

BEFORE THE  
FINANCE SUBCOMMITTEE OF 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: AS INDICATED ON THE AGENDA

DATE: FRIDAY, DECEMBER 3, 2010  
10 A.M.

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

BRS FILE NO.: 88868

## BARRISTERS' REPORTING SERVICE

### I N D E X

ITEM DESCRIPTION	PAGE NO.
1. CALL TO ORDER.	3
2. ROLL CALL.	3
3. CONSIDERATION OF RISK PREMIUM OPTIONS FOR LOAN PROGRAMS, INCLUDING AMENDMENTS TO WARRANT COVERAGE REQUIREMENTS IN LOAN ADMINISTRATION POLICY AND ADOPTION OF INTERIM REGULATIONS TO OFFER PAYBACK OF MULTIPLE OF LOAN AMOUNT AS ALTERNATIVE TO WARRANT COVERAGE.	6
4. DISCUSSION REGARDING BOND MARKET AND FUTURE IMPLICATIONS FOR CIRM.	29
5. PUBLIC COMMENT.	NONE
6. ADJOURNMENT.	33

**BARRISTERS' REPORTING SERVICE**

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FRIDAY, DECEMBER 3, 2010

10 A.M.

MS. KING: I WILL THEN TAKE A FORMAL ROLL CALL WHICH I CAN AUGMENT AS OTHERS JOIN.

ROBERT PRICE FOR ROBERT BIRGENEAU. FLOYD BLOOM. MARCY FEIT. MICHAEL GOLDBERG.

MR. GOLDBERG: HERE.

MS. KING: BOB KLEIN.

CHAIRMAN KLEIN: HERE.

MS. KING: TED LOVE.

DR. LOVE: HERE.

MS. KING: ED PENHOET. PHIL PIZZO.

DR. PIZZO: HERE.

MS. KING: DUANE ROTH.

MR. ROTH: HERE.

MS. KING: DAVID SERRANO-SEWELL. JEFF SHEEHY.

MR. SHEEHY: HERE.

MS. KING: OSWALD STEWARD. AND ART TORRES.

WE DO NEED THREE MEMBERS TO JOIN US IN ORDER FOR US TO HAVE A QUORUM.

CHAIRMAN GOLDBERG: MELISSA, CAN WE ALSO POLL TO UNDERSTAND WHERE WE HAVE MEMBERS OF THE

## BARRISTERS' REPORTING SERVICE

1 PUBLIC IN ATTENDANCE?

2 MS. KING: SURE. AND I WILL START HERE IN  
3 SAN FRANCISCO. WE DO HAVE MEMBERS OF THE PUBLIC  
4 HERE WITH US AT THE CIRM. DO YOU HAVE MEMBERS OF  
5 PUBLIC AT STANFORD?

6 CHAIRMAN GOLDBERG: NO, WE DON'T. CAN WE  
7 INTRODUCE THE MEMBERS OF THE PUBLIC. DO WE HAVE ANY  
8 REPRESENTATIVES OF THE INDUSTRY IN SAN FRANCISCO?

9 MS. KING: WE DO. AND IF THEY WOULD LIKE  
10 TO INTRODUCE THEMSELVES, WE CAN ASK THEM TO DO THAT.  
11 IF THE MEMBERS OF THE PUBLIC THAT ARE HERE ARE  
12 WILLING TO INTRODUCE THEMSELVES BY NAME, WOULD YOU  
13 PLEASE COME TO THE MICROPHONE IF YOU WOULDN'T MIND.

14 WHO JUST JOINED?

15 MR. SERRANO-SEWELL: DAVID.

16 MS. KING: THANK YOU SO MUCH, DAVID. AND  
17 JUST A QUICK CHECK. DO YOU HAVE ANY MEMBERS OF THE  
18 PUBLIC THERE WITH YOU AT SAN FRANCISCO AIRPORT?

19 MR. SERRANO-SEWELL: NO.

20 MS. KING: OKAY. VERY GOOD. THANK YOU.  
21 IF THE MEMBERS OF THE PUBLIC HERE IN SAN FRAN WOULD  
22 LIKE TO INTRODUCE YOURSELVES, WE INVITE YOU TO DO SO  
23 AT THIS TIME. THANK YOU.

24 MR. PLUNKETT: MATTHEW PLUNKETT, IPERIAN.

25 MR. REED: DON REED, PUBLIC.

## BARRISTERS' REPORTING SERVICE

1 MS. KING: OKAY. AND THERE ARE NONE AT  
2 STANFORD; IS THAT CORRECT?

3 CHAIRMAN GOLDBERG: NO, THERE IS NOT.

4 DR. PIZZO: THERE'S NO MEMBERS OF THE  
5 PUBLIC HERE.

6 MS. KING: OKAY. AND THERE ARE NONE AT  
7 SAN FRANCISCO AIRPORT. WE DON'T HAVE A MEMBER AT  
8 KLEIN FINANCIAL, BUT IT WAS A NOTICED LOCATION. SO  
9 IF THERE ARE MEMBERS OF THE PUBLIC, THEY WOULD BE ON  
10 THE LINE. ANY MEMBERS OF THE PUBLIC AT KLEIN  
11 FINANCIAL? HEARING NONE, I'LL MOVE ON.

12 WHO JUST JOINED?

13 DR. PRICE: BOB PRICE.

14 MS. KING: THANK YOU SO MUCH, DR. PRICE.  
15 AND QUICK QUESTION. DO YOU HAVE ANY MEMBERS OF THE  
16 PUBLIC WITH YOU THERE AT UCLA?

17 DR. PRICE: I DO NOT.

18 MS. KING: OKAY. DR. STEWARD IS NOT YET  
19 WITH US, SO WE'LL CHECK BACK ON IRVINE. DUANE ROTH,  
20 DO YOU HAVE MEMBERS OF THE PUBLIC AT CONNECT?

21 MR. ROTH: NO.

22 MS. KING: DR. PENHOET IS NOT YET ON THE  
23 LINE. WE'LL COME BACK TO HIM. AND DR. LOVE AT ONYX  
24 PHARMACEUTICALS, DO YOU HAVE MEMBERS OF THE PUBLIC  
25 WITH YOU?

**BARRISTERS' REPORTING SERVICE**

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DR. LOVE: NO.

MS. KING: OKAY. VERY GOOD. THANK YOU.

CHAIR GOLDBERG, IF YOU WOULD LIKE TO PROCEED.

CHAIRMAN GOLDBERG: YEAH. SO THE PURPOSE OF THIS MEETING IS TO FOCUS ON AGENDA ITEM NO. 3 PRINCIPALLY. WE NEED TO ESTABLISH A SENSE OF THE COMMITTEE FOR RECOMMENDATION TO THE ICOC AND PERHAPS A MOTION, IF WE HAVE A QUORUM, CONCERNING THE RISK PREMIUM OPTION FOR LOAN PROGRAMS, THE AMENDMENTS TO THE WARRANT COVERAGE, AND THE DISCUSSION OF INTERIM REGULATIONS ON A PAYBACK MULTIPLE OF THE LOAN ALTERNATIVE.

MS. KING: WHO JUST JOINED?

MR. TORRES: ART.

MS. KING: GREAT. THANK YOU SO MUCH, ART.

CHAIRMAN GOLDBERG: AND IF WE HAVE TIME, WE CAN DISCUSS NO. 4, THE ENVIRONMENT FOR BOND FINANCING IN THE STATE OF CALIFORNIA, BUT THAT WILL BE DISCRETIONARY ONLY IF TIME ALLOWS.

MS. KING: MR. GOLDBERG, JUST SO YOU KNOW, WE DO NOW HAVE A QUORUM.

CHAIRMAN GOLDBERG: THANK YOU. SO, DUANE, WOULD YOU LIKE TO DISCUSS THE PROPOSED AMENDMENTS FOR THE COMPANY AND PRODUCT-BACKED LOANS, OR WOULD YOU LIKE STAFF TO DO THAT ON BEHALF OF THE LOAN TASK

## BARRISTERS' REPORTING SERVICE

1 FORCE?

2 MR. ROTH: SO WHY DON'T I ASK EITHER JAMES  
3 OR ELONA TO START IT OFF, AND THEN I'M MAKE SOME  
4 COMMENTS.

5 MR. HARRISON: I CAN DO THAT, MICHAEL.

6 CHAIRMAN GOLDBERG: GREAT. AND, JAMES, I  
7 THINK, GIVEN THE BACKGROUND, WE CAN FOCUS JUST ON  
8 THE PROPOSED AMENDMENTS RATHER THAN THE CURRENT  
9 STATUS OF THE LANGUAGE.

10 MR. HARRISON: SURE. I'D BE HAPPY TO. SO  
11 ADHERING TO MICHAEL'S DIRECTION, THE PROPOSAL TO  
12 MODIFY THE WARRANT COVERAGE ADDRESS BOTH  
13 COMPANY-BACKED LOANS AS WELL AS THE PRODUCT-BACKED  
14 LOANS. FOR COMPANY-BACKED LOANS, CURRENTLY WE HAVE  
15 A REQUIREMENT WHERE THE LOAN RECIPIENT IS REQUIRED  
16 TO PROVIDE WARRANT COVERAGE EQUAL TO 25 PERCENT OF  
17 THE LOAN AMOUNT IF THE LOAN RECIPIENT HAS MET TWO  
18 CRITERIA, ONE OF WHICH IS THAT THE LOAN RECIPIENT  
19 HAS RAISED THREE TIMES THE AMOUNT OF THE LOAN IN  
20 PRIOR FINANCINGS. AND THE SECOND IS THAT THE LOAN  
21 RECIPIENT HAS AN AGREEMENT WITH A BIOTECH OR PHARMA  
22 COMPANY WHICH PROVIDES FOR THE PAYMENT OF LICENSING  
23 FEES OR MILESTONE PAYMENTS.

24 WHAT WE WOULD PROPOSE TO DO IS TO CHANGE  
25 THE "AND" TO THE "OR." IN OTHER WORDS, THE LOAN

## BARRISTERS' REPORTING SERVICE

1 RECIPIENT WOULD BE REQUIRED TO PROVIDE COVERAGE AT  
2 THE RATE OF 25 PERCENT OF THE LOAN AMOUNT IF THE  
3 LOAN RECIPIENT MEETS EITHER ONE OF THOSE TWO  
4 CRITERIA. AND THEN THAT CHANGE WOULD BE  
5 COMPLEMENTED BY CHANGING THE NEXT COVERAGE PORTION  
6 TO SPECIFY THAT IF THE LOAN RECIPIENT HAS ONLY MET  
7 ONE OF THOSE CRITERIA -- OR EXCUSE ME -- IF THE LOAN  
8 RECIPIENT HAS NOT MET EITHER OF THOSE CRITERIA, THAT  
9 THEY WOULD BE REQUIRED TO PROVIDE WARRANT COVERAGE  
10 EQUAL TO 50 PERCENT OF THE LOAN AMOUNT.

11 WITH RESPECT TO THE PRODUCT-BACKED LOAN,  
12 THE WARRANT COVERAGE WOULD DEPEND UPON THE  
13 PERCENTAGE OF CIRM'S FUNDS COMPARED TO THE LOAN  
14 RECIPIENT'S FUNDS FOR THE PROJECT FOR THE PERIOD  
15 COVERED BY THE CIRM DISBURSEMENT. IN OTHER WORDS,  
16 IF DURING THE PERIOD COVERED BY THE CIRM  
17 DISBURSEMENT, CIRM'S FUNDS WERE EQUAL TO 60 PERCENT  
18 OF WHAT WAS REQUIRED TO COMPLETE THE ACTIVITIES  
19 SPECIFIED, THEN THE LOAN RECIPIENT WOULD BE REQUIRED  
20 TO PROVIDE WARRANT COVERAGE EQUAL TO 60 PERCENT OF  
21 THAT DISBURSEMENT. IF AT THE NEXT TRANCHE CIRM WAS  
22 PUTTING IN 30 PERCENT AND THE LOAN RECIPIENT WAS  
23 PUTTING IN 70 PERCENT, THEN CIRM -- EXCUSE ME --  
24 THEN THE LOAN RECIPIENT WOULD ONLY HAVE TO PROVIDE  
25 WARRANT COVERAGE EQUAL TO 30 PERCENT OF THE



## BARRISTERS' REPORTING SERVICE

1 DISBURSEMENT.

2 SO THAT'S A VERY BRIEF SUMMARY.

3 CHAIRMAN GOLDBERG: THANK YOU, JAMES.

4 MR. ROTH: SO, MICHAEL, IT'S DUANE. JUST  
5 SOME EDITORIAL COMMENT ON THIS. I FOUND THIS IDEA  
6 TO BE VERY COMPELLING BECAUSE WE'RE SHARING THE RISK  
7 IN A CERTAIN PERIOD OF TIME. AND BASED ON THE  
8 CONTRIBUTION THAT EACH OF US PUTS IN, IT WOULD  
9 DETERMINE THE WARRANT COVERAGE. SO IN A BRAND NEW  
10 START-UP FIRST PRODUCT AND WE ARE VIRTUALLY A  
11 HUNDRED PERCENT OF THE FUNDING, WE'D GET A HUNDRED  
12 PERCENT WARRANT COVERAGE. IF IT'S A MORE MATURE  
13 COMPANY AND THEY'RE ASKING US FOR A PORTION OF THE  
14 FUNDING, THEN THAT PROPORTIONALITY WOULD DETERMINE  
15 THE AMOUNT OF WARRANTS.

16 SO PREVIOUSLY THE LOWEST WE WOULD GO IS 50  
17 PERCENT WARRANT COVERAGE. THIS WOULD ENABLE US THEN  
18 TO GO DOWN. IF THE COMPANY IS PUTTING IN 70 PERCENT  
19 OF THE MONEY AND WE'RE PITTING IN 30, THEN WE WOULD  
20 GET 30 PERCENT WARRANT COVERAGE.

21 AND JUST ONE FINAL COMMENT, THAT THE WAY  
22 THIS WOULD WORK IS THAT EACH TRANCHE OF THE MONEY  
23 WOULD BE RESET ON THE BASIS OF THESE CRITERIA. SO  
24 THE FIRST TRANCHE, IF IT WAS 50-50, WE'D GET 50  
25 PERCENT WARRANT COVERAGE. IF THE AMOUNT OF MONEY

## BARRISTERS' REPORTING SERVICE

1 THE COMPANY KICKED IN INCREASED, AND THEY WOULD  
2 JUSTIFY THAT SO THAT WE'RE NOW 40, THE NEXT TRANCHE  
3 WOULD THEN BE 40 PERCENT WARRANT COVERAGE FOR THAT  
4 TRANCHE AND SO ON. SO IT WOULD TRACK WITH THE  
5 ACTUAL COST INVESTMENT THAT THE COMPANY MAKES; AND,  
6 OF COURSE, OUR AMOUNT IS FIXED.

7 DR. LOVE: SO, DUANE, I AGREE WITH YOUR  
8 COMMENT. I GUESS I COULD HAVE ONE QUESTION THOUGH,  
9 AND THAT IS BASED ON THE FEEDBACK THAT WE'VE BEEN  
10 HEARING FROM COMPANIES. DO WE THINK THIS  
11 MEANINGFULLY ADDRESSES THEIR CONCERNS?

12 MR. ROTH: YOU KNOW, TED, THE ONLY WAY TO  
13 FIND OUT IS AT SOME POINT WE'VE GOT TO STICK TO WHAT  
14 OUR PROGRAM WAS. OUR PROGRAM WAS CERTAINLY THERE  
15 BEFORE THE RFP WENT OUT. AND SO I'M SURPRISED IF  
16 COMPANIES, YOU KNOW, WENT THROUGH THE PROCESS AND  
17 THEN WERE AWARDED THE GRANT AND THEN SUDDENLY SAY,  
18 WELL, THEY WANT TO CHANGE THAT. I THINK THAT WHAT  
19 I'VE LEARNED SO FAR FROM THE DISCUSSION WITH  
20 COMPANIES IS THAT PROPORTIONALITY MAKES SENSE, AND  
21 THE 50 PERCENT IS PROBABLY, IF THEY'RE PUTTING  
22 IN -- IN THE TIME PERIOD, IF THEY'RE PUTTING IN MORE  
23 THAN HALF THE MONEY, THEN THERE SHOULD BE A LOWER  
24 THRESHOLD.

25 BUT THE ANSWER, TED, IS I DON'T THINK YOU

## BARRISTERS' REPORTING SERVICE

1 KNOW UNTIL YOU ACTUALLY PUT IT OUT THERE. AND IF IT  
2 BECOMES AN ISSUE, THEN CERTAINLY WE CAN LOOK AT  
3 OTHER ALTERNATIVES TO THAT. BUT I BELIEVE IT'S  
4 INHERENTLY FAIR BASED ON EVERYTHING I'VE DONE IN  
5 TERMS OF DRUG DEVELOPMENT ON THIS SUBJECT ABOUT THE  
6 WARRANT COVERAGE THAT WE'RE PROPOSING EVEN IN THE  
7 CURRENT PLAN IS VERY MUCH JUSTIFIED. IT'S LIKE A  
8 BRIDGE LOAN. IT'S EVEN BETTER THAN A BRIDGE LOAN  
9 BECAUSE IN THE BRIDGE LOAN, THE COMPANY HAS TO  
10 BASICALLY PUT THEM IN THE FIRST SECURED POSITION.  
11 YOU GOT TO REPAY THE MONEY AND THEY'RE GETTING AT  
12 LEAST 50 PERCENT WARRANT COVERAGE.

13 IN OUR CASE YOU'RE ON A PRODUCT LOAN.  
14 IT'S NOT A COMPANY LOAN. THOSE BRIDGE LOANS ARE ALL  
15 COMPANY. SO TO ME THAT'S THE BEST CRITERIA TO LOOK  
16 AT AND SAY WE ARE FAR, FAR MORE GENEROUS THAN BRIDGE  
17 LOANS. AND WE'RE ASKING FOR THE SAME AMOUNT OF  
18 COVERAGE.

19 DR. LOVE: FAIR ENOUGH.

20 MR. ROTH: ONE THING I WOULD SAY AND THEN  
21 I'LL BE QUIET, BUT IF WE ADOPT THIS, I WOULD SUGGEST  
22 THAT WE ADOPT IT AND BE RETROSPECTIVE. SO IF THERE  
23 IS A CHANGE THAT'S MADE, WE'D ADJUST THE WARRANTS  
24 BASED ON THAT CHANGE IF THE BOARD FINALLY AGREES TO  
25 IT, BUT FOR NOW I WOULD STAY WITH THE FIRST TRANCHE

**BARRISTERS' REPORTING SERVICE**

1 ANYWAY IS AT 50 PERCENT.

2 CHAIRMAN KLEIN: SO, DUANE, THIS IS BOB  
3 KLEIN. I SUPPORT THIS PROGRAM, AND I THINK IT'S GOT  
4 A LOT OF LOGIC BEHIND IT. WE ALREADY HAVE A  
5 PROVISION, I BELIEVE, IN OUR LOAN ADMINISTRATION  
6 POLICY THAT SAYS THAT IF THERE ARE MORE FAVORABLE  
7 TERMS THAT ARE ADOPTED, THAT A COMPANY CAN ELECT TO  
8 HAVE THOSE APPLIED TO THEM RATHER THAN THE CURRENT  
9 TERMS THAT THEY ARE UNDER. IS THAT CORRECT, JAMES  
10 HARRISON?

11 MR. HARRISON: WHAT THE LOAN  
12 ADMINISTRATION POLICY SPECIFIES IS THAT IF  
13 AMENDMENTS ARE MADE, THE LOAN RECIPIENT AND CIRM BY  
14 CONTRACT MAY AGREE TO APPLY THEM TO THE LOAN  
15 RECIPIENT.

16 MS. BAUM: MY UNDERSTANDING IS THAT THAT  
17 LANGUAGE IS STILL UP AT THE OFFICE OF ADMINISTRATIVE  
18 LAW, WHICH I THINK WILL BECOME PROMULGATED IN 30  
19 DAYS OR SO.

20 DR. PIZZO: CAN I JUST ASK FOR ONE  
21 CLARIFICATION?

22 CHAIRMAN GOLDBERG: DR. PIZZO, GO AHEAD.

23 DR. PIZZO: SO THIS IS TO BOB, I THINK,  
24 WHICH IS SO DOES THAT APPLY, THE RETROACTIVITY,  
25 APPLY ANYWHERE IN THE LIFE OF THE PROJECT, OR DO YOU

## BARRISTERS' REPORTING SERVICE

1 AMORTIZE IT TO WHERE YOU ARE IN THE LIFE OF THE  
2 PROJECT?

3 CHAIRMAN KLEIN: SO WAS EVERYONE ABLE TO  
4 HEAR DR. PIZZO'S QUESTION? DR. PIZZO ASKED -- THE  
5 MICROPHONE IS OVER HERE, SO I'M NOT SURE. DOCTOR,  
6 WOULD YOU REPEAT YOUR QUESTION?

7 DR. PIZZO: LET ME COME TO A DIFFERENT  
8 SPOT HERE. SO THE QUESTION THAT I WAS ASKING IS  
9 WHETHER THE RETROACTIVITY CLAUSE APPLIED ANYWHERE IN  
10 THE LIFE OF THE PROJECT, OR WHETHER IT WAS IN A  
11 SENSE UP TO A POINT. SUPPOSE YOU'RE IN THE PROJECT  
12 AND YOU'RE TWO YEARS INTO IT. DO YOU RECALIBRATE  
13 ALL THE WAY BACK TO THE STARTING POINT OR FROM TWO  
14 YEARS ON?

15 CHAIRMAN KLEIN: SO, DUANE, I THINK YOU  
16 SHOULD ANSWER THE QUESTION. WHAT IS THE INTENT?

17 MR. ROTH: I THINK THE INTENT IS AS WE  
18 MODIFY THESE PROGRAMS, WHICH WE'VE DONE MUCH THE WAY  
19 WE DID WITH THE INTELLECTUAL PROPERTY PROCESS, THAT  
20 CERTAINLY WE SHOULD NEGOTIATE IF WE MAKE A MATERIAL  
21 CHANGE WITH THE PEOPLE THAT ARE ALREADY AFFECTED.  
22 AND WE COULD DO TWO THINGS ON THAT. I THINK WE NEED  
23 THE FLEXIBILITY, I GUESS, IS THE BOTTOM LINE. THE  
24 FLEXIBILITY WOULD MEAN THAT WE WOULD GO BACK AND  
25 READJUST FROM THE BEGINNING OF TIME, OR WE COULD DO

## BARRISTERS' REPORTING SERVICE

1 IT FROM THAT POINT FORWARD AND MAKE A DECISION WHAT  
2 WAS THE MOST APPROPRIATE.

3 MS. BAUM: CAN I SUGGEST, THOUGH, THAT  
4 CONSIDERATION BE TAKEN TO MAYBE EXCLUDE SITUATIONS  
5 WHERE THERE'S ALREADY A LOAN AGREEMENT IN PLACE?  
6 BECAUSE THEN YOU'D HAVE TO REVISE --

7 MR. ROTH: REDO THE LOAN AGREEMENT.

8 CHAIRMAN KLEIN: WELL, ELONA, OUR CURRENT  
9 LANGUAGE ACTUALLY ALLOWS, EVEN IF THERE'S A LOAN  
10 AGREEMENT IN PLACE AND THE PRIOR THEORY, WE'LL ALL  
11 RECALL, WAS WE DIDN'T WANT COMPANIES HOLDING BACK  
12 FROM GRANT ROUNDS WAITING FOR TERMS TO CHANGE. AND  
13 SO, DUANE, MAYBE A BALANCE THAT YOU COULD CONSIDER  
14 AS A FRIENDLY AMENDMENT OR SOME OTHER OPTION THAT  
15 SOMEONE ELSE MIGHT SUGGEST WOULD BE THAT TO THE  
16 EXTENT THAT AN ADVANCE HAS OCCURRED AND THE WARRANTS  
17 HAVE BEEN SET UNDER THAT ADVANCE, IT WOULD APPLY TO  
18 FUTURE ADVANCES, BUT NOT TO THE ADVANCE UNDER WHICH  
19 THE WARRANT FORMULA HAD ALREADY APPLIED. WHAT WOULD  
20 YOU THINK OF THAT?

21 MR. ROTH: THAT WOULD BE FINE. I HADN'T  
22 REALLY, TO PHIL'S QUESTION, HADN'T REALLY THOUGHT  
23 THROUGH THAT, BUT I WANTED TO MAKE SURE THE  
24 FLEXIBILITY WAS THERE, THAT IF WE NEED TO MAKE A  
25 CHANGE, THAT WE HAVE THE OPPORTUNITY TO GO BACK AND

## BARRISTERS' REPORTING SERVICE

1 ADJUST THAT. BUT I THINK THAT'S BUILT INTO THE  
2 LANGUAGE THAT BOB FIRST ASKED JAMES OR ELONA TO  
3 COMMENT ON.

4 CHAIRMAN KLEIN: OKAY.

5 MR. ROTH: I'M FINE WITH THAT.

6 CHAIRMAN KLEIN: ALL RIGHT.

7 CHAIRMAN GOLDBERG: SO DO WE NEED TO HAVE  
8 FURTHER DISCUSSION ON THE WARRANT ALTERNATIVES,  
9 SUBCOMMITTEE MEMBERS? IF NOT, DUANE, WOULD YOU LIKE  
10 TO PROPOSE A MOTION?

11 CHAIRMAN KLEIN: DO WE HAVE A QUORUM?

12 CHAIRMAN GOLDBERG: WE DO.

13 MS. KING: JUST A QUICK CHECK, DR.

14 STEWARD, WERE YOU ABLE TO JOIN US?

15 DR. STEWARD: YES, I'M HERE. THANK YOU.

16 MS. KING: THANK YOU. I HEARD YOU JOIN US  
17 REALLY AT THE BEGINNING OF THE PRESENTATION OF THIS  
18 ITEM. YOU'RE AS UP TO SPEED AS EVERYBODY ELSE.

19 DR. STEWARD: OKAY. THANK YOU.

20 MR. ROTH: SO I WOULD MOVE THAT WE ACCEPT  
21 THE PROPOSED LANGUAGE IN BOTH CASES, THE  
22 COMPANY-BACKED AND THE PRODUCT-BACKED LOAN  
23 AMENDMENT, AS PRESENTED.

24 DR. PIZZO: SECOND.

25 CHAIRMAN GOLDBERG: OKAY. CAN YOU CALL

## BARRISTERS' REPORTING SERVICE

1 ROLL, PLEASE, MELISSA. OH, PUBLIC COMMENT. POLL  
2 THE SITES.

3 MS. KING: NONE HERE IN SAN FRANCISCO.  
4 REMIND ME. YOU DON'T HAVE ANY PUBLIC AT STANFORD,  
5 CORRECT?

6 CHAIRMAN GOLDBERG: NO.

7 MS. KING: THAT'S NONE AT SAN FRANCISCO  
8 AIRPORT. KLEIN FINANCIAL IS NOT ON THE PHONE.  
9 DR. STEWARD, DO YOU HAVE ANY MEMBERS OF THE PUBLIC  
10 WITH YOU?

11 DR. STEWARD: NO PUBLIC HERE.

12 MS. KING: OKAY. AND, MR. ROTH, YOU DON'T  
13 HAVE ANY MEMBERS OF THE PUBLIC, DO YOU?

14 MR. ROTH: NO.

15 MS. KING: NONE AT UC BERKELEY, IF I  
16 RECALL, DR. PRICE.

17 DR. PRICE: CORRECT.

18 MS. KING: I DON'T BELIEVE DR. PENHOET HAS  
19 JOINED US, BUT I WOULD LIKE TO KNOW. NO. OKAY.  
20 AND, DR. LOVE, YOU DON'T HAVE ANY MEMBERS OF THE  
21 PUBLIC WITH YOU, CORRECT?

22 DR. LOVE: NO.

23 MS. KING: OKAY. AND IT LOOKS LIKE THERE  
24 ARE NO PUBLIC COMMENTS HERE IN SAN FRANCISCO; IS  
25 THAT CORRECT? OKAY.



**BARRISTERS' REPORTING SERVICE**

1                   CHAIRMAN GOLDBERG: TAKE THE ROLL CALL,  
2                   PLEASE, MELISSA.  
3                   MS. KING: ROBERT PRICE.  
4                   DR. PRICE: YES.  
5                   MS. KING: MICHAEL GOLDBERG.  
6                   CHAIRMAN GOLDBERG: YES.  
7                   MS. KING: BOB KLEIN.  
8                   CHAIRMAN KLEIN: YES.  
9                   MS. KING: TED LOVE.  
10                  DR. LOVE: YES.  
11                  MS. KING: PHIL PIZZO.  
12                  DR. PIZZO: YES.  
13                  MS. KING: DUANE ROTH.  
14                  MR. ROTH: YES.  
15                  MS. KING: DAVID SERRANO-SEWELL.  
16                  MR. SERRANO-SEWELL: YES.  
17                  MS. KING: JEFF SHEEHY.  
18                  MR. SHEEHY: YES.  
19                  MS. KING: OSWALD STEWARD.  
20                  DR. STEWARD: YES.  
21                  MS. KING: AND ART TORRES.  
22                  MR. TORRES: YES.  
23                  MS. KING: AND FOR THE RECORD THAT MOTION  
24                  CARRIES.  
25                  CHAIRMAN GOLDBERG: THANK YOU.

## BARRISTERS' REPORTING SERVICE

1 MS. KING: TEN YES VOTES.

2 CHAIRMAN GOLDBERG: I'D LIKE TO ASK BOB  
3 KLEIN TO DISCUSS THE ITEM B IN THE ITEM 3 MEMO  
4 CONCERNING THE PAYBACK ALTERNATIVES, AND THEN WE'LL  
5 COMMENCE WITH FULL DISCUSSION OF THAT.

6 CHAIRMAN KLEIN: SO AS BACKGROUND ON THIS  
7 AMENDMENT, I ACTUALLY BELIEVE THAT IN THE LONG RUN,  
8 THAT THE PROGRAM THAT DUANE JUST REFINED IS  
9 GOING -- MAKES A LOT OF SENSE INTELLECTUALLY. THE  
10 REASON -- AND I HAVE BEEN A BIG SUPPORTER OF  
11 WARRANTS. I HAVE GONE THROUGH, WITH TED LOVE'S  
12 HELP, TALKED TO PAUL CLEVELAND, THE CFO OF  
13 AFFYMETRIX, I'VE TALKED TO DAN SIEGELMAN, I'VE MET  
14 WITH STEM CELLS, INC., I'VE TALKED TO NOVOCELL, I'VE  
15 TALKED TO INDIVIDUALS FROM IPERIAN TRYING TO GET A  
16 SENSE, ALONG WITH PROBABLY A DOZEN OTHER COMPANIES,  
17 AND THERE WAS PROBABLY NINE COMPANIES IN A BAYBIO  
18 DINNER IN MENLO PARK WHERE THIS WAS THE SUBJECT OF  
19 DISCUSSION.

20 THE KEY HERE IS THAT OUR PRIMARY  
21 OBLIGATION IS TO GET SOMETHING THAT WORKS FOR  
22 BIOMEDICAL RESEARCH AND WORKS FOR COMPANIES AS WELL.  
23 WE NEED COMPANIES IN AS PARTNERS. AND  
24 INTELLECTUALLY, WHILE I BELIEVE THAT WE MAY  
25 EVENTUALLY HAVE ENOUGH VOLUME AND ENOUGH OF A

## BARRISTERS' REPORTING SERVICE

1 REPUTATION AND BE ABLE TO GET THROUGH TO ENOUGH  
2 INVESTORS AND BOARD MEMBERS THAT WE CAN CONVINCED  
3 THEM THAT THE WARRANT PROGRAM WORKS, FOR COMPANIES  
4 IT MAY WORK AND FOR OTHER COMPANIES THEY JUST  
5 ABSOLUTELY HAVE NOT BEEN WILLING TO SUBMIT  
6 APPLICATIONS.

7           STEM CELLS, INC. IS THE EXAMPLE THAT I  
8 KNOW THE BEST. I'VE MET WITH THEM FOUR TIMES, AND  
9 THEY CANNOT -- THEY HAVE DIVISIONS OF OPINION WITHIN  
10 THEIR OWN COMPANY. THEY CANNOT GET THEIR COMPANY TO  
11 AGREE EVEN ON BATTEN'S DISEASE.

12           SO THE ISSUE HERE IS THAT WE HAVE A  
13 LIMITED TIME MANDATE. TIME IS NOT ON OUR SIDE FOR  
14 PATIENTS. EVERY DAY LOST IS PART OF THEIR LIFE  
15 THAT'S LOST. AND TRYING TO GET ANOTHER OPTION FOR  
16 COMPANIES THAT MAY BRING MORE IN, TRYING TO GET  
17 ANOTHER OPTION HAVING IT FOR A LIMITED TIME PERIOD,  
18 AND I'M PRINCIPALLY FOCUSED RIGHT NOW ON THE NEW  
19 DISEASE TEAM ROUND BECAUSE IN THE NEW DISEASE TEAM  
20 ROUNDS, THE REQUEST FOR THE PLANNING GRANTS, WHICH  
21 IS THE GATEWAY CURRENTLY FOR ENTRY INTO THAT ROUND,  
22 START IMMEDIATELY, AND IT'S A TWO YEAR-ROUND. SO WE  
23 CAN'T AFFORD TO LOSE THAT ROUND FOR COMPANIES.

24           SO IN THAT CONTEXT AND HISTORICAL FRAME,  
25 GIVEN THE PRIORITY OF OUR OBLIGATION TO FIRST GET

## BARRISTERS' REPORTING SERVICE

1 THERAPIES TO PATIENTS, I'VE APPROVED -- I HAVE  
2 PROPOSED THIS OPTION. IT'S PROPOSED WITH A TWO-YEAR  
3 END PERIOD FOR REEVALUATION; BUT, IN FACT, IF WE  
4 FIND THAT WE'RE ABLE TO CONTINUE TO REFINE THE  
5 WARRANT SIDE AND WE'RE GETTING ACCEPTANCE, WE COULD  
6 END THIS OPTION MUCH EARLIER. WE COULD END IT IN  
7 SIX MONTHS.

8 THE KEY HERE IS TO GET SOME MOMENTUM AND  
9 GET PARTICIPATION BECAUSE PARTICIPATION OF COMPANIES  
10 ENHANCES OUR ABILITY TO GET TO THERAPIES. AND SO IF  
11 COMPANIES SEE THIS AS A BETTER DEAL IN THE NEXT SIX  
12 MONTHS AND WE GET SOME THERAPIES OUT OF IT, I THINK  
13 PATIENTS AND THE TAXPAYERS OF CALIFORNIA ARE THE  
14 WINNERS BECAUSE THESE PAYBACKS IS NOT WHAT WE'RE ALL  
15 ABOUT. THESE ARE AN ENHANCEMENT TO OUR MISSION, NOT  
16 OUR PRIMARY MISSION.

17 SO WITH THAT CONTEXT, UNDERSTANDING THAT I  
18 REALLY SUPPORT LONG TERM THE PROPOSAL THAT DUANE IS  
19 CONTINUING TO REFINE, JAMES OR LYNN, COULD YOU GO  
20 THROUGH THE OPTIONS UNDER THIS ALTERNATIVE?

21 CHAIRMAN GOLDBERG: ON ATTACHMENT A.

22 MR. HARRISON: SURE. THERE WAS WITH THE  
23 WARRANT COVERAGE A DIVISION FOR PRODUCT-BACKED LOANS  
24 AND COMPANY-BACKED LOANS, AND IT'S, I THINK, PRETTY  
25 CLEARLY SET FORTH IN ATTACHMENT A. THERE ARE THREE

## BARRISTERS' REPORTING SERVICE

1 DIFFERENT TRIGGERS: \$10 MILLION IN ANNUAL REVENUES,  
2 300 MILLION IN CUMULATIVE REVENUES, AND THE THIRD  
3 TRIGGER IS 600 MILLION IN CUMULATIVE REVENUES. AND  
4 YOU WILL SEE, THE PAYBACK PREMIUM VARIES DEPENDING  
5 UPON WHETHER IT'S A PRODUCT-BACKED LOAN OR A  
6 COMPANY-BACKED LOAN AND ALSO DEPENDING UPON WHICH  
7 TRIGGER IS MET.

8 SO, FOR EXAMPLE, FOR A PRODUCT-BACKED  
9 LOAN, WHEN THE FIRST TRIGGER IS MET, THE PAYBACK  
10 RISK PREMIUM WOULD BE 100 PERCENT OF THE ORIGINAL  
11 LOAN AMOUNT AND INTEREST. FOR A COMPANY-BACKED LOAN  
12 WHEN THE FIRST TRIGGER IS MET, THERE WOULD BE NO  
13 PREMIUM DUE. AND THEN, AS YOU WILL SEE ON THE  
14 CHART, IT ESCALATES AS THE COMPANY ACHIEVES GREATER  
15 AND GREATER SUCCESS.

16 CHAIRMAN KLEIN: AND, AGAIN, IF THE  
17 COMMITTEE AND THE BOARD FELT THAT AFTER HAVING A  
18 SPECIFIC EFFORT IN THE NEXT SIX MONTHS TO COLLECT  
19 INFORMATION AND TRY AND REFINE THE OTHER OPTION THAT  
20 DUANE JUST PRESENTED, THAT THIS OPTION WAS NO LONGER  
21 NECESSARY, THEN I THINK IT'S PERFECTLY APPROPRIATE  
22 TO COME BACK AND ELIMINATE THIS OPTION. SO THIS IS  
23 TO TRY AND GET AN OPTION ON THE BOARD IMMEDIATELY  
24 EFFECTIVE FOR THIS DISEASE TEAM ROUND, BUT I THINK  
25 WE NEED TO CONTINUE TO FOLLOW UP BECAUSE EVENTUALLY

## BARRISTERS' REPORTING SERVICE

1 MY HOPE IS THAT THE FIRST PROGRAM THAT DUANE HAD  
2 DISCUSSED WITH REFINEMENTS THAT HE'S CURRENTLY  
3 MAKING, THAT WOULD BE THE LONG-TERM OPTION THAT  
4 MIGHT BE THE BEST OPTION. BUT THIS GIVES US AN  
5 ABILITY, PARTICULARLY FOR THE DISEASE TEAM ROUNDS,  
6 THE PLANNING GRANT AND THE FINAL ROUND, TO HAVE MORE  
7 COMPANY PARTICIPATION.

8 SO, MR. CHAIRMAN, I HAVE NOT HEARD  
9 IPERIAN'S DISCUSSION OF THIS OPTION SINCE IT WAS  
10 ORIGINALLY PROPOSED. THEY MADE A COMMENT IN THE  
11 LAST PUBLIC SESSION OF THE FINANCE COMMITTEE. CAN  
12 WE SEE WHAT THEIR VIEW IS ON THIS AND SEE WHETHER  
13 WE'VE GOT IT REFINED ENOUGH OR WE DON'T.

14 CHAIRMAN GOLDBERG: FIRST, LET ME ASK IF  
15 WE CAN GO AROUND THE COMMITTEE FOR ANY CLARIFYING  
16 QUESTIONS.

17 MS. BAUM: I DON'T HAVE A QUESTION, BUT  
18 MR. KLEIN HAD ASKED ME TO PROVIDE SOME INFORMATION  
19 WHICH I NOW HAVE AVAILABLE.

20 CHAIRMAN KLEIN: ALL RIGHT.

21 MS. BAUM: SO I WANTED TO MAKE THAT  
22 AVAILABLE. SO I WANTED TO LET THE COMMITTEE KNOW  
23 THAT SANGAMO'S CEO HAD SAID IN THE PAST, AND HE'S  
24 HAPPY TO SHARE THAT TODAY, THAT THEY WOULD NOT BE IN  
25 A POSITION TO TAKE A LOAN WITH WARRANTS. SO I

## BARRISTERS' REPORTING SERVICE

1 NEEDED TO CONVEY THAT.

2 MR. ROTH: I HAVE TO -- MICHAEL, I'M GOING  
3 TO ASK YOU TO --

4 CHAIRMAN GOLDBERG: GO AHEAD, DUANE.

5 MR. ROTH: SO THE QUESTION I HAVE FOR YOU  
6 IS IS THIS REALLY YOUR EXPERIENCE AS A VENTURE  
7 CAPITALIST WITH A PORTFOLIO, THAT YOUR PORTFOLIO  
8 COMPANIES NO LONGER GRANT WARRANTS?

9 CHAIRMAN GOLDBERG: NO, THAT'S NOT BEEN MY  
10 EXPERIENCE. MY EXPERIENCE IS THAT COMPANIES GRANT  
11 WARRANTS UNDER CIRCUMSTANCES THAT REQUIRE THEM.

12 MR. ROTH: SO THAT'S WHY -- I'M NOT  
13 SUGGESTING HERE THAT WE DON'T LOOK AT THIS  
14 EMPIRICALLY AND FIND OUT IF WE'RE RIGHT OR WRONG.  
15 BUT I THINK WE SHOULD DO THE WORK BEFORE WE RUSH  
16 INTO MAKING A CHANGE. I'M SENSITIVE TO THE NEED,  
17 AND I WANT COMPANIES TO APPLY. PERSONALLY I DON'T  
18 THINK IT'S THE WARRANTS THAT ARE THE PROBLEM. BUT I  
19 COULD BE WRONG; AND IF I AM, I WOULD BE HAPPY TO  
20 HAVE MORE DIALOGUE ON THAT.

21 I KNOW THAT COMPANIES DISLIKE GIVING  
22 WARRANTS; AND ESPECIALLY THEIR BOARDS, AND  
23 PARTICULARLY IF THEIR BOARDS HAVE VENTURE CAPITAL  
24 INVOLVED, THEY REALLY LIKE TO KEEP ALL THE EQUITY  
25 FOR THEMSELVES. BUT EVEN IN THE COMPANIES THAT YOU

**BARRISTERS' REPORTING SERVICE**

1 MENTIONED, BOB, I'D LIKE TO KNOW IF THEY HAVE ANY  
2 WARRANTS ISSUED.

3 CHAIRMAN KLEIN: SO, DUANE, THE ISSUE FOR  
4 ME IS -- AND I CLEARLY KNOW THAT COMPANIES ARE  
5 GIVING WARRANTS. THE DIFFERENCE WE HAVE HERE, WHICH  
6 IS VERY SUBSTANTIAL ACCORDING TO THE COMPANIES, IS  
7 THAT WHEN THEY HAVE AN EARLY INVESTOR IN THE  
8 COMPANY, THEY DECIDE WHO THEIR INVESTOR IS. THEY  
9 HAVE PAST RELATIONSHIPS WITH THESE PEOPLE. THEY  
10 KNOW HOW THEY'RE GOING TO ACT. THEY CAN HAVE  
11 CONSTRAINTS ON WHERE THOSE WARRANTS CAN BE SOLD.

12 MR. ROTH: I UNDERSTAND, BOB, ALL THAT.  
13 THAT'S A COMPLETELY DIFFERENT STORY THOUGH.

14 CHAIRMAN KLEIN: HOLD ON. THE PROBLEM IS  
15 THAT THESE WARRANTS WITH US, THEY HAVE NO CONTROL  
16 OVER HOW WE SELL THESE WARRANTS, WHO WE SELL THEM  
17 TO. THEY COULD HAVE HOSTILE PARTIES BUY THE  
18 WARRANTS.

19 MR. ROTH: I UNDERSTAND ALL THAT. I'VE  
20 HEARD THAT STORY AT MEETINGS PREVIOUSLY. THAT WE  
21 CAN ADDRESS. IF YOU WANT TO ADDRESS THAT, WE CAN DO  
22 IT IN THE WARRANT AGREEMENT.

23 CHAIRMAN KLEIN: ALL RIGHT. THAT'S  
24 PERFECTLY ACCEPTABLE. THE PROBLEM IS UNDER OUR  
25 REGULATORY PROCESS, GIVEN THAT THIS PROGRAM HAS



## BARRISTERS' REPORTING SERVICE

1 ALREADY GONE THROUGH THE ADMINISTRATIVE PROCEDURES  
2 ACT, IT'S MY UNDERSTANDING IT WOULD TAKE US ABOUT  
3 FOUR OR FIVE MONTHS TO ADDRESS THAT, WHICH MEANS  
4 THAT WE COMPLETELY MISS THE IMMINENT DISEASE TEAM  
5 ROUND, WHICH IS WHY I'M REFERRING TO THE FACT THAT  
6 IF WE COME BACK FOUR OR FIVE MONTHS LATER AND HAVE  
7 THESE OTHER MODIFICATIONS IN PLACE UNTIL WE CAN  
8 ELIMINATE THIS PROGRAM, FINE. I'M JUST TRYING TO  
9 GET COMPANY PARTICIPATION WITH AN AVENUE FOR THIS  
10 PARTICULAR DISEASE TEAM ROUND WHICH IS SO IMPORTANT  
11 TO US.

12 MR. ROTH: OKAY. THEN I HAVE A  
13 SUGGESTION. WHY DON'T WE JUST PUT THEM ALL -- THEY  
14 CAN EITHER TAKE A LOAN OR A GRANT.

15 CHAIRMAN KLEIN: WELL, SO THAT'S NOT MY  
16 PROPOSAL.

17 MR. ROTH: I UNDERSTAND, BUT WHY NOT?  
18 JUST LET'S MAKE THEM ALL GRANTS.

19 CHAIRMAN KLEIN: OKAY. WELL, I RESPECT  
20 THAT ALTERNATIVE. BUT I THINK THAT THE LOAN PROGRAM  
21 YOU JUST MODIFIED IS A VERY GOOD PROGRAM LONG-TERM.  
22 I'M TRYING TO CREATE AN IMMEDIATE OPTION TO CREATE  
23 VIABILITY FOR THE BROADEST POSSIBLE PARTICIPATION BY  
24 COMPANIES IN THIS DISEASE TEAM ROUND AND THE ROUNDS  
25 THAT WILL OCCUR BEFORE THE FIVE-MONTH PROCESS IT

## BARRISTERS' REPORTING SERVICE

1 WOULD TAKE US TO MAKE THE MODIFICATION WE JUST  
2 ADDRESSED.

3 CHAIRMAN GOLDBERG: IS THERE ANY OTHER  
4 QUESTIONS FROM MEMBERS OF THE COMMITTEE?

5 MR. SHEEHY: I HAVE TO SAY I AGREE WITH  
6 DUANE. I MEAN THIS -- YOU KNOW, I DON'T REALLY KNOW  
7 ABOUT -- IT SEEMS TO ME THAT IF I WERE A COMPANY, I  
8 WOULD GO FOR THIS OPTION AND WE WOULDN'T GET ANY  
9 WARRANTS. YOU KNOW, SEEMS LIKE A REALLY QUICK AND  
10 EASY WAY TO DO THIS IS JUST TO OFFER COMPANIES THE  
11 OPTION OF TAKING A GRANT, WHICH GIVES YOU THE SAME  
12 TERMS VIRTUALLY, YOU KNOW, AND KIND OF ALLEVIATES  
13 THIS CONCERN. OTHERWISE, WE KIND OF ANNIHILATE OUR  
14 WARRANT PROGRAM, WHICH, YOU KNOW, IF THAT'S WHAT WE  
15 WANT TO DO, BUT LET'S BE CLEAR ABOUT WHAT WE'RE  
16 TRYING TO DO HERE. IF WE WANT TO HAVE A WARRANT  
17 PROGRAM, WE SHOULD PROBABLY DECIDE --

18 CHAIRMAN GOLDBERG: I THINK THERE'S  
19 ANOTHER APPROACH, WHICH IS PERHAPS A SLIGHT  
20 MODIFICATION OF WHAT'S BEEN ARTICULATED ABOUT THE  
21 PAYBACK OPTION, WHICH IS PUT A VERY SPECIFIC SUNSET  
22 PROVISION ON IT. LET'S CALL IT ONE YEAR. AND THAT,  
23 YOU KNOW, IT'S AN EXPERIMENT. THIS IS A WORK IN  
24 PROGRESS JUST LIKE THE INTELLECTUAL PROPERTY  
25 GUIDELINES WERE A WORK IN PROGRESS. AND WE SEE WHAT

## BARRISTERS' REPORTING SERVICE

1 HAPPENS BEFORE WE DEFAULT TO JUST A GRANT WHERE  
2 THERE'S NO RISK PREMIUM THAT COMES BACK TO THE STATE  
3 TO FUND CONTINUED TRANSLATIONAL RESEARCH.

4 MR. ROTH: WELL, THE RISK PREMIUM DOES  
5 COME BACK, MICHAEL. IT GOES TO THE STATE, NOT TO  
6 CIRM. THIS WOULD COME BACK -- THE PROPOSAL THAT IS  
7 ON THE TABLE WOULD COME BACK TO THE AGENCY. YOU  
8 KNOW, THIS IS ONE OF THE THINGS WE DISCUSSED WITH  
9 THE LEGISLATORS ON THE DIFFERENCE BETWEEN WARRANTS  
10 AND THAT COMING BACK AND LOAN REPAYMENTS COMING BACK  
11 VERSUS ROYALTIES.

12 CHAIRMAN KLEIN: I SPECIFICALLY WROTE THE  
13 INITIATIVE FOR A LOAN REPAYMENT AND RISK PREMIUMS ON  
14 THOSE TO COME BACK TO OUR AGENCY.

15 I'D LIKE TO MAKE A MOTION AND SEE IF WE  
16 HAVE THE VOTES OR WE DON'T AND WITH PUBLIC COMMENT.  
17 AND THAT MOTION IS TO ADOPT THE -- THIS OPTION FOR  
18 COMPANIES FOR A ONE-YEAR PERIOD. AND DURING THAT  
19 TIME TO TRY AND REFINE THE OTHER PROGRAM TO DEAL  
20 WITH THE ISSUES COMPANIES HAVE WITH OUTSIDE LEGAL  
21 SUPPORT; AND INSTEAD OF THE TWO-YEAR PERIOD WHICH I  
22 HAD, I'M ACCEPTING THE CHAIRMAN'S ONE-YEAR PERIOD IF  
23 THE CHAIRMAN WOULD MAKE THAT A SECOND.

24 CHAIRMAN GOLDBERG: I'M PREPARED TO SECOND  
25 THAT MOTION. IS THERE PUBLIC COMMENT? COULD YOU

## BARRISTERS' REPORTING SERVICE

1 POLL THE SITES, MELISSA.

2 DR. PIZZO: JUST POLL THE SITES THAT HAVE  
3 PUBLIC.

4 MS. KING: SURE. I'LL POLL THE SITES. WE  
5 DON'T HAVE ANY HERE IN SAN FRANCISCO. THERE WAS NO  
6 PUBLIC AT STANFORD, NO PUBLIC AT THE SAN FRANCISCO  
7 AIRPORT, NO JOINING PARTIES FROM KLEIN FINANCIAL, NO  
8 PUBLIC AT IRVINE, NO PUBLIC AT CONNECT, NO PUBLIC AT  
9 BERKELEY. ALTA PARTNERS, IS ED PENHOET ON THE LINE?  
10 I THOUGHT MAYBE ED HAD JOINED. DOESN'T SOUND LIKE  
11 IT. NO PUBLIC AT ONYX. SO THERE'S NO PUBLIC  
12 COMMENTS.

13 CHAIRMAN GOLDBERG: OKAY. SO COULD YOU  
14 CALL THE COMMITTEE WITH RESPECT TO THE MOTION ON THE  
15 TABLE?

16 MS. KING: SO TAKING A ROLL CALL VOTE, DR.  
17 ROBERT PRICE.

18 DR. PRICE: YES.

19 MS. KING: MICHAEL GOLDBERG.

20 CHAIRMAN. GOLDBERG: YES.

21 MS. KING: BOB KLEIN.

22 CHAIRMAN KLEIN: YES.

23 MS. KING: TED LOVE.

24 DR. LOVE: YES.

25 MS. KING: PHIL PIZZO.

**BARRISTERS' REPORTING SERVICE**

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DR. PIZZO: YES.

MS. KING: DUANE ROTH.

MR. ROTH: NO.

MS. KING: DAVID SERRANO-SEWELL.

MR. SERRANO-SEWELL: YES.

MS. KING: JEFF SHEEHY.

MR. SHEEHY: NO.

MS. KING: OSWALD STEWARD.

DR. STEWARD: NO.

MS. KING: AND ART TORRES.

MR. TORRES: AYE.

MS. KING: THANK YOU. JAMES, I'LL DEFER  
TO YOU FOR WHETHER OR NOT THE MOTION CARRIES.

MR. HARRISON: YES. THE MOTION CARRIES  
WITH SEVEN YES VOTES AND THREE NO VOTES.

CHAIRMAN GOLDBERG: OKAY. THANK YOU. I'D  
LIKE TO IN THE TIME THAT REMAINS BRIEFLY ADDRESS THE  
CLIMATE FOR CALIFORNIA BOND ISSUANCE SINCE WE'RE  
GOING AS AN AGENCY DEPENDENT ON THEIR BOND  
AUTHORITY. AND THERE'S BEEN ARTICLES IN THE PRESS  
IN THE LAST TWO WEEKS IN CONNECTION WITH THE LAST  
LARGE SERIES OF BOND FINANCINGS THE STATE HAS DONE  
ABOUT SOME OF THE CHALLENGES AND DIFFICULTIES. AND  
WITHOUT GETTING INTO ANY OF THE SPECIFICS OF THOSE  
ISSUES, I'D LIKE TO ASK CHAIRMAN KLEIN, WHO'S

## BARRISTERS' REPORTING SERVICE

1 MAINTAINED CONTACT WITH THE ISSUING AUTHORITIES,  
2 WHAT THE GENERAL PERSPECTIVE OR VIEW IS OVER THE  
3 COURSE OF THE NEXT 12 TO 24 MONTHS AND WHETHER OR  
4 NOT THERE'S ANY CAUSE FOR ACTION ON THE PART OF THE  
5 ICOC WITH RESPECT TO ANYTHING WE CAN OR SHOULD BE  
6 DOING BEING MINDFUL OF THAT.

7 CHAIRMAN KLEIN: THANK YOU, CHAIRMAN  
8 GOLDBERG. SO GIVEN THAT OVER THE LAST THREE YEARS  
9 WE'VE TRIED TO ALWAYS LOOK FORWARD AT LEAST A COUPLE  
10 OF YEARS AND FOR SEEING THE DIFFICULT ENVIRONMENT  
11 PARTICULARLY WITH SOME OF THE INITIATIVES THAT  
12 PASSED IN THIS LAST SESSION, THIS LAST ELECTORAL  
13 CYCLE, WE'VE BEEN FORTUNATE, BY DOING ADVANCED  
14 PLANNING, TO MAKE SURE WE COULD COVER OUR STRATEGIC  
15 PLAN ADVANCES WE WOULD NEED TO MAKE OVER THE RUNNING  
16 24-MONTH PERIOD GOING FORWARD.

17 AT THIS POINT WE'VE ACHIEVED THAT  
18 OBJECTIVE, AND WE HAVE A LITTLE LESS THAN 24 MONTHS,  
19 BUT APPROXIMATELY THAT LEVEL OF CASH FUNDING THAT'S  
20 AVAILABLE TO US. SO OUR PROGRAMS ARE VERY STABLE  
21 DURING THIS PERIOD. IT'S HOPEFUL THAT IN THAT TIME  
22 PERIOD CALIFORNIA WILL RETURN TO A MUCH STRONGER  
23 BOND POSITION.

24 NEVERTHELESS, FOR OUR SCIENTIFIC PARTNERS  
25 AND OUR INTERNATIONAL PARTNERS AND OUR INDIVIDUAL

## BARRISTERS' REPORTING SERVICE

1 SCIENTISTS WITHIN THE STATE, IT'S IMPORTANT TO AGAIN  
2 REMIND EVERYONE THAT UNDER THE STATE INSTITUTION,  
3 THE TOP 40 PERCENT OF THE REVENUE OF THE STATE GOES  
4 TO EDUCATION, AND THEN BOND DEBT SERVICE IS THE NEXT  
5 PRIORITY AHEAD OF HARBORS, AHEAD OF MAJOR NEW  
6 HIGHWAY CONSTRUCTION, AND OTHER PROJECTS TO THE  
7 EXTENT THEY COME OUT OF STATE FUNDS VERSUS FEDERAL  
8 FUNDS. SO CALIFORNIA WILL RETAIN THE ABILITY, EVEN  
9 IF THIS DIFFICULT PERIOD IS A FULL TWO YEARS OR  
10 LONGER, TO FUND THIS AGENCY ON A TIMELY BASIS. AND  
11 INSTITUTIONS AND THE SCIENTISTS WILL BE COVERED IN  
12 THE TIME PERIOD OF OUR COMMITMENT.

13 SO WE'RE VERY THANKFUL FOR THE SUPPORT OF  
14 THE STATE TREASURER'S OFFICE AND FOR THE SUPPORT OF  
15 THE GOVERNOR AND THE DIRECTOR OF FINANCE, FOR THE  
16 WORK OF LYNN HARWELL, WHO HAS BEEN INSTRUMENTAL IN  
17 EXECUTING ON THIS PLAN, FOR TED LOVE AND MARCY FEIT,  
18 WHO HAVE BEEN ON THE BOND FINANCE CREDIT COMMITTEE  
19 OF THE STATE WITH ME. AND WE ARE THANKFUL AND VERY  
20 APPRECIATIVE OF THE FACT THAT WE'LL BE ABLE TO HONOR  
21 OUR STRATEGIC PLAN AND HAVE THE FLEXIBILITY DURING  
22 THAT TIME TO USE RESERVES THAT ARE SET UP  
23 SPECIFICALLY TO RESPOND TO NEW SCIENTIFIC  
24 DEVELOPMENTS THAT ARE CERTAINLY EXPECTED TO ARISE AT  
25 VARIOUS TIMES DURING THAT CYCLE.

## BARRISTERS' REPORTING SERVICE

1 CHAIRMAN GOLDBERG: THANK YOU, CHAIRMAN  
2 KLEIN. ARE THERE ANY COMMENTS OR QUESTIONS FROM THE  
3 COMMITTEE?

4 CHAIRMAN KLEIN: I'D JUST LIKE TO SAY THAT  
5 SENATOR TORRES IS INSTRUMENTAL IN OUR COMMUNICATIONS  
6 WITH THAT COMMITTEE AND THE STATE TREASURER.  
7 SENATOR TORRES, ARE YOU THERE?

8 MR. TORRES: YES.

9 CHAIRMAN KLEIN: I'D JUST LIKE TO THANK  
10 YOU VERY MUCH FOR THAT CONSTANT CONTRIBUTION.

11 MR. TORRES: IT'S CALLED TEAM EFFORT, AND  
12 THERE IS A TEAM AND WE WORKED TOGETHER AND THAT'S  
13 WHAT MAKES IT WORK. THANK GOD THAT 47 MILLION CAME  
14 IN.

15 CHAIRMAN KLEIN: HE'S REFERRING  
16 SPECIFICALLY OUT OF THE LAST BOND ISSUE THAT JUST  
17 OCCURRED WE OBTAINED ANOTHER 47 MILLION.

18 DR. PIZZO: GREAT.

19 CHAIRMAN KLEIN: THANK YOU VERY MUCH,  
20 SENATOR.

21 MR. TORRES: THANK YOU, BOB.

22 CHAIRMAN GOLDBERG: ARE THERE ANY  
23 COMMENTS FROM ANY OF THE SITES FROM THE PUBLIC?

24 MS. KING: THE ONE SITE WHERE THERE  
25 MEMBERS OF THE PUBLIC IS SAN FRANCISCO, AND IT DOES



**BARRISTERS' REPORTING SERVICE**

1 NOT LOOK LIKE THERE ARE PUBLIC COMMENTS HERE. AM I  
2 RIGHT, GENTLEMAN? THANK YOU.

3 CHAIRMAN GOLDBERG: THAT CONCLUDES THE  
4 BUSINESS ON THE AGENDA. UNLESS THERE ARE ANY  
5 OBJECTIONS FROM MEMBERS OF THE COMMITTEE, I'D LIKE  
6 TO MOVE ADJOURNMENT.

7 (THE MEETING WAS THEN CONCLUDED.)

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## BARRISTERS' REPORTING SERVICE

### REPORTER'S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE TELEPHONIC PROCEEDINGS BEFORE THE FINANCE SUBCOMMITTEE OF THE INDEPENDENT CITIZEN'S OVERSIGHT COMMITTEE OF THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE IN THE MATTER OF ITS REGULAR MEETING HELD ON FRIDAY, DECEMBER 3, 2010, 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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