROJECT. THE CHECK IS NOT QUITE YET IN THE MAIL, BUT WE'RE TOLD THAT WE'RE BEING RECOMMENDED FOR ANOTHER YEAR OF FUNDING AND EXPECT TO RECEIVE THAT. WE'RE ALSO SUPPOSED TO BE TRYING TO TAKE SOME OF OUR EFFORTS A LITTLE FURTHER NATIONALLY AND NOT JUST FOCUS ON CALIFORNIA. SO I WANTED TO UPDATE YOU ON THAT. THANK YOU ALL VERY MUCH FOR LISTENING.

CHAIRMAN KLEIN: ALL RIGHT. I WOULD LIKE TO SAY THAT THIS IS A CONTINUING LEARNING PROCESS. CERTAINLY WE GET GREAT INFORMATION THROUGH THESE PUBLIC HEARINGS. THIS TODAY ON THIS CALIFORNIA SUPPLIER IS A GREAT EXAMPLE. WE'LL LEARN IN REAL-TIME AS WE GO BECAUSE THAT IS WHAT WE HAVE TO ACCOMPLISH HERE TO KEEP OUR MOMENTUM.

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I AM DEEPLY APPRECIATIVE IN PARTICULAR OF THE PUBLIC COMMENTS TODAY. AND WHILE WE CREATE SAFEGUARDS ALONG THE WAY, WE WILL MAKE MISTAKES, AND THE PUBLIC COMMENT PROCESS ALLOWS US THE INFORMATION TO CORRECT THOSE IN REAL-TIME BEFORE THEY BECOME A LEGISLATIVE ITEM. SO I'M VERY APPRECIATIVE OF THAT PUBLIC COMMENT PROCESS.

I THANK YOU AND WE STAND ADJOURNED.

MS. KING: MR. CHAIRMAN, COULD THE MEMBERS THAT ARE STAYING TO GO TO LEGISLATIVE VISITS AT THE CAPITOL, PLEASE GO BACK DOWNSTAIRS TO MEET WITH SUE NORTH AND DON GIBBONS.

(THE MEETING WAS THEN ADJOURNED AT 1:50 P.M.)

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REPORTER' S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE PROCEEDINGS BEFORE THE INDEPENDENT CITIZEN' S OVERSIGHT COMMITTEE OF THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE IN THE MATTER OF ITS REGULAR MEETING HELD AT THE LOCATION INDICATED BELOW

CREST THEATER  
1013 K. STREET  
SACRAMENTO, CALIFORNIA  
ON  
MARCH 12, 2008

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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