

BEFORE THE
FINANCE SUBCOMMITTEE
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: JUNE 11, 2009
9:35 A.M.

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

BRS FILE NO.: 84736

BARRISTERS' REPORTING SERVICE

I N D E X

ITEM	DESCRIPTION	PAGE NO.
CALL TO ORDER		3
ROLL CALL		3
CONSIDERATION OF CIRM BUDGET FOR FISCAL YEAR 2009-2010 AND FUNDING SOURCES TO COVER BUDGET REQUIREMENTS		4
STAFF UPDATE ON LOAN PROGRAM DELEGATED UNDERWRITER RFP RESPONSES		39
UPDATE ON AGENCY FINANCING INCLUDING DISCUSSION OF FIRST HALF OF FISCAL YEAR 2010-2011		55
PUBLIC COMMENT		NONE
ADJOURNMENT		58

BARRISTERS' REPORTING SERVICE

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THURSDAY, JUNE 11, 2009

9:35 A.M.

CHAIRMAN GOLDBERG: LET'S GO AHEAD AND
CALL THE MEETING TO ORDER AND CONDUCT A ROLL CALL.

MS. HARWELL: SURE. RICARDO AZZIZ.
ROBERT BIRGENEAU. FLOYD BLOOM. MARCY FEIT.
MICHAEL GOLDBERG.

CHAIRMAN GOLDBERG: HERE.

MS. HARWELL: BOB KLEIN.

MR. KLEIN: HERE.

MS. HARWELL: TED LOVE. ED PENHOET. PHIL
PIZZO. DUANE ROTH.

MR. ROTH: HERE.

MS. HARWELL: JEFF SHEEHY.

MR. SHEEHY: HERE.

MS. HARWELL: OSWALD STEWARD. ART TORRES.

MR. TORRES: HERE.

CHAIRMAN GOLDBERG: ART, IS THAT YOU?

MS. HARWELL: HE'S HERE.

CHAIRMAN GOLDBERG: OKAY. SO FIRST ITEM
OF DISCUSSION, LET'S GO TO AGENDA ITEM NO. 3, AND
I'D LIKE TO ASK JOHN ROBSON, OUR CHIEF OPERATING
OFFICER, TO SHARE WITH US THE MANAGEMENT PHILOSOPHY
BEHIND THE DEVELOPMENT OF THE 2009-2010 FISCAL

BARRISTERS' REPORTING SERVICE

1 BUDGET.

2 DR. ROBSON: OKAY. THANK YOU, MICHAEL.
3 AS YOU KNOW, CIRM RECEIVED ABOUT \$500 MILLION OR A
4 LITTLE OVER 500 MILLION IN APRIL FROM BOND SALES
5 THANKS TO THE EFFORTS OF CHAIRMAN KLEIN, JAMES
6 HARRISON, LYNN HARWELL, AND OTHERS ON THE STAFF.
7 THAT'S BEEN A TERRIFIC BOOST TO OUR SITUATION.

8 SOME OF THAT MONEY WAS USED TO REPAY LOANS
9 THAT WE OWED THE STATE, BUT WE ENDED UP WITH ABOUT
10 \$275 MILLION BEING ADDED TO OUR BOND ACCOUNT THAT'S
11 USED FOR ALL OF OUR FINANCING. AND THAT BRINGS OUR
12 TOTAL IN THE BOND ACCOUNT CURRENTLY TO ABOUT 370
13 MILLION. SO THAT'S ENOUGH MONEY TO CARRY US FOR ALL
14 OF OUR OBLIGATIONS OR GRANTS AND OUR OPERATIONS
15 THROUGH THE END OF 2010 OR MAYBE A LITTLE BIT
16 FARTHER DEPENDING ON SOME FUNDING DECISIONS MADE BY
17 THE ICOC OVER THE NEXT FEW MONTHS.

18 HOWEVER, BECAUSE OF CALIFORNIA'S
19 CONTINUING ECONOMIC SITUATION AND CONCERNS ABOUT THE
20 STATE BUDGET, WE ARE NOT CERTAIN WHAT THE
21 IMPLICATIONS OF THESE THINGS WILL BE FOR FUTURE BOND
22 SALES, SO WE FEEL THAT IT'S REALLY IMPORTANT THAT WE
23 BE PRUDENT IN DEVELOPING A BUDGET THAT REALLY IS
24 STRIPPED DOWN JUST TO THE ESSENTIALS OF WHAT WE NEED
25 TO MEET OUR MISSION.

BARRISTERS' REPORTING SERVICE

1 SO WE HAVE PROVIDED YOU A SUMMARY
2 DOCUMENT, AND IF YOU LOOK -- IF YOU LOOK AT THAT,
3 YOU WILL SEE THAT OUR OVERALL REQUEST FOR THIS YEAR
4 IS ABOUT 3 PERCENT LESS THAN WHAT THE ICOC APPROVED
5 LAST YEAR. AND THAT'S IN SPITE OF THE FACT THAT WE
6 EXPECT TO HAVE SIGNIFICANT INCREASES IN STAFFING IN
7 JULY OF 2008. WHEN THIS CURRENT BUDGET STARTED, WE
8 HAD 31 PEOPLE ON STAFF. BY THE END OF JUNE 2010,
9 WHEN THIS FUTURE BUDGET WILL BE ENDING, WE HOPE TO
10 HAVE 47. WE EXPECT TO HAVE 47 ON STAFF. AND IN
11 ADDITION, OUR GRANT PORTFOLIO OVER THE NEXT 12
12 MONTHS WE ANTICIPATE WILL INCREASE BY \$330 MILLION.

13 SO IN SPITE OF THOSE INCREASES IN OUR WORK
14 LOAD AND OUR STAFFING, WE STILL HAVE A BUDGET THAT'S
15 UNDER WHAT HAD BEEN APPROVED FOR LAST YEAR.

16 SO IF YOU LOOK AT THE TABLE, YOU WILL SEE
17 THE VARIOUS CATEGORIES THERE LISTED ON THE LEFT.
18 THOSE ARE THE SAME CATEGORIES THAT MARGARET FERGUSON
19 HAS BEEN SHOWING TO THE ICOC IN HER REGULAR REPORTS
20 ON THE PROGRESS OF OUR ONGOING OPERATIONS. AND THEN
21 YOU CAN SEE IN THE OTHER -- THE NEXT TWO COLUMNS
22 WHAT WE'RE REQUESTING FOR THIS YEAR COMPARED TO WHAT
23 WE REQUESTED -- WHAT WAS APPROVED FOR LAST YEAR AND
24 THEN A COLUMN WHICH SHOWS THE DIFFERENCE. AND AT
25 THE BOTTOM YOU WILL SEE THAT IT'S ABOUT 3 PERCENT.

BARRISTERS' REPORTING SERVICE

1 I'D LIKE TO JUST SAY A COUPLE OF THINGS
2 ABOUT, BEFORE WE GET INTO DISCUSSION OF INDIVIDUAL
3 ITEMS ON THIS, A COUPLE OF COMMENTS ABOUT WHAT WE
4 SEE AS SORT OF RISKS AND OPPORTUNITIES ASSOCIATED
5 WITH THIS BUDGET. AND ALSO I'D LIKE TO JUST BRIEFLY
6 TOUCH ON HOW OUR OPERATING EXPENDITURES RELATE TO
7 THE 6-PERCENT CAP THAT WE HAVE THAT IS LEGISLATED IN
8 PROPOSITION 71.

9 SO LET'S JUST FIRST TOUCH ON SOME OF THE
10 RISKS AND OPPORTUNITIES.

11 MR. TORRES: BEFORE YOU GO FORWARD, JUST
12 FOR THE RECORD, I WANT TO ALSO GIVE CREDIT TO STATE
13 TREASURER BILL LOCKYEAR AND HIS CHIEF OF STAFF STEVE
14 CLOONEY FOR BEING EXTREMELY HELPFUL (INAUDIBLE). I
15 JUST WANT TO MAKE SURE IT'S IN THE RECORD THAT WE
16 ALSO GIVE CREDIT TO STATE TREASURER BILL LOCKYEAR
17 AND HIS CHIEF OF STAFF STEVE CLOONEY FOR HELPING US
18 OUT THROUGHOUT THIS PROCESS TO HAVE THE MONEY IN THE
19 BANK.

20 MR. KLEIN: AND THIS IS BOB KLEIN. I'D
21 LIKE TO DOUBLE ART'S COMMENTS AND INDICATE THAT THE
22 GOVERNOR'S OFFICE OF FINANCE WAS ALSO EXTREMELY
23 IMPORTANT IN PUTTING TOGETHER WITH US A MOSAIC OF
24 PROGRAMS, INCLUDING A PROGRAM WHERE THE STATE COULD
25 ISSUE BONDS AND HAVE A THIRD OF ALL OF ITS INTEREST

BARRISTERS' REPORTING SERVICE

1 COST SUBSIDIZED BY THE FEDERAL GOVERNMENT. SO THE
2 FEDERAL PROGRAM CREATED AN OPPORTUNITY FOR SPECIFIC
3 PROGRAMS LIKE OURS TO HAVE THE COST SUBSTANTIALLY
4 REDUCED, AND THAT WAS PUT TOGETHER IN A SHORT
5 TIMEFRAME IN RESPONSE TO THE STIMULUS PROGRAM.

6 SO DEPARTMENT OF FINANCE FOR THE GOVERNOR
7 AND THE STATE TREASURER'S OFFICE AND OUR STAFF
8 FORMED A VERY EFFECTIVE COLLABORATIVE EFFORT TO SAVE
9 THE STATE MONEY AND TO PUT FUNDS INTO THE BANK SO
10 THAT THEY COULD SECURE OUR PROGRAM FUTURE.

11 MS. HARWELL: BEFORE DR. ROBSON CONTINUES,
12 DID MARCY FEIT JOIN THE CALL?

13 MS. FEIT: YES.

14 MS. HARWELL: AND IS RICARDO AZZIZ ON THE
15 CALL? NOT YET. OKAY.

16 DR. ROBSON: OKAY. WELL, THOSE ARE BOTH
17 VERY GOOD POINTS. I CERTAINLY DIDN'T MEAN TO SLIGHT
18 ANYBODY ELSE'S CONTRIBUTIONS.

19 LET ME TALK JUST BRIEFLY ABOUT SOME OF THE
20 RISKS AND OPPORTUNITIES THAT WE SEE WITH THIS
21 BUDGET. ONE OF OUR ONGOING RISKS, BECAUSE WE ARE A
22 SMALL ORGANIZATION, IS THAT WE -- IF WE LOSE KEY
23 STAFF, THAT CAN CREATE PROBLEMS FOR US. WE DO WHAT
24 WE CAN TO MAKE A VERY STIMULATING AND ENJOYABLE,
25 PLEASANT PLACE -- WORKPLACE, AND WE DO WHAT WE CAN

BARRISTERS' REPORTING SERVICE

1 TO PROVIDE OPPORTUNITIES FOR OUR STAFF AND FOR
2 CAREER ADVANCEMENT.

3 I SHOULD ALSO MENTION THAT THERE IS SOME
4 CONCERN THAT WE HAVE ABOUT THE POSSIBLE RETIREMENT
5 FROM THE ORGANIZATION OF THE CHAIR AT THE END OF
6 2010, AND SO WE ANTICIPATE THAT WE WILL BE BRINGING
7 TO THE ICOC A REQUEST FOR A POSITION FOR A STRATEGIC
8 FINANCING PERSON WHO CAN OVERLAP WITH BOB AND TAKE
9 OVER MANY OF THOSE FUNCTIONS SO THAT THERE'S A
10 SMOOTH TRANSITION WHEN HE EVENTUALLY DEPARTS FROM
11 HIS POSITION HERE.

12 AS I MENTIONED BEFORE, WE'RE CONCERNED
13 ABOUT FUTURE FUNDING. THAT'S ALWAYS A RISK, BUT
14 THAT DOESN'T REALLY AFFECT THE CURRENT BUDGET
15 BECAUSE WE HAVE ENOUGH FUNDS TO CARRY US, AGAIN,
16 THROUGH THIS UPCOMING FISCAL YEAR AND BEYOND TO THE
17 END OF 2010 AT LEAST.

18 WE THINK THERE'S -- WE KNOW THAT THERE'S
19 STRONG SUPPORT FOR CIRM'S PROGRAMS IN THE PUBLIC.
20 OF COURSE, WE NEED TO WORK TO MAKE SURE THAT THAT
21 REMAINS, AND WE ARE DOING THAT IN A COUPLE OF WAYS.
22 WE TRY TO BE, AS I MENTIONED EARLIER, FISCALLY
23 RESPONSIBLE IN CONSTRUCTING OUR BUDGET. AND ALSO TO
24 DEVELOP -- WE HAVE WITHIN THIS BUDGET SOME FUNDS TO
25 DEVELOP SOME COMMUNITY OUTREACH PROGRAMS SO THAT THE

BARRISTERS' REPORTING SERVICE

1 PUBLIC UNDERSTANDS WHAT WE'RE DOING, WHAT CIRM HAS
2 ACCOMPLISHED IN ORDER TO MAINTAIN THAT SUPPORT.

3 WE HAVE SOME ISSUES AROUND BUILDING A
4 ROBUST AND RELIABLE ELECTRONIC GRANTS MANAGEMENT
5 SYSTEM. WE'VE BEEN WORKING ON THIS FOR A COUPLE OF
6 YEARS, AND IT'S BEEN PROVING TO BE A DIFFICULT TASK.
7 WE HAD -- WE THOUGHT WE HAD A PROGRAM THAT WAS GOING
8 TO MANAGE OUR SYSTEMS; BUT BECAUSE OF CIRM'S
9 EVOLVING PORTFOLIO AND PROCESSES, THIS SYSTEM HAS
10 NOT BEEN PROVED ADEQUATE. WE NOW ARE SEARCHING FOR
11 SOME NEW SYSTEMS AND SOME NEW STRATEGIES, BUT WE
12 HAVE A GOOD LINE ON THIS. I THINK IN THE END, WE'RE
13 GOING TO END UP WITH A SYSTEM THAT WILL MEET OUR
14 NEEDS, AND IT'S GOING TO BE ACTUALLY AT REDUCED COST
15 OVER WHAT WE HAD BEEN EXPECTING PRIOR TO THIS.

16 SOME OF THE OPPORTUNITIES WE HAVE, I
17 THINK, ARE AROUND EXPANSION OF CIRM'S ROLE GLOBALLY.
18 WE HAVE BUILT COLLABORATIONS WITH FIVE COUNTRIES
19 AROUND THE WORLD AND WE ARE NEGOTIATING WITH FIVE
20 OTHERS. WE'VE HAD A TARGET TO GET ABOUT TEN
21 INTERNATIONAL COLLABORATORS, AND THERE'S SOME FUNDS
22 IN THE BUDGET TO ALLOW FOR THOSE PROGRAMS TO BE
23 DEVELOPED. SIMILARLY, WE'RE TRYING TO DEVELOP
24 PROGRAMS WITHIN THE U.S. WITH THE NIH NOW THAT THE
25 GOVERNMENT'S POSITION ON STEM CELLS IS CHANGING. WE

BARRISTERS' REPORTING SERVICE

1 HAVE FUNDS IN HERE THAT WILL ALLOW US TO DEVELOP
2 THOSE KINDS OF COLLABORATIONS WITH THE FEDERAL
3 GOVERNMENT AND ALSO WITH STATE GOVERNMENTS THAT ARE
4 FUNDING STEM CELLS ON THEIR OWN.

5 WE HAVE FUNDS IN HERE FOR ADDITIONAL
6 SCIENCE OFFICERS WHICH WE'RE GOING TO NEED TO FOLLOW
7 OUR PROGRAMS AND DEVELOP THE RFA'S AND PARTICULARLY
8 TO DO PROGRESS REPORTS AND EVALUATIONS. ESPECIALLY
9 WHEN WE GET INTO DISEASE TEAMS AND THESE MORE
10 COMPLEX PROGRAMS, WE'RE GOING TO NEED MORE PERSONNEL
11 TO MAKE SURE THAT THEY'RE KEEPING ON TRACK. AND WE
12 HAVE FUNDS IN THERE FOR THAT.

13 ALSO, WITH OUR GROWTH OF OUR STAFF AND OUR
14 PORTFOLIO, THE STRESSES ON THE FINANCE OFFICE HAVE
15 BEEN INCREASING ENORMOUSLY. WE'VE JUST HAD MARGARET
16 FERGUSON HANDLING THAT ROLE ON HER OWN WITH SOME
17 HELP FROM A PART-TIME RETIRED ANNUITANT. THIS IS
18 PROVING TO BE MORE THAN IS REASONABLE, AND WE HAVE
19 FUNDS IN HERE TO HIRE A SECOND FINANCE OFFICER AND
20 ACTUALLY HAVE BEGUN THE PROCESS TO INTERVIEW FOR
21 THAT.

22 SO I THINK THAT THIS BUDGET ALLOWS US TO
23 CONTINUE OUR PROGRAMS AND DEVELOP OUR NEW PROGRAMS,
24 BUT IT IS A RESPONSIBILITY AND TRIMMED DOWN TO
25 REALLY THE BARE ESSENTIALS OF WHAT WE NEED.

BARRISTERS' REPORTING SERVICE

1 NOW, LET ME MENTION JUST SOMETHING ABOUT
2 THE 6-PERCENT CAP. AS YOU KNOW, PROPOSITION 71
3 LIMITS OUR OPERATING EXPENSES TO 6 PERCENT. NOW, WE
4 CAN LOOK AT THAT TWO DIFFERENT WAYS. I THINK IF YOU
5 LOOK AT IT FROM A GLOBAL PERSPECTIVE FROM THE TOTAL
6 APPROPRIATION OF \$3 BILLION, IF YOU TRANSLATE THAT
7 BACK, CALCULATE BACK, THAT WOULD BE \$180 MILLION
8 AVAILABLE FOR OPERATIONS OVER THE TEN-YEAR PERIOD
9 LIFE SPAN OF CIRM OR \$18 MILLION A YEAR. IF YOU
10 LOOK AT THE BOTTOM OF THE CHART, SUMMARY CHART WE
11 GAVE YOU ON THE BUDGET, YOU WILL SEE THAT THAT COMES
12 OUT TO 3 PERCENT OF THAT IS FOR GENERAL OPERATIONS
13 AND 3 PERCENT IS DEDICATED TO GRANTS OPERATIONS.
14 THAT WOULD BE NINE MILLION IN EACH OF THOSE
15 CATEGORIES. WE ARE WELL UNDER THOSE FIGURES.

16 ANOTHER WAY TO LOOK AT IT WOULD BE TO
17 CALCULATE THE 6 PERCENT BASED ON BOND SALES TO DATE.
18 OUR TOTAL BOND SALES TO DATE ARE \$755 MILLION. SIX
19 PERCENT OF THAT IS A LITTLE OVER 45 MILLION. SO
20 THAT WOULD SAY THAT WE WOULD HAVE \$45 MILLION
21 AVAILABLE IN AGGREGATE FOR OUR OPERATIONS. AND IF
22 YOU LOOK AT OUR EXPENDITURES TO DATE SINCE THE
23 BEGINNING OF CIRM, WE'VE SPENT A LITTLE OVER \$27
24 MILLION ON OUR OPERATIONS. AND THE CURRENT BUDGET
25 HAS A REQUEST FOR ABOUT AN ADDITIONAL 11. SO THAT

BARRISTERS' REPORTING SERVICE

1 WOULD BRING AT THE END OF 2000 -- FISCAL YEAR 2010,
2 2009-10, OUR TOTAL EXPENDITURES WOULD BE 38.3, WHICH
3 IS WELL UNDER THE 45.3 AS CALCULATED BASED ON OUR
4 BOND SALES SO FAR.

5 SO I THINK ANY WAY YOU LOOK AT IT, WE'RE
6 DOING WELL IN PROVIDING THE CITIZENS OF CALIFORNIA A
7 GOOD PRODUCT AT A VERY REASONABLE COST.

8 SO I WOULD NOW GO BACK TO THE BUDGET IF
9 THERE'S ANY QUESTIONS SO FAR.

10 MR. KLEIN: JOHN, THIS IS BOB KLEIN. I
11 THINK I'D JUST LIKE TO REMIND SOME OF THOSE THAT
12 MIGHT BE LISTENING THAT WHEN YOU TALK ABOUT A
13 TEN-YEAR LIFE SPAN, THAT'S A SIMPLIFIED MODEL.
14 OBVIOUSLY OUR LITIGATION WAS NOT RESOLVED UNTIL
15 2000 -- HALFWAY THROUGH 2007. SO THE PROGRAM LIFE
16 SPAN IS CLOSER TO 2017, WHICH IS TEN YEARS FROM THAT
17 DATE. SO THAT THE INITIATIVE WAS WRITTEN TO ADJUST
18 TO IMPEDIMENTS THAT HAVE DEVELOPED OR MAY DEVELOP,
19 AND OUR LIFE SPAN IS NOT A STATIC TIME PERIOD, BUT
20 RATHER AN ORGANIC TIME PERIOD THAT RESPONDS TO THE
21 QUALITY OF THE SCIENCE AND TO CHALLENGES WE MAY
22 INCUR DURING THAT PERIOD.

23 DR. ROBSON: GOOD POINT. I THINK EVEN
24 WITH THOSE ADJUSTMENTS, WE'RE STILL IN GOOD SHAPE.

25 MR. KLEIN: ABSOLUTELY.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN GOLDBERG: SO JOHN, YOU ASKED FOR
2 QUESTIONS. FIRST FROM THE MEMBERS OF THE
3 SUBCOMMITTEE AND THEN FROM MEMBERS OF THE PUBLIC AT
4 THIS POINT, AND THEN WE CAN GO INTO SOME OF THE
5 DETAIL ON THE SPECIFIC LINE ITEMS IN THE BUDGET AND
6 SOME OF THE AREAS OF MAJOR CHANGE SUCH AS
7 INFORMATION TECHNOLOGY.

8 MR. ROTH: JOHN, CAN YOU GIVE US, INSTEAD
9 OF A COMPARISON TO THE APPROVED BUDGET, CAN YOU GIVE
10 US A FEEL FOR THE INCREASE OVER WHAT YOU EXPECT THE
11 ACTUAL BUDGET TO BE FOR THIS YEAR?

12 DR. ROBSON: YEAH. SO THAT'S A LITTLE BIT
13 OF A CRYSTAL BALL GAZING BECAUSE WE DON'T HAVE OUR
14 FINAL FIGURES YET. IN FACT, MARGARET JUST TOLD ME
15 THIS MORNING SHE RECEIVED THE FIGURES FOR MAY THIS
16 MORNING ABOUT FIVE MINUTES BEFORE WE STARTED HERE.
17 SO WE DON'T EVEN HAVE THOSE FOR YOU. ALL WE HAVE IS
18 OUR PROJECTIONS BASED ON WHAT WE PRESENTED TO THE
19 ICOC AT THE BOARD MEETING IN APRIL. AND BASED ON
20 THAT, WE ANTICIPATE THAT WE WILL BE ABOUT 20 PERCENT
21 BELOW THE APPROVED BUDGET, BUT THAT REALLY REMAINS
22 TO BE SEEN BECAUSE THERE'S A LOT OF OUTSTANDING
23 EXPENSES THAT COULD GET ROLLED UP AT THE END OF THE
24 FISCAL YEAR THAT WILL SHOW UP IN JUNE.

25 SO THAT'S THE BEST WE CAN DO RIGHT NOW.

BARRISTERS' REPORTING SERVICE

1 MR. ROTH: SO IF YOU TAKE THAT PROJECTION
2 AND YOU OVERLAY IT HERE, ARE THE SIGNIFICANT
3 INCREASES VERSUS ACTUAL IN THE SAME CATEGORIES? I
4 ASSUME THEY WILL BE, BUT I WANTED TO HEAR, YOU KNOW,
5 WHERE THAT IS BECAUSE THE PERCENT OVER ACTUAL IS
6 GOING TO BE 23 PERCENT THEN.

7 MR. KLEIN: DUANE, THIS IS BOB KLEIN.
8 YOU'D HAVE TO ADJUST THE MANNING SCHEDULE FROM 31
9 PERSONS TO 47 AND THEN LOOK ON A NORMALIZED MANNING
10 SCHEDULE WHAT THE INCREASE IS. AND ON A NORMALIZED
11 MANNING SCHEDULE, I THINK YOU'RE GOING TO FIND IT'S
12 VERY SMALL, BUT THEY HAVEN'T HAD THE CHANCE TO
13 CALCULATE THAT. I'LL ASK THE -- WORK WITH MICHAEL
14 TO SEE IF THEY CAN GET THAT CALCULATED BEFORE THE
15 BOARD MEETING.

16 MR. ROTH: YEAH. I THINK AND I UNDERSTAND
17 THAT WE'RE NEW AT THIS AND BUDGETING AND SO ON, BUT
18 I'M ACCUSTOMED AT THIS POINT IN TIME THAT YOU WOULD
19 HAVE AN ESTIMATED YEAR-END AND WE DO, BUT IT SEEMS
20 TO LAG BEYOND WHAT I THINK WE MIGHT WANT TO HAVE
21 WHEN WE GO INTO APPROVING A MAJOR BUDGET LIKE THIS.
22 SO I'M JUST SUGGESTING THAT WE DO ALL WE CAN TO
23 COMPARE TO LAST YEAR'S ACTUAL, NOT LAST YEAR'S
24 BUDGET. OTHERWISE WE JUST CONTINUE TO BUILD ON
25 SOMETHING THAT WAS ESTABLISHED YEARS AGO.

BARRISTERS' REPORTING SERVICE

1 MR. KLEIN: I THINK, DUANE, MY POINT IS WE
2 NEED TO LOOK AT IT ON A NORMALIZED MANNING SCHEDULE
3 JUST LIKE LOOKING AT BOND SALES BECAUSE WE HAVE WITH
4 OUR VOLUME OF PROGRAMS SUBSTANTIALLY INCREASED AND
5 THE STAFF TO MAN THOSE INCREASED. WE NEED TO
6 COMPARE ON A NORMALIZED BASIS WHETHER OR NOT WHAT
7 OUR LEVEL OF INCREASE IS.

8 CHAIRMAN GOLDBERG: THAT NOTWITHSTANDING,
9 I'D RAISE A FURTHER POINT, DUANE, AND WE'LL WORK
10 WITH MARGARET AND JOHN TO ATTEMPT TO ESTABLISH THAT.
11 IT WOULD BE FROM A NOMENCLATURE STANDPOINT PROBABLY
12 THE TERM YOU USE WOULD BE RATHER THAN THE ACTUAL
13 BUDGET FOR '08-'09 WOULD BE THE FORECASTED ACTUAL.

14 MR. ROTH: CORRECT. SO THERE WOULD BE
15 THREE COLUMNS HERE.

16 CHAIRMAN GOLDBERG: RIGHT.

17 MR. ROTH: THAT'S EXACTLY AND PERCENTAGES.

18 MS. FERGUSON: WE CAN DO THAT.

19 CHAIRMAN GOLDBERG: ARE THERE QUESTIONS
20 FROM THE COMMITTEE?

21 MR. SHEEHY: I HAVE A LOT OF QUESTIONS.

22 CHAIRMAN GOLDBERG: YOU WANT TO STAY AT
23 THE GLOBAL LEVEL, JEFF, OR AS WE GET INTO THE LINE
24 ITEMS?

25 MR. SHEEHY: I GUESS MY PROBLEM IS WE JUST

BARRISTERS' REPORTING SERVICE

1 HAD A VERY -- WE HAD A PRESENTATION, AND IT WAS A
2 VERY INFORMATIVE PRESENTATION, BUT I HAVE NO
3 DOCUMENTATION FOR IT. AND MAYBE IT WOULD BE VERY
4 HELPFUL IF I HAD DOCUMENTS.

5 I MEAN, FIRST OF ALL, MY FIRST THING IS IT
6 DOESN'T SEEM CLEAR THAT THIS 6 PERCENT, WHAT WE'RE
7 OPERATING OFF OF, AND SO IT JUST -- WHETHER IT
8 MEANS, YOU KNOW, WE'VE HAD THE GLOBAL FIGURE OF TEN
9 YEARS OF FUNDING AND THEN DIVIDING THAT 3 BILLION
10 TIMES 6 PERCENT. WE'VE ALSO TALKED ABOUT BOND
11 SALES. I CAN ALSO VISUALIZE THAT WE MAY ALSO LOOK
12 AT GRANTS AWARDED AND GRANT MONIES GOING OUT, SO IT
13 DOESN'T EVEN SEEM LIKE THAT WE HAVE IDENTIFIED THE
14 METRIC FROM WHICH WE'RE TO OPERATE FROM IN TERMS OF
15 THE FUNDS AVAILABLE.

16 I MEAN WE CAN'T HAVE A MOVING -- WE CAN'T
17 PICK WHATEVER METRIC WE WANT, IT SEEMS TO ME. IT
18 SEEMS TO ME THAT WE OUGHT TO HAVE A STATUTORY OR AT
19 LEAST A LEGALLY DEFINED METRIC FOR FUNDS AVAILABLE.
20 IT DOESN'T MATTER TO ME WHICH ONE PER SE, BUT IT
21 WOULD BE HELPFUL TO HAVE ONE. AND IT SEEMS LIKE
22 WE'RE JUST KIND OF THROWING A DART BOARD, THROWING A
23 DART AT THE DART BOARD. SO THAT'S MY FIRST QUESTION
24 IS, A, THERE'S NO DOCUMENTATION.

25 SO I'VE GOT THESE NUMBERS SCRIBBLED DOWN

BARRISTERS' REPORTING SERVICE

1 ON MY PIECE OF PAPER. THE NEXT TIME THIS DISCUSSION
2 COMES UP, I'M GOING TO HAVE TO DIG OUT MY SCRIBBLED
3 PIECE OF PAPER WITHOUT HAVING DOCUMENTATION OF THE
4 755 MILLION IN BOND SALES AND 45 MILLION WE'RE
5 ESTIMATING IS THE 6 PERCENT, THE 18 -- THE 180
6 MILLION THAT WE WOULD DO IF WE WERE ESTIMATING ON
7 THE TOTAL 3 BILLION OVER TEN YEARS, WHICH WOULD BE
8 18 MILLION A YEAR.

9 I MEAN NONE OF THESE NUMBERS EXIST IN THE
10 DOCUMENT THAT'S IN FRONT OF ME. SO THAT'S MY FIRST
11 THING THAT I'D LIKE TO HAVE IS AT SOME POINT SOME
12 IDEA OF WHAT WE'RE ACTUALLY USING AS A METRIC FOR
13 FUNDS AVAILABLE.

14 THE SECOND QUESTION IS THAT WE TALKED
15 ABOUT RISKS, SO LOSS OF KEY STAFF. DO WE IDENTIFY
16 KEY STAFF? WE TALKED ABOUT OPPORTUNITIES AND THEN
17 IDENTIFIED THINGS THAT WE'RE TO DO, BUT WE DON'T
18 HAVE LINE ITEMS IN THE BUDGET TO MATCH UP WITH THEM.
19 SO WE HAVE FUNDS IN OUR BUDGET EXPANDING CIRM'S ROLE
20 GLOBALLY. I DON'T SEE THAT LINE ITEM FOR DOING NIH,
21 STATE RELATIONSHIPS, ADDITIONAL SCIENCE OFFICERS.
22 YOU KNOW, IT'S JUST THE LEVEL OF DETAIL IS NOT
23 THERE, SO I REALLY DON'T UNDERSTAND.

24 YOU KNOW, I'M HAVING A LOT OF TROUBLE
25 UNDERSTANDING TO BEGIN WITH. AND THE OTHER THING IS

BARRISTERS' REPORTING SERVICE

1 IT'S VERY DIFFICULT TO NOT GET ANY DOCUMENT MORE
2 THAN 24 HOURS BEFORE WE'RE GOING TO CONSIDER IT.

3 AND THEN I HAVE A LOT OF QUESTIONS ONCE WE
4 GET INTO THE DETAIL OBVIOUSLY. WELL, I'LL SAY THIS
5 BECAUSE I DO HAVE A QUESTION. IT'S THE FIRST LINE
6 ITEM, SO I DO HAVE A QUESTION ABOUT THAT. BUT, YOU
7 KNOW, IT'S JUST -- IT'S VERY HARD. I DON'T -- I
8 DON'T EVEN UNDERSTAND THE METRICS THAT WE'RE USING
9 FOR THE DEVELOPMENT -- FOR THE BUDGET. WE'RE USING
10 THE -- THE '08-'09 APPROVED BUDGET IS THE STARTING
11 POINT. I THINK THIS IS WHAT DUANE WAS TALKING
12 ABOUT. WE DON'T HAVE THE ACTUAL ON HERE. AND IT
13 DOESN'T EVEN -- I DON'T EVEN HAVE ON HERE IDENTIFIED
14 WHAT OUR FISCAL YEAR IS. I'M ASSUMING IT'S A JUNE
15 TO JUNE.

16 DR. ROBSON: JULY TO JUNE.

17 MR. SHEEHY: JULY TO JUNE 30TH. BUT THAT
18 WOULD BE HELPFUL TO HAVE THAT STATED AT SOME POINT
19 THAT WE KNOW THAT. BUT, IN GENERAL, I'M NOT --
20 THERE'S NOT A LOT OF CLARITY HERE.

21 MS. FEIT: THIS IS MARCY FEIT. I REALLY
22 HEARTILY ECHO EVERYTHING JEFF HAS SAID AND DUANE
23 ROTH. I ACTUALLY WAS IN THE PROCESS OF SCANNING MY
24 E-MAILS BECAUSE I THOUGHT I HAD MISSED SOMETHING. I
25 THOUGHT MAYBE I DIDN'T PRINT OUT THE RIGHT

BARRISTERS' REPORTING SERVICE

1 DOCUMENTS. IT'S DIFFICULT TO EVEN FOLLOW THE
2 PROCESS. WE'RE NOT LOOKING AT DOCUMENTS THAT HELP
3 US UNDERSTAND THE BUDGET PROCESS. SO I'M NOT GOING
4 TO REPEAT EVERYTHING THEY SAID. I JUST -- I WANT TO
5 ECHO THEIR COMMENTS.

6 MR. SHEEHY: JUST ONE LAST COMMENT ON THE
7 GRANTS MANAGEMENT SYSTEM. I ACTUALLY THINK WE
8 PROBABLY NEED A LOT MORE INFORMATION ABOUT THE
9 HISTORY OF WHERE WE ARE AND WHERE WE'RE GOING. I
10 NOTICE THAT THAT'S A HUGE JUMP IN ANTICIPATED
11 FUNDING, AND WE SPENT A LOT OF MONEY ON IT AND IT'S
12 NOT REALLY CLEAR WHAT'S GONE ON, BUT IT WOULD BE
13 HELPFUL TO AT LEAST -- I KNOW WE PROBABLY CAN'T GET
14 THAT NOW, BUT -- AND I WOULDN'T WANT TO TAKE TIME,
15 BUT WE SHOULD PROBABLY GET TO THE BOTTOM OF THAT.

16 CHAIRMAN GOLDBERG: JEFF, I THINK WE GET
17 TO THE BOTTOM OF THAT WHEN WE LOOK THROUGH THE
18 EXHIBIT LABELED 3 A ON INFORMATION TECHNOLOGY, THE
19 SECOND PAGE OF A TWO-PAGE EXHIBIT. WHY DON'T WE GO
20 TO ASK JOHN AND/OR MARGARET TO WALK US THROUGH THE
21 SUPPORTING SCHEDULE FOR ITEM NO. 3, WHICH WERE THE
22 MAJOR CHANGES THAT LIVE BEHIND THE LINE ITEMS ON THE
23 FIRST TABLE.

24 MR. SHEEHY: I ACTUALLY JUST WANTED TO
25 MAKE A COMMENT. IT WOULD BE HELPFUL -- I MEAN I

BARRISTERS' REPORTING SERVICE

1 JUST WANT TO -- IN SOME WAYS IT'S NOT CLEAR IN A
2 FUNCTIONAL WAY. LET'S JUST TAKE THE LEGAL SERVICES.
3 WE HAVE LEGAL STAFF, WE HAVE EXTERNAL CONTRACTS, WE
4 HAVE INTERAGENCY CONTRACTS. IT WOULD BE GREAT IF
5 THERE WAS SOME SORT OF IDEA WHAT REALLY WE'RE
6 SPENDING FOR LEGAL SERVICES. AND THAT'S SPREAD ALL
7 THROUGHOUT, AND IT WOULD BE HELPFUL.

8 I CAN THINK, YOU KNOW, COMMUNITY OUTREACH,
9 BUT IN SOME WAYS SCIENTIFIC -- YOU KNOW, THIS IS NOT
10 REALLY BROKEN DOWN IN A WAY THAT REALLY CAPTURES
11 WHAT WE'RE DOING AND THEN TIES A NUMBER TO IT. THIS
12 FORM -- THE NUMBERS AREN'T FOLLOWING THE FUNCTION,
13 IT SEEMS TO ME. AND THIS IS NOT AN INAPPROPRIATE
14 WAY TO DO THIS, BUT IT WOULD BE MUCH MORE HELPFUL
15 FOR ME IN ORDER FOR ME TO MAKE DECISIONS TO KNOW
16 EXACTLY WHAT WE ARE SPENDING FOR LEGAL SERVICES,
17 WHAT WE ARE SPENDING FOR SCIENCE, AND TO BE ABLE TO
18 LOOK AT HOW THOSE ARE CHANGING, HOW THEY NEED TO
19 CHANGE.

20 MR. KLEIN: IF YOU LOOK ON THE SUMMARY
21 SHEET, THEY'VE AGGREGATED ALL OF THE LEGAL,
22 INCLUDING STAFF SALARIES FOR LEGAL, ON THE BOTTOM OF
23 THE FIRST SHEET SO THAT THAT TOTAL IS THERE TO
24 INFORM YOU. IF YOU TOOK EVERYTHING OUT OF EVERY
25 CATEGORY, INCLUDING OUT OF SALARY, WHAT IT WOULD BE?

BARRISTERS' REPORTING SERVICE

1 MR. SHEEHY: YEAH. I SAW THAT, BOB. AND,
2 AGAIN, I'M JUST USING THIS AS AN EXAMPLE, NOT AS TO
3 THAT SPECIFIC NUMBER. BUT EVEN WITH THIS SPECIFIC
4 NUMBER, IT WOULD BE NICE TO HAVE THAT ITEMIZED, YOU
5 KNOW, IN A COHERENT WAY SO I COULD LOOK DOWN AND
6 SEE.

7 AND THE REASON I PICKED ON LEGAL, BY THE
8 WAY, IS NOT IN ANY WAY TO BE PEJORATIVE. I ACTUALLY
9 THINK THAT LEGAL SERVICES HAVE BEEN EXTRAORDINARY AS
10 SOMEONE WHO HAS BEEN DEPOSED, ETC., ETC. I THINK
11 WE'VE GOTTEN VALUE FOR OUR LEGAL SERVICES. I PICKED
12 THAT OUT INTENTIONALLY AS ONE THAT I WOULD HOPE THAT
13 ALL OF US FEEL VERY STRONGLY HAS BEEN A SUPERB TEAM
14 WORKING ACROSS INTERAGENCY, EXTERNAL CONTRACTS, AND
15 INTERNALLY. SO IT WOULD BE HELPFUL TO HAVE THOSE
16 NUMBERS IN A WAY THAT I CAN DIGEST THEM. AND THEN
17 WHEN PEOPLE ASK, I CAN DEFEND IT.

18 DR. ROBSON: WE'LL SEE IF WE CAN DO THAT.
19 SO IF YOU JUST WANT TO GO DOWN THE COLUMNS AND LOOK
20 AT WHERE WE'VE GOT CHANGES, SOME OF THESE ARE FAIRLY
21 STRAIGHTFORWARD. WE'VE GOT AN INCREASE IN SALARIES
22 AND BENEFITS DUE TO INCREASED EXPECTATIONS FOR
23 STAFFING.

24 WE ARE -- LAST YEAR WE WERE PROJECTED TO
25 BE AT 44.5 POSITIONS BY NOW. WE ACTUALLY ARE NOT

BARRISTERS' REPORTING SERVICE

1 THAT HIGH. THAT'S ONE OF THE REASONS THAT OUR
2 ACTUAL BUDGET FOR THIS YEAR IS BELOW THE PROPOSED
3 BUDGET BECAUSE WE WERE SLOWER IN BUILDING STAFF THAN
4 WE ANTICIPATED. WE'RE NOW AT ABOUT 40 PEOPLE. AND
5 WE DO EXPECT TO BE AT 47 BY THE END OF THIS FISCAL
6 YEAR, SO THAT'S WHAT ACCOUNTS FOR THAT DIFFERENCE
7 THERE.

8 INTERAGENCY AGREEMENTS, PERHAPS MARGARET
9 CAN SPEAK TO THAT. WE'VE HAD A REDUCTION IN SOME OF
10 OUR CONTRACTS WITHIN THE STATE, SO THAT'S PRODUCED A
11 SAVINGS FOR US.

12 MS. FERGUSON: IN THE INTERAGENCY
13 AGREEMENTS YEAR, WE HAD TO HAVE SOME TRANSITIONAL
14 AGREEMENTS WITH THE CONTROLLER'S OFFICE BECAUSE WE
15 WERE TRANSITIONING OUR ACCOUNTING AND OUR HR, OUR
16 PAYROLL SERVICES FROM THE CONTROLLER'S OFFICE OVER
17 TO THE DEPARTMENT OF GENERAL SERVICES AND THE PUBLIC
18 UTILITIES COMMISSION. SO YOU HAD OVERLAPPED
19 CONTRACTS, SO WE NO LONGER HAVE THE AGREEMENT WITH
20 THE STATE CONTROLLER'S OFFICE BECAUSE IT IS NOT THAT
21 NEED THERE.

22 AS WELL, WE HAD A CONTRACT LAST YEAR THAT
23 WE HAD BUDGETED FOR THE SENATE RULES COMMITTEE FOR
24 LEGISLATIVE ADVICE, AND THAT CONTRACT HASN'T BEEN
25 RENEWED FOR THIS YEAR. AND WE MADE AN ADJUSTMENT TO

BARRISTERS' REPORTING SERVICE

1 THE DEPARTMENT OF JUSTICE CONTRACT BASED ON THE
2 MONITORING OF THE EXPENSES THAT ARE ATTRIBUTED TO
3 THE EXISTING CONTRACT, AND REDUCED IT APPROPRIATELY.

4 THOSE WERE THE THREE MAJOR CONTRACTS THAT
5 WERE EITHER CANCELED OR ADJUSTED TO CREATE THE
6 \$283,000 REDUCTION.

7 DR. ROBSON: AND THEN EXTERNAL CONTRACTS
8 HAS GONE DOWN. NOW, THIS IS -- THIS AREA IS A
9 LITTLE BIT CONFUSING, SO LET ME TRY TO EXPLAIN IT
10 GENERALLY FIRST. YOU SEE A REDUCTION THERE. AND
11 MARGARET HAS LISTED SOME OF THE -- ON THE NEXT PAGE
12 SOME OF THE REASONS FOR THAT. WE WERE GOING TO DO A
13 SALARY SURVEY. WE'VE DELAYED THAT. BUT THE MAIN
14 REASON FOR THE CHANGE IS THAT WE'VE SORT OF
15 REORGANIZED OUR BUDGET. WE'VE TAKEN ALL OF THE
16 EXTERNAL CONTRACTS RELATED TO INFORMATION TECHNOLOGY
17 AND WE PUT THEM INTO ONE CATEGORY, WHICH IS
18 INFORMATION TECHNOLOGY, WHICH YOU WILL SEE ON THE
19 FIRST PAGE NEAR THE BOTTOM.

20 NOW, IF YOU LOOK AT THAT ONE, YOU SEE THAT
21 THE AMOUNT REQUESTED IN THAT CATEGORY HAS INCREASED
22 ENORMOUSLY THIS YEAR. THAT'S BECAUSE LAST YEAR ALL
23 THAT WAS IN THAT CATEGORY WAS PURCHASES OF SOFTWARE
24 AND HARDWARE. IT WAS JUST A SMALL AMOUNT. ALL OF
25 OUR EXTERNAL CONTRACTS RELATED TO I.T. WERE LISTED

BARRISTERS' REPORTING SERVICE

1 UNDER EXTERNAL CONTRACTS. WE FELT THAT THAT WAS AN
2 INAPPROPRIATE WAY TO REFLECT OUR I.T. NEEDS AND
3 EXPENDITURES. SO WE PULLED THOSE EXTERNAL CONTRACTS
4 AND LUMPED THEM IN WITH OUR HARDWARE AND SOFTWARE
5 PURCHASES DOWN THERE AT THE BOTTOM.

6 AND THEN WE'VE GIVEN YOU A SEPARATE LIST
7 ON THE LAST PAGE OF THE DOCUMENT WHICH JUST SHOWS
8 OUR EXTERNAL CONTRACTS RELATED TO INFORMATION
9 TECHNOLOGY. SO THAT'S HOW WE GET TO THE TOTAL.
10 THAT'S THE EXPLANATION FOR THE OTHER LARGE CHANGE
11 THERE, SOMEWHAT A CHANGE IN OUR NEEDS, BUT ALSO A
12 REORGANIZATION OF HOW WE'RE REPORTING THAT.

13 THE NEXT FEW CATEGORIES, ICOC MEETINGS,
14 SCIENCE MEETINGS, WORKING GROUPS, THOSE ADJUSTMENTS
15 DOWN ARE REALLY BASED ON OUR ANTICIPATED
16 EXPENDITURES FOR THIS YEAR. SO WE'VE JUST MADE
17 ADJUSTMENTS BASED ON WHAT WE SPENT THIS YEAR.

18 TRAVEL IS REDUCED. YOU KNOW, WE FEEL IT'S
19 IMPORTANT FOR OUR SCIENCE OFFICERS TO ATTEND
20 SCIENTIFIC MEETINGS AND KEEP ABREAST OF THE LATEST
21 ADVANCES, AND THEY REALLY NEED TO BE AT THE
22 FOREFRONT TO HAVE A CLEAR UNDERSTANDING OF WHAT'S
23 GOING ON. SO PART OF THAT IS TRAVEL TO SCIENCE
24 MEETINGS.

25 WE'RE ALSO BUILDING INTERNATIONAL

BARRISTERS' REPORTING SERVICE

1 RELATIONS AND RELATIONS WITH THE FEDERAL GOVERNMENT
2 AND STATE GOVERNMENTS. SO MUCH OF THE FUNDS THAT
3 WERE NEEDED TO BUILD THOSE ARE TRAVEL FUNDS THAT
4 ALLOW THE PRESIDENT, THE CHAIR, CHIEF SCIENTIFIC
5 OFFICER, AND SOME OF THE SCIENCE OFFICERS TO MEET
6 WITH INDIVIDUALS EITHER AT THE FEDERAL OR STATE
7 LEVEL OR INTERNATIONALLY TO BUILD THOSE
8 COLLABORATIONS.

9 FURNITURE AND EQUIPMENT, WE SEE A CHANGE
10 THERE. THE BIG CHANGE IN THAT IS THAT OUR COPIERS
11 HAVE REACHED THEIR END OF THEIR LIFE EXPECTANCY, AND
12 WE'RE DEVELOPING A NEW CONTRACT TO REPLACE SOME OF
13 THE COPIERS. THOSE CONTRACTS ARE ENDED, SO THERE'S
14 A SMALL INCREASE THERE.

15 I TALKED ABOUT INFORMATION TECHNOLOGY.
16 AND THEN OTHER OPERATING EXPENSES, PERHAPS THAT ONE
17 IS A BIT MORE OF A CATCHALL CATEGORY. PERHAPS,
18 MARGARET, COULD YOU TALK ABOUT THAT A LITTLE?

19 MS. FERGUSON: UNDER OTHER OPERATING
20 EXPENSES AND EQUIPMENT, ONE OF THE MAJOR CHANGES
21 WERE THAT WE WENT BACK AND LOOKED AT MEMBERSHIPS IN
22 SCIENTIFIC ORGANIZATIONS AND WHETHER WE HAD A NEED
23 FOR PARTICULAR MEMBERSHIPS IN THE UPCOMING YEAR, AND
24 WE MADE THOSE REDUCTIONS AS APPROPRIATE. IN
25 ADDITION, IN THIS PARTICULAR CATEGORY, WE ALSO

BARRISTERS' REPORTING SERVICE

1 HAVE -- WE CAPTURED OR WE FUND FOR OUR NEEDS -- OUR
2 SIMPLE NEEDS, NOT SIMPLE NEEDS, BUT THE NEEDS TO
3 COVER OUR TELECOMMUNICATION COSTS IN TERMS OF ALL
4 OUR PHONES, ALL OUR COURIER SERVICES, PAPER,
5 SUPPLIES, TONERS, WHAT IT TAKES TO SUPPLY THE OFFICE
6 IN ORDER TO -- WELL, BASICALLY TO SUPPLY THE OFFICE.

7 THOSE ARE THE -- THAT IS WHAT IS CAPTURED
8 IN THERE AS WELL AS PERSONAL DEVELOPMENT TRAINING.
9 BUT THE BIGGEST -- AGAIN, THE BIGGEST CHANGE WAS A
10 RESULT OF OUR REDUCED OVERALL GENERAL EXPENSE.
11 AGAIN, THAT COVERS OUR TELECOMMUNICATIONS AND OUR
12 SUPPLIES MORE IN LINE WITH WHAT WE ARE REALLY
13 SPENDING OR ANTICIPATE TO SPEND IN '08-'09 AND THE
14 ELIMINATION OF SEVERAL SCIENTIFIC ORGANIZATION
15 MEMBERSHIPS.

16 CHAIRMAN GOLDBERG: THIS IS MICHAEL
17 GOLDBERG. WHAT I'D LIKE TO DO IS OPEN UP FOR THE
18 COMMITTEE FOR QUESTIONS ON THE DETAIL WITHIN THE
19 BUDGET THAT WAS JUST DISCUSSED AND THEN OPEN IT UP
20 TO THE PUBLIC FOR QUESTIONS OR COMMENTS. WHY DON'T
21 WE GO TO YOUR SITE, MARCY.

22 MS. FEIT: I DON'T HAVE ANY QUESTIONS
23 RIGHT NOW.

24 CHAIRMAN GOLDBERG: THANK YOU. DUANE?

25 MR. ROTH: NO, I'M FINE.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN GOLDBERG: JEFF?

2 MR. SHEEHY: I HAVE A COUPLE OF QUESTIONS.
3 NO. 1, DO WE HAVE A STAFFING PLAN BECAUSE WE TALKED
4 ABOUT -- CAN THAT BE MADE AVAILABLE TO THE BOARD?

5 DR. ROBSON: I THINK SO, YES.

6 MR. SHEEHY: I MEAN IT WOULD BE HELPFUL TO
7 HAVE THAT, JUST KNOW WHO'S GOING TO BE WORKING
8 WHERE, WHAT WE ANTICIPATE THE SALARIES TO BE. I
9 MEAN IT SEEMS LIKE THE LEVEL OF DETAIL ON SALARY AND
10 BENEFITS WOULD BE HELPFUL.

11 AND THEN WHAT DOES SCIENTIFIC MEETINGS
12 ENCOMPASS?

13 DR. ROBSON: THAT INCLUDES OUR GRANTEES
14 MEETING AND WORKSHOPS.

15 MR. SHEEHY: WORKSHOPS. WHERE DO -- WHEN
16 WE ALLOCATE MONEY TO SUPPORT SCIENTIFIC CONFERENCES,
17 DOES THAT FALL IN HERE?

18 DR. ROBSON: OUR CONFERENCE GRANTS? IS
19 THAT IN THIS CATEGORY?

20 MR. SHEEHY: WHERE IS THAT INFORMATION
21 CAPTURED? CONFERENCE GRANTS, SCIENTIFIC
22 CONFERENCES.

23 DR. ROBSON: ALLOCATED AT THE PRESIDENT'S
24 DISCRETION.

25 MS. FERGUSON: OH, THE SCIENTIFIC

BARRISTERS' REPORTING SERVICE

1 CONFERENCE GRANTS THAT ARE BEING MADE UNDER THE
2 NOTICE OF GRANT AWARD?

3 DR. ROBSON: THAT'S IN THE GRANTS SECTION.

4 MS. FERGUSON: THAT'S IN GRANT AWARDS
5 UNDER --

6 DR. ROBSON: THAT'S A RESEARCH AWARD.

7 MR. SHEEHY: YEAH. BUT THAT'S NOT
8 RECORDED IN --

9 DR. ROBSON: THAT'S NOT RECORDED AS PART
10 OF OUR OPERATIONS.

11 MS. FERGUSON: THAT'S NOT PART OF
12 OPERATIONS.

13 MR. SHEEHY: WELL, WHERE WOULD THAT BE
14 RECORDED AT?

15 DR. ROBSON: THAT APPEARS IN OUR GRANT
16 AWARDS REPORT.

17 MR. SHEEHY: HOW? I MEAN WHAT WE KNOW IS
18 WHEN WE APPROVE A GRANT, WE KNOW WHAT WE JUST SPENT.
19 I DON'T KNOW THAT THIS APPEARS AS ANY KIND OF --

20 DR. ROBSON: IT'S REFLECTED IN THE
21 SUMMARIES WE SHOW. IT SHOWS OUR EXPENDITURES. WE
22 HAVE NOT PROVIDED THAT INFORMATION ON A ONE-BY-ONE
23 BASIS, WHICH WE CAN DO.

24 MR. SHEEHY: THAT'S ALL I'M ASKING IS THAT
25 WE HAVE -- YEAH. I ASSUME THAT THAT'S WHERE IT IS,

BARRISTERS' REPORTING SERVICE

1 BUT I'D LIKE -- I THINK A BUDGET SHOULD IDENTIFY
2 ALL -- I MEAN IN SOME WAYS BOARDS SHOULD BE ABLE TO
3 BE PROVIDED WITH ALL THE INFORMATION FOR ALL THE
4 MONEY THAT'S GOING OUT THE DOOR. AND THAT'S ONE
5 THAT DOESN'T SEEM TO BE PROVIDED. THIS IS NOT
6 CRITICISM. THIS IS JUST AN ITEM OF INFORMATION. I
7 DON'T NEED IT RIGHT NOW. I DON'T NEED TO KNOW A
8 NUMBER, BUT IT WOULD BE NICE -- THAT WOULD BE A NICE
9 ITEM TO HAVE.

10 DR. ROBSON: THAT WOULD BE PART OF --
11 GENERALLY BE PART OF THIS REPORT.

12 MR. SHEEHY: AGAIN, I'M NOT SUGGESTING
13 THAT IT BE PART OF THIS REPORT, BUT IT'S NEITHER IN
14 THIS REPORT NOR IS IT CAPTURABLE WITHIN OUR GENERAL
15 SCIENTIFIC FUNDING APPROVALS WHERE WE HAVE A SENSE
16 OF WHAT'S GOING OUT FOR SCIENTIFIC CONFERENCES. I
17 JUST -- IT'S JUST A GAP AND JUST HOPING THAT IT IS
18 SOMEWHERE.

19 DR. OLSON: THIS IS PATRICIA OLSON, MEMBER
20 OF STAFF OF CIRM. JUST IN RESPONDING TO MR.
21 SHEEHY'S QUESTION, I WILL RESPOND, WITH RESPECT TO
22 CONFERENCE GRANTS, RECALL THAT WE DID COMMIT TO
23 PROVIDING AN UPDATE ON THE CONFERENCE GRANTS PROGRAM
24 TWICE A YEAR TO THE BOARD.

25 MR. SHEEHY: OKAY. GOOD. AND THEN THE

BARRISTERS' REPORTING SERVICE

1 OTHER QUESTION, FOR SALARIES, DID WE -- ARE WE
2 GIVING RAISES?

3 DR. ROBSON: WE HAVE NOT GIVEN RAISES TO
4 ANYONE FOR THE PAST 12 MONTHS WHOSE SALARY IS ABOVE
5 A HUNDRED FIFTY THOUSAND. WE DID THIS SPRING GIVE
6 SMALL RAISES TO THOSE WHOSE SALARIES WERE LOWER.
7 THERE WERE NO RAISES LAST JULY. THAT WAS -- THAT
8 WAS -- THAT REALLY HAD BEEN DEFERRED FOR OVER A
9 YEAR.

10 MR. SHEEHY: JUST A POINT OF INFORMATION.
11 THAT'S MY LAST QUESTION.

12 MR. TORRES: THAT'S A VERY IMPORTANT POINT
13 OF INFORMATION THAT JEFF JUST CITED, AND THAT IS
14 THAT THIS ORGANIZATION HAS BEEN IN FULL COMPLIANCE
15 WITH WHAT STATE GOVERNMENT IS DOING ACROSS THE BOARD
16 AS WELL IN NOT GIVING RAISES TO PEOPLE OVER A
17 HUNDRED FIFTY. AND EXCEPT TO THOSE UNDER A HUNDRED
18 FIFTY THOUSAND, NO RAISES -- SMALL RAISES WERE GIVEN
19 TO THOSE PEOPLE.

20 DR. ROBSON: THEY WERE MERIT BASED, NOT
21 COST OF LIVING.

22 MR. TORRES: IN A VERY SENSITIVE TIME, I
23 THINK JEFF'S QUESTION IS MORE THAN APPROPRIATE, AND
24 TO MAKE SURE THAT WE EXPLAIN VERY CLEARLY WHERE WE
25 HAVE BEEN AND WHERE WE CONTINUE TO BE AND IN BEING

BARRISTERS' REPORTING SERVICE

1 CONSISTENT WITH WHAT GOVERNMENT OFFICIALS AND THE
2 GOVERNOR IS ASKING FOR AS WELL ACROSS THE BOARD.

3 CHAIRMAN GOLDBERG: THANK YOU, ART.

4 CEDARS, IS DR. AZZIZ ON THE LINE?

5 DR. AZZIZ: I AM, YES.

6 CHAIRMAN GOLDBERG: ANY QUESTIONS OR
7 COMMENTS AT THIS TIME?

8 DR. AZZIZ: I JUST HAD TWO COMMENTS. ONE,
9 YOU KNOW, I THINK THE BUDGET THAT WE RECEIVED LOOKS
10 INTELLIGIBLE AND PROBABLY IS VERY APPROPRIATE AND SO
11 ON. JUST FOR THE FUTURE, AND I KNOW THIS HAS BEEN
12 SAID BEFORE, BUT I DO URGE STAFF TO PROVIDE A LOT
13 MORE DETAIL BOTH ON ACTUALS AS WELL AS DETAILS OF
14 THE ITEMS. IT JUST SAVES THEM A LOT OF HASSLE AND
15 QUESTIONS AND ALLOWS US TO MAKE A MORE INTELLIGENT
16 ASSESSMENT, BUT OVERALL I HAVE NO SPECIFICS.

17 I DO, IN FOLLOWING UP TO ART'S COMMENTS, I
18 DO THINK WE NEED TO BE PRUDENT WITH SALARIES, BUT I
19 DO ALSO STRONGLY URGE ALL OF US TO KEEP IN MIND THAT
20 WHILE THE ECONOMY AND THE STATE IS NOT VERY GOOD,
21 THE COMPETITION FOR BRIGHT YOUNG PEOPLE IN THIS
22 FIELD IS EXTREMELY TIGHT ACROSS THE COUNTRY. SO WE
23 ALSO NEED TO MAKE SURE THAT WE KEEP THE RIGHT PEOPLE
24 IN THE RIGHT PLACE. AND SO IF IT TAKES SMALL
25 RAISES, I ACTUALLY THINK IT'S SOMETHING TO CONSIDER.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN GOLDBERG: THANK YOU. CHAIRMAN
2 KLEIN WOULD LIKE TO MAKE A COMMENT.

3 MR. KLEIN: I'D JUST LIKE TO SAY THAT ON
4 THE TRAVEL BUDGET, WHICH IS AN IMPORTANT PART FOR
5 THE SCIENTIFIC STAFF AND THE GENERAL OPERATIONS,
6 WITH THE RELATIONSHIPS WITH SCIENTIFIC EXCELLENCE IN
7 OTHER COUNTRIES, THE FIVE COUNTRIES THAT HAVE BEEN
8 REFERENCED THUS FAR, PLUS COUNTRIES THAT ARE IN
9 PROCESS, THOSE COUNTRIES HAVE PUT UP, AS THE BOARD
10 KNOWS, MORE THAN 200 MILLION IN MATCHING FUNDS TO
11 FUND THEIR SCIENTISTS TO GIVE US BOTH FINANCIAL
12 LEVERAGE AND SCIENTIFIC KNOWLEDGE LEVERAGE, WHICH IS
13 AN IMPORTANT AUGMENTATION TO OUR CAPACITY.

14 IN ADDITION, WHEN OUR SCIENTISTS TRAVEL TO
15 VARIOUS CONFERENCES INTERNATIONALLY, THEY PICK UP A
16 TREMENDOUS AMOUNT OF INFORMATION SO THAT WE ARE NOT
17 REDUNDANTLY FUNDING RESEARCH THAT IS PROGRESSING
18 WELL AND IS BEING PRESENTED ON POSTERS OR IN LIMITED
19 SESSIONS -- LIMITED ATTENDANCE SESSIONS ON THE
20 CUTTING EDGE OF STEM CELL SCIENCE.

21 ON THE FINANCIAL SIDE, WITH THE NEW
22 ADMINISTRATION THIS YEAR GOING INTO THE FIRST PART
23 OF NEXT YEAR, WE'RE WORKING ON THE TAX-EXEMPT
24 OPINION AS CONFIRMED WITH CONGRESS, BOTH HOUSES OF
25 CONGRESS, FOR OUR GRANTS PROGRAM OVER THE LIFE OF

BARRISTERS' REPORTING SERVICE

1 THE PROGRAM PRIOR ESTIMATES OF THE TREASURER'S
2 OFFICE. IT WOULD SAVE THE TAXPAYERS 453 MILLION.
3 SO THIS IS AN IMPORTANT FUNCTION.

4 AND WE'RE VERY THANKFUL IN PARTICULAR TO
5 HAVE ART TORRES AVAILABLE TO WORK ON THAT SPECIFIC
6 PROJECT WITH THE CHAIRMAN'S OFFICE, THE TREASURER,
7 AND BOTH HOUSES OF CONGRESS AS WELL AS THE IRS AND
8 THE TREASURY.

9 ADDITIONALLY, IN CONGRESS OVER THE NEXT
10 YEAR, AS WE TRY AND GET PAST THE INITIAL STIMULUS
11 PROGRAM AND ITS IMPLEMENTATION OBSTACLES, WHETHER WE
12 END UP WITH A \$500 MILLION TREASURY GUARANTEE FOCUS
13 OR A BILL OR AN EQUIVALENT PROGRAM, EXPANDING OUR
14 LOAN PROGRAM POTENTIALLY HAS BEEN VERY VALUABLE. WE
15 TALKED WITH DUANE ROTH AND ART AND CERTAINLY DR.
16 TROUNSON AS WELL AS MICHAEL GOLDBERG ABOUT THE VALUE
17 OF THE GUARANTEE PROGRAM. IN ADDITION TO JUST
18 LEVERAGING OUR FUNDS BY GUARANTEEING PRIVATE LENDERS
19 WITH FEDERAL GUARANTEES, IT WOULD PROVIDE A SOURCE
20 OF FUNDING THAT IS NOT CALIFORNIA TAXPAYER FUNDING
21 FOR FUNDING CLINICAL TRIALS OUT-OF-STATE FOR
22 CALIFORNIA-BASED RESEARCH.

23 RIGHT NOW, AS YOU KNOW, WE CANNOT USE OUR
24 FUNDS FOR FUNDING OUT-OF-STATE CLINICAL TRIALS. SO
25 THAT WILL BE ANOTHER POTENTIALLY HIGHLY VALUABLE

BARRISTERS' REPORTING SERVICE

1 ADDITION TO OUR PROGRAM NEXT YEAR WHICH WILL REQUIRE
2 SOME SIGNIFICANT TRAVEL TO WASHINGTON, D.C.

3 I THINK WE ALWAYS HAVE TO LOOK AT WHAT OUR
4 RETURNS ARE FROM TRAVEL AND MAKE SURE WE'RE
5 JUSTIFYING IT AS WE GO. AND AT THE BOARD MEETING
6 I'LL PROVIDE SOME ADDITIONAL DETAIL ON THOSE ITEMS
7 SO THAT EVERYONE IS COMFORTABLE WE'RE GETTING OUR
8 MAXIMUM VALUE OUT OF THOSE EXPENDITURES.

9 CHAIRMAN GOLDBERG: THANK YOU. MEMBERS OF
10 THE PUBLIC, WHY DON'T WE START WITH CEDARS.

11 MR. SIMPSON: JOHN SIMPSON HERE. I JUST
12 WANTED TO REITERATE WHAT SOME OF THE BOARD MEMBERS
13 HAVE BEEN SAYING, THAT THIS IS -- I VIEW THIS AS AN
14 EXCELLENT, TOP-LINE BUDGET, BUT I THINK IT WOULD
15 MAKE LIFE EASIER ON STAFF IF THERE WERE A BETTER
16 BREAKDOWN. AND AS THE CHAIRMAN WAS JUST SAYING,
17 TRAVEL IS VALUABLE; BUT IT WOULD HELP TO HAVE A LIST
18 OF THE TRIPS SO THAT YOU CAN WEIGH THE BENEFITS
19 AGAINST THE PAYOFFS.

20 THE ONLY OTHER QUESTION -- I HAD TWO
21 ACTUALLY. IT WASN'T CLEAR TO ME. I UNDERSTAND THAT
22 THE SALARIES HAVE BEEN FROZEN FOR THE LAST YEAR.
23 ARE YOU PLANNING TO RAISE THEM GOING AHEAD IN THIS
24 BUDGET? AND IT WOULD SEEM TO ME THAT A RAISE WOULD
25 BE APPROPRIATE FOR MANY OF THE HARDWORKING STAFF.

BARRISTERS' REPORTING SERVICE

1 IT WASN'T CLEAR TO ME WHETHER YOU WERE, IN FACT,
2 INCLUDING A RAISE IN THIS OR NOT.

3 DR. ROBSON: WE HAVE A RAISE INCLUDED IN
4 HERE. WHETHER OR NOT WE'LL DO IT REMAINS TO BE
5 SEEN. IT'S GOING TO DEPEND IN PART ON WHAT HAPPENS
6 IN THE STATE.

7 MR. KLEIN: MY UNDERSTANDING IS THAT'S
8 INDIVIDUALS AT A HUNDRED FIFTY THOUSAND OR LESS; IS
9 THAT CORRECT, JOHN?

10 DR. ROBSON: YES.

11 MR. SIMPSON: OVER A HUNDRED FIFTY THERE
12 WOULD BE NO RAISE?

13 DR. ROBSON: AT THE MOMENT WE DON'T THINK
14 SO.

15 MR. SIMPSON: THANK YOU. AND THE FINAL
16 QUESTION, IN ONE OF THE CHALLENGES THAT YOU
17 MENTIONED, DR. ROBSON, WAS THE POSSIBILITY OF
18 CHAIRMAN KLEIN'S RETIREMENT. THAT'S THE FIRST SOME
19 OF US HAVE HEARD OF THAT. IS THAT SOMETHING THAT
20 THE CHAIRMAN COULD COMMENT ON? IS THIS A
21 POSSIBILITY OR HAVE DECISIONS BEEN MADE IN THAT
22 REGARD?

23 MR. KLEIN: WELL, THE REASON FOR THE
24 PLANNING IS MY TERM IS UP AT THE END OF 2010. AND
25 WHILE I AM PASSIONATE ABOUT THIS PROGRAM, I DON'T

BARRISTERS' REPORTING SERVICE

1 THINK I CAN AFFORD THE LUXURY. I'VE BEEN AT THIS
2 SEVEN YEARS. SO TO GO BEYOND THE END OF 2010, WHICH
3 WILL PUT ME AT EIGHT YEARS IN THIS ENDEAVOR, IS JUST
4 CUMULATIVELY A GREAT CHALLENGE, JOHN. SO I'VE
5 RAISED THE POINT THAT ON THE FINANCIAL -- STRATEGIC
6 FINANCIAL SERVICES SIDE, WE NEED TO START PLANNING
7 TO CREATE CONTINUITY AND TRANSITION AT THIS POINT.

8 MR. SIMPSON: SO I UNDERSTAND, THEN, THAT
9 YOU'RE SAYING THAT YOU'RE PLANNING TO FILL OUT THE
10 TERM AND NOT SERVE AFTER THAT; IS THAT CORRECT?

11 MR. KLEIN: THAT'S MY CURRENT POSITION
12 UNLESS I INHERIT A LOT OF MONEY BETWEEN NOW AND
13 THEN, AND I DON'T HAVE ANY LIVING RELATIVES.

14 MR. SIMPSON: I JUST FOR THE RECORD WANTED
15 TO SAY THAT YOUR TERM HAS BEEN TREMENDOUSLY
16 SUCCESSFUL AND YOU BROUGHT VERY, VERY MUCH TO THE
17 ORGANIZATION.

18 MR. KLEIN: WELL, I THANK YOU VERY MUCH.
19 APPRECIATE YOUR GENEROUS COMMENTS.

20 CHAIRMAN GOLDBERG: THIS RAISES A POINT,
21 AND I'LL CONTINUE TO POLL THE SITES FOR PUBLIC
22 COMMENT, THAT AS I HAVE THOUGHT ABOUT THAT POTENTIAL
23 EVENTUALITY AND THE TRANSITION TO AN ORDERLY POST
24 CHAIRMAN KLEIN TERM, SHOULD IT COME TO PASS, THE
25 BUDGET DOES NOT REFLECT, AS I UNDERSTOOD IT, ANY

BARRISTERS' REPORTING SERVICE

1 COST FOR THE KIND OF PEOPLE THAT MIGHT BE REQUIRED
2 TO REPLACE THE SKILL SET THAT CHAIRMAN KLEIN HAS
3 BEEN PROVIDING. AND I'D LIKE THE SUBCOMMITTEE TO
4 CONSIDER THE POSSIBILITY OF, WHEN WE GET TO THE
5 BOARD MEETING IN SAN DIEGO NEXT WEEK, IF WE'RE SO
6 INCLINED, TO RECOMMEND AN APPROVAL OF THE BUDGET AS
7 PROVIDED BY MANAGEMENT, BUT TO CONSIDER A
8 CONTINGENCY IN ADDITION TO THAT BUDGET UP TO 5
9 PERCENT TO BE ALLOCATED AT THE DISCRETION OF THE
10 FINANCE SUBCOMMITTEE AND THE ICOC SO THAT WE DON'T
11 MISLEAD THE PUBLIC WITH RESPECT TO THE FACT THAT
12 THERE MAY BE COSTS, COSTS WHICH WE CAN'T NOW WELL
13 DEFINE THAT MAY BE NECESSARILY INCURRED TO DEAL WITH
14 A POTENTIAL EVENTUALITY THAT WE CAN'T SPECIFY MORE
15 FULLY AT THIS TIME.

16 MR. KLEIN: I THINK YOU'RE ALSO REFERRING
17 TO OTHER ITEMS THAN JUST -- JUST AS A GENERAL
18 PLANNING PURPOSE HAVING A CONTINGENCY. HOPEFULLY
19 I'M NOT THE ONLY CONTINGENCY. THAT WOULD BE A GREAT
20 SET OF FACTS IF I WERE THE ONLY CONTINGENCY. BUT I
21 WOULD SUGGEST, JUST AS A MATTER OF PLANNING, A
22 5-PERCENT CONTINGENCY IS PROBABLY A REASONABLE
23 BUDGET PRACTICE GIVEN THE OPPORTUNITIES THAT MAY
24 DEVELOP. AND IF WE HAVE SIGNIFICANT AUGMENTATIONS
25 OF CAPACITY BECAUSE OF FEDERAL GUARANTEES DURING

BARRISTERS' REPORTING SERVICE

1 THIS PERIOD, WE'RE GOING TO NEED TO WORK ON
2 IMPLEMENTING THAT.

3 SO FOR OTHER REASONS, I WOULD THINK THAT,
4 AS A GENERAL BUSINESS PRACTICE, HAVING A 5-PERCENT
5 CONTINGENCY WOULD BE A GOOD IDEA.

6 CHAIRMAN GOLDBERG: BACK TO COMMENTS FROM
7 MEMBERS OF THE PUBLIC. DO WE HAVE ANY MEMBERS OF
8 THE PUBLIC IN SAN DIEGO?

9 MR. ROTH: NO. WE HAVE A MEMBER, BUT NO
10 COMMENT.

11 CHAIRMAN GOLDBERG: PLEASANTON?

12 MS. FEIT: NO.

13 CHAIRMAN GOLDBERG: PALO ALTO? MENLO
14 PARK?

15 MS. HARWELL: CIRM SAN FRANCISCO, WE HAVE
16 PUBLIC COMMENT HERE IN SAN FRANCISCO.

17 CHAIRMAN GOLDBERG: THANK YOU.

18 MR. REED: YEAH. THIS IS DON REED. ALL
19 THE FINANCIAL THINGS MAY BE AFFECTED BY LEGISLATION
20 WHICH COULD COME OUT OF THE LITTLE HOOVER
21 COMMISSION. ONE OF THE THINGS THAT WAS RAISED AT
22 THE LAST HEARING WAS THE POSSIBILITY OF INCREASING
23 THE NUMBER OF EMPLOYEES WHILE NOT INCREASING THE
24 FUNDING TO PAY THEM, WHICH RAISED ALL KINDS OF
25 STRANGE POSSIBILITIES. THEY WANTED A 6-PERCENT

BARRISTERS' REPORTING SERVICE

1 FUNDING CAP AND BEYOND THAT WE CAN'T GO, BUT THEY
2 WANTED TO GO BEYOND THAT WITH A NUMBER OF EMPLOYEES,
3 BUT NOT FIND OUT WAYS TO FUND IT.

4 THE NEXT MEETING OF THE LITTLE HOOVER
5 COMMISSION WILL BE ON JUNE 24TH. IT'S GOING TO BE
6 IN ROOM 127 OF THE CAPITOL AT 3:30. AND THIS IS A
7 HIGHLY SIGNIFICANT DEVELOPMENT. FOR ONE THING, THEY
8 WANT TO REDUCE THE ICOC FROM 29 TO 15 AND SUBSTITUTE
9 A, QUOTE, MORE TRADITIONAL BOARD OF DIRECTORS
10 SUBJECT TO GUBERNATORIAL LEGISLATIVE OVERSIGHT. THE
11 MAJOR CHANGES ARE OFFERED IN SOME CASES BY PEOPLE
12 WHO SEEM TO KNOW VERY LITTLE ABOUT THE ICOC.

13 FOR INSTANCE, ONE COMMENT WAS MADE, WELL,
14 IT HAS TO BE CHANGED BECAUSE THEY'VE LOCKED OUT
15 BIOTECH, WHEN, IN FACT, THERE ARE, OF COURSE, FOUR
16 BIOTECH MEMBERS ON THE BOARD.

17 SO POSSIBLY IF ANYONE CAN MAKE IT, IT'S
18 ROOM 127, JUNE 24TH IN THE CAPITOL AT 3:30. THANK
19 YOU.

20 CHAIRMAN GOLDBERG: THANK YOU, MR. REED.
21 I'D LIKE TO PROCEED TO AGENDA I'M NO. 4 AND TURN IT
22 OVER TO JAMES HARRISON. ARE YOU ON, JAMES?

23 MR. HARRISON: I AM, MICHAEL.

24 CHAIRMAN GOLDBERG: COULD YOU REVIEW WITH
25 US THE RESPONSES AND THE PROCESS WITH RESPECT TO

BARRISTERS' REPORTING SERVICE

1 IDENTIFICATION AND SELECTION OF DELEGATED
2 UNDERWRITERS FOR THE LOAN PROGRAM?

3 MR. HARRISON: YES. WE WANTED TO PROVIDE
4 A VERY BRIEF UPDATE TO THE FINANCE SUBCOMMITTEE. AS
5 ALL OF YOU KNOW, WE ISSUED A REQUEST FOR INFORMATION
6 SOME MONTHS BACK TO GATHER INFORMATION FROM
7 POTENTIAL DELEGATED UNDERWRITERS ABOUT THE TYPES OF
8 SERVICES THAT THEY MIGHT PROVIDE AND THE VARIOUS
9 MODELS AVAILABLE FOR PROVIDING THOSE SERVICES.

10 BASED ON THE RESPONSES TO REQUESTS FOR
11 INFORMATION, WE DEVELOPED A REQUEST FOR PROPOSALS
12 WHICH WE ISSUED ON FRIDAY, MAY 15TH, CALLING FOR
13 RESPONSES BY MONDAY, JUNE 8TH, JUST THIS LAST
14 MONDAY.

15 WE DID RECEIVE FIVE RESPONSES FROM
16 ADJUVANT CAPITAL PARTNERS, COMERICA BANK, ORRICK'S
17 VENTURE FINANCE, SILICON VALLEY BANK, AND SQUARE ONE
18 BANK. SO WE ARE VERY PLEASED AT THE LEVEL OF
19 RESPONSE, AND STAFF WILL REVIEW, ANALYZE, AND SCORE
20 THOSE RESPONSES BASED ON THE FOLLOWING CRITERIA.

21 ONE, THE QUALIFICATIONS AND EXPERIENCE OF
22 THE PROPOSER. TWO, THE RESPONSIVENESS OF THE
23 PROPOSAL TO THE SCOPE OF WORK SET FORTH IN THE RFP.
24 THREE, AND VERY IMPORTANTLY, COST. AND FOUR, THE
25 INNOVATIVENESS OF THE PROPOSAL.

BARRISTERS' REPORTING SERVICE

1 AS YOU KNOW, THIS IS A NEW PROGRAM, AND WE
2 ARE STRIVING TO DO THIS IN THE MOST EFFICIENT AND
3 EFFECTIVE WAY POSSIBLE. SO WITH THAT INFORMATION,
4 WE PLAN AND HOPE TO SELECT A DELEGATED UNDERWRITER
5 OR DELEGATED UNDERWRITERS WITH WHOM CIRM WOULD WORK
6 TO IMPLEMENT THE LOAN PROGRAM OVER THE NEXT COUPLE
7 OF WEEKS.

8 CHAIRMAN GOLDBERG: QUESTIONS FROM THE
9 COMMITTEE?

10 MR. SHEEHY: YEAH. SO THE SELECTION IS
11 GOING TO BE DONE BY STAFF?

12 MR. HARRISON: THAT'S THE PLAN.

13 CHAIRMAN GOLDBERG: JAMES, IT WAS MY
14 UNDERSTANDING THAT THE ANALYSIS AND RECOMMENDATION
15 WOULD BE MADE BY STAFF, BUT THE SELECTION WOULD
16 ULTIMATELY BE MADE BY THE FINANCE SUBCOMMITTEE.

17 MR. HARRISON: WE ARE HAPPY TO PROCEED
18 DOWN THAT PATH IF YOU LIKE.

19 CHAIRMAN GOLDBERG: DUANE, IS THAT
20 CONSISTENT WITH YOUR UNDERSTANDING?

21 MR. ROTH: YES. I WOULD SUPPORT HAVING
22 THE SUBCOMMITTEE MAKE THE FINAL DECISION.

23 DR. AZZIZ: THAT WAS MY -- THIS IS
24 RICARDO. THAT WAS MY UNDERSTANDING AS WELL IN OUR
25 INITIAL DISCUSSIONS.

BARRISTERS' REPORTING SERVICE

1 MS. BAUM: I THINK WE HAVE A DEADLINE IN
2 MIND THOUGH.

3 MR. HARRISON: HEARING THAT, WHAT WE'D
4 LIKE TO DO, THEN, IS TRY TO SCHEDULE A MEETING OF
5 THE FINANCE SUBCOMMITTEE AS SOON AS WE CAN IN ORDER
6 TO PROVIDE THE STAFF ANALYSIS TO THE FINANCE
7 SUBCOMMITTEE AND REACH A CONCLUSION SO THAT WE CAN
8 FINALIZE THE SELECTION PROCESS AND ENTER INTO A
9 CONTRACT SO THAT WE CAN GET THE DELEGATED
10 UNDERWRITERS UNDERWAY IN THEIR WORK. SO WE WILL
11 WORK WITH THE CHAIR, MICHAEL GOLDBERG, TO ARRANGE
12 THAT.

13 CHAIRMAN GOLDBERG: AND THE CHAIR OF THE
14 LOAN SUBCOMMITTEE OR THE LOAN TASK FORCE, DUANE
15 ROTH, WHO HAS DONE A YEOMAN'S JOB ON THIS WHOLE
16 EFFORT.

17 MR. SHEEHY: SHOULDN'T THIS COME TO THE
18 ICOC TOO? DID WE ESTIMATE THE VALUE OF THIS
19 CONTRACT TO BE EVENTUALLY TO THE UNDERWRITER?

20 MR. KLEIN: JEFF, THE --

21 MR. SHEEHY: MILLIONS OF DOLLARS.

22 MR. KLEIN: JEFF, LET ME MAKE A
23 SUGGESTION. NORMALLY IN THIS PROCESS YOU'D HAVE AN
24 EXCLUSIVE RIGHT TO NEGOTIATE, AND YOU WOULD
25 NEGOTIATE SOMETHING, AND THEN IT COULD POTENTIALLY

BARRISTERS' REPORTING SERVICE

1 BE REFERRED TO THE BOARD FOR FINAL APPROVAL. BUT
2 UNDER THE EXCLUSIVE RIGHT TO NEGOTIATE, EVERYONE
3 COULD GENERALLY BE WORKING ON THEIR MODEL AND
4 IMPLEMENTATION SO THAT WHEN IT CAME TO THE BOARD,
5 SOME OF THE PARTS THAT MAY NOT HAVE BEEN COMPLETELY
6 WORKED OUT AT THE TIME OF THE PROPOSALS WOULD HAVE
7 HAD A BIT OF REFINEMENT, AND THE BOARD WOULD SEE THE
8 FULL STRUCTURE.

9 MR. SHEEHY: I JUST DON'T UNDERSTAND THE
10 PROCESS, AND SO I DON'T -- I MEAN I JUST SEE FIVE
11 YEARS DOWN THE ROAD, TEN YEARS DOWN THE ROAD A
12 DELEGATED UNDERWRITER GETS A LOT OF MONEY. I JUST
13 THINK THAT'S SOMETHING THAT THE BOARD SHOULD
14 PERSONALLY -- I FEEL THAT THAT'S SOMETHING THAT THE
15 BOARD NEEDS TO WEIGH IN ON. I'M NOT AWARE THAT THE
16 BOARD HAS APPROVED ANY EXCLUSIVE RIGHT TO NEGOTIATE.
17 THAT'S THE FIRST TIME I'VE HEARD THAT TERM.

18 MR. KLEIN: NO. WHAT I WAS SUGGESTING,
19 JEFF, IS THAT FROM A HISTORICAL PERSPECTIVE, MY
20 PERSONAL VIEW IS THAT NORMALLY A FINANCE COMMITTEE
21 WOULD DO A SELECTION AND THEY TRY AND WORK THROUGH
22 DOING AN EXCLUSIVE RIGHT TO NEGOTIATE WITH ONE OR
23 TWO OR MORE COMPANIES AND TRY AND COME TO FINAL
24 TERMS AND A FINAL MODEL, AND THEN WOULD TAKE THE
25 FINAL CONTRACT TO THE BOARD FOR APPROVAL.

BARRISTERS' REPORTING SERVICE

1 MR. SHEEHY: WHAT WAS THE PROCESS THAT WE
2 APPROVED?

3 MR. KLEIN: I THINK THAT THE PROCESS WE
4 APPROVED -- WE'VE DISCUSSED THUS FAR WAS THE FINANCE
5 COMMITTEE -- I THINK THAT DUANE AND MICHAEL ARE
6 CORRECT THAT THE FINANCE COMMITTEE WAS GOING TO WORK
7 OFF THE STAFF RECOMMENDATION TO SELECT THE DELEGATED
8 UNDERWRITERS, BUT THAT DOESN'T -- THAT DOESN'T MEAN
9 THAT THE FINAL CONTRACT DOESN'T GO TO THE BOARD FOR
10 APPROVAL.

11 SO ONCE YOU SELECT THE APPLICATIONS TO
12 DATE, GENERALLY THERE IS A PROCESS WHERE THERE IS A
13 NEGOTIATION OF THE FINAL STRUCTURE AND
14 IMPLEMENTATION DETAILS. AND THEN WHEN WE REALLY
15 UNDERSTAND THE CONTRACT, THERE COULD BE ONE OR MORE
16 CONTRACTS THAT GO TO THE BOARD IN THE PARTICULAR
17 CASE WE'RE TALKING ABOUT. BECAUSE IT'S A NEW
18 PROGRAM, IT MIGHT BE ADVISABLE TO HAVE A MINIMUM
19 LEVEL OF REDUNDANCY. THAT IS, NOT APPROVE A SINGLE
20 COMPANY, BUT PERHAPS TWO COMPANIES SO THAT IF ONE
21 MODEL WORKS BETTER THAN ANOTHER, YOU HAVE ABILITY TO
22 FALL BACK AND YET YOU HAVE ENOUGH VOLUME THAT BOTH
23 COMPANIES HAVE A SIGNIFICANT MOTIVATING BUSINESS
24 RELATIONSHIP.

25 MR. SHEEHY: MY UNDERSTANDING WAS THAT WE

BARRISTERS' REPORTING SERVICE

1 WERE GOING TO APPROVE AT LEAST TWO COMPANIES.

2 MR. KLEIN: THAT IS -- I WAS JUST STATING
3 THE RATIONALE.

4 MR. ROTH: SO, JAMES, IT'S DUANE. COULD
5 YOU TELL ME WHO'S GOING TO -- YOU SAID STAFF IS
6 GOING TO SCORE THESE. IS THAT THE ONLY PEOPLE WHO
7 ARE GOING TO SCORE THESE?

8 MR. HARRISON: WELL, THAT'S REALLY TO YOUR
9 DISCRETION, DUANE. THERE ARE TWO POSSIBLE WAYS TO
10 APPROACH IT. STAFF COULD DO THE ANALYSIS AND THE
11 FINANCE SUBCOMMITTEE COULD SCORE, OR STAFF COULD DO
12 THE ANALYSIS AND SCORING AND PRESENT THAT TO THE
13 FINANCE SUBCOMMITTEE FOR DIRECTION ABOUT WHAT
14 COMPANIES CIRM SHOULD NEGOTIATE WITH PENDING FINAL
15 BOARD APPROVAL OF THE CONTRACT. THAT REALLY IS UP
16 TO YOU AS THE FINANCE SUBCOMMITTEE.

17 MR. KLEIN: DUANE, THIS IS BOB. BECAUSE
18 YOU ARE THE CHAIR OF THE LOAN TASK FORCE AND BECAUSE
19 I'VE BEEN DEEPLY INVOLVED IN THIS PROGRAM AS WELL,
20 I'VE ASKED THAT, CONCURRENT WITH THE STAFF REVIEW
21 AND SCORING, TO GET YOUR COMMENTS AND MY COMMENTS
22 INTO THOSE EVALUATIONS SO THAT WHEN THEY COME TO THE
23 FINANCE COMMITTEE, THEY HAVE STAFF AS WELL AS
24 OUTSIDE BUSINESS COMMENTS THAT ARE AVAILABLE FOR
25 REVIEW.

BARRISTERS' REPORTING SERVICE

1 DR. AZZIZ: JUST I DO WANT TO MAKE A
2 COMMENT JUST FOR THE RECORD. I MEAN IT'S JUST WE DO
3 NEED TO HANDLE THIS WITH THE HIGHEST LEVEL OF
4 TRANSPARENCY. AND SO I MEAN, BOB, I AGREE WITH
5 EVERYTHING YOU SAID. I THINK IT DOES NEED TO GO TO
6 THE BOARD FOR FINAL APPROVAL. IT DOES NEED TO COME
7 WITH STAFF AND PERHAPS YOU AND DUANE'S ANALYSES, BUT
8 I THINK THE COMMITTEE SHOULD DO THE SCORING. IN
9 OTHER WORDS, WE WANT TO MAKE SURE THAT WHEN THIS
10 WHOLE NEW EXPERIMENT, BECAUSE THIS IS WHAT THIS IS,
11 IS IMPLEMENTED, THERE IS NO OR MINIMAL POSSIBILITY
12 OF CONFLICT OF INTEREST OR THE PERCEPTION OF.

13 SO I JUST WANT TO MAKE SURE THAT WE GO
14 THROUGH THE FULL PROCESS, WE GET BOARD APPROVAL, AND
15 WE ACTUALLY ALLOW THE COMMITTEE, THIS FINANCE
16 SUBCOMMITTEE, TO DO THE SCORING.

17 MR. KLEIN: IN THAT REGARD, DR. AZZIZ, I
18 THINK THE STAFF SCORING IS IN THE ORDER OF A
19 RECOMMENDATION, BUT AT THE COMMITTEE LEVEL, I THINK
20 THAT, AS IT IS WITH THE SCIENTIFIC GRANT REVIEWERS
21 THAT WE DO FOR PROGRAMMATIC REASONS, AS FAR AS I
22 UNDERSTOOD IT, IT WAS THE INTENT THAT THE COMMITTEE,
23 AS IT DID IN MAJOR FACILITIES AS WELL, CAN ADJUST
24 THE FINAL RECOMMENDATION AND AWARDS THEY FORWARD TO
25 THE BOARD WITH THEIR OWN RECOMMENDED SCORING AND

BARRISTERS' REPORTING SERVICE

1 NARRATIVE COMMENTARY.

2 DR. AZZIZ: BOB, THAT'S WHAT I'M SORT OF
3 REFERRING TO. ACTUALLY WE'RE NOT AWARDING A GRANT
4 HERE. WE'RE NOT AWARDING ANY KIND OF AWARD. THIS
5 IS ACTUALLY A CONTRACT WITH A COMPANY OR COMPANIES
6 THAT ARE GOING TO PARTNER WITH CIRM TO DO THIS. SO
7 THIS IS DIFFERENT. SO, IN FACT, MY ONLY SUGGESTION
8 IS THAT STAFF AND YOU ALL PRESENT SORT OF BRIEF
9 ASSESSMENTS OF THE WEAKNESSES AND STRENGTHS OF EACH
10 OF THE PROPOSALS AND ALLOW THE COMMITTEE TO THEN DO
11 THE RANKING.

12 THIS IS NOT THE SAME THING AS WE DO
13 NORMALLY WHEN WE ASSESS GRANTS. IN FACT, IF YOU DO
14 THAT, THERE MAY ALWAYS BE THE PERCEPTION THAT STAFF,
15 WHO WILL THEN PARTNER WITH THESE INDIVIDUALS OR
16 THESE COMPANIES, MAY HAVE HAD SOME CONFLICT. JUST
17 I'M TRYING TO MAKE SURE THAT WE DO THIS AS
18 TRANSPARENTLY AS POSSIBLE SINCE THIS IS AN
19 EXPERIMENT THAT IS RELATIVELY NEW TO THIS VENTURE.

20 MR. KLEIN: AND I'M SURE WHAT YOU MEAN IS
21 NOT FINANCIAL CONFLICTS, BUT MAYBE A BIAS BECAUSE
22 THEY LIKE ONE APPROACH VERSUS ANOTHER.

23 DR. AZZIZ: ABSOLUTELY. ABSOLUTELY.
24 BIAS. AND I CERTAINLY DON'T EXPECT ANYBODY TO HAVE
25 FINANCIAL CONFLICTS, BUT IT'S A BIAS. PEOPLE WILL

BARRISTERS' REPORTING SERVICE

1 TEND TO CHOOSE -- THERE'S ALWAYS A POSSIBILITY THAT
2 THEY MAY TEND TO CHOOSE SOMETHING THAT THEY FEEL
3 MORE COMFORTABLE WITH. NEVERTHELESS, ALL I'M
4 ASKING, AND IT'S VERY MINOR, BUT I JUST, AGAIN, WANT
5 TO MAKE SURE THAT THE PROCESS IS OF SUCH LEVEL THAT
6 WE WILL NOT INCUR CRITICISM.

7 MR. TORRES: TRANSPARENCY IS ESSENTIAL.
8 PERHAPS WE OUGHT TO PUT THAT IN THE FORM OF A MOTION
9 BY DR. AZZIZ.

10 MR. HARRISON: WE DON'T HAVE A QUORUM. WE
11 COULD GET A SENSE OF THE COMMITTEE, AND I THINK
12 THAT'S PROBABLY THE APPROPRIATE WAY TO PROCEED.

13 MR. TORRES: I THINK WE HAVE THE GIST OF
14 HEARING JEFF AND DR. AZZIZ IN TERMS OF THE PROCESS
15 THAT OUGHT TO TAKE PLACE. WHAT I UNDERSTOOD FROM
16 THE CHAIRMAN AND FROM DUANE IS THAT THE FIRST STEP
17 IS THAT THE STAFF AND DUANE AND BOB PARTICIPATE IN
18 THE INITIAL ANALYSIS OF THE APPLICANTS, AND THEN
19 THAT ANALYSIS AND THOSE APPLICANTS' VITAS COME TO
20 THE FULL SUBCOMMITTEE AND WE DO THE RANKING, AND
21 THAT RANKING -- AND THAT ENCOMPASSES A
22 RECOMMENDATION TO THE FULL BOARD. IS THAT YOUR
23 SENSE OF WHAT WE WERE TALKING ABOUT, JEFF?

24 MR. SHEEHY: YEAH. I THINK THAT TO ME
25 SOUNDS LIKE A VERY REASONABLE PROCESS. I WOULD ONLY

BARRISTERS' REPORTING SERVICE

1 ADD ONE THING, AND THAT WOULD BE THE OPPORTUNITY FOR
2 THE ENTITIES THAT ARE BIDDING FOR THESE CONTRACTS TO
3 BE PRESENT AT THE FINANCE SUBCOMMITTEE. I THINK WE
4 SHOULD STATE THAT BECAUSE SOME MAY COME ANYWAY. I
5 MEAN IT'S A PUBLIC MEETING. THEY HAVE THE RIGHT TO
6 SPEAK. I THINK WE SHOULD BE EXPLICIT ABOUT INVITING
7 THEM TO BE AVAILABLE.

8 I'LL LEAVE IT TO THE DISCRETION OF STAFF
9 AND CHAIRMAN KLEIN AND DUANE WHETHER THEY WANT
10 TO -- I MEAN PERSONALLY I WOULD LEAVE IT TO THEIR
11 DISCRETION WHETHER WE WOULD HAVE FORMAL
12 PRESENTATIONS OR NOT. BUT I THINK THEY SHOULD BE
13 AVAILABLE BECAUSE THE WORST THING I WOULD THINK IS
14 IF ONE WAS AVAILABLE AND ABLE TO TAKE QUESTIONS
15 FROM -- YOU KNOW, ANSWER QUESTIONS, PROVIDE MORE
16 INFORMATION, AND THE OTHER FOUR WERE NOT AND THAT
17 ONE GOT THE CONTRACT, IT WOULD BE -- EVERYONE WOULD
18 BE LEGALLY ENTITLED TO BE HERE AT A PUBLIC MEETING
19 AND AT THIS DISCUSSION.

20 CHAIRMAN GOLDBERG: JEFF, IT'S MICHAEL
21 GOLDBERG AND I AGREE WITH THAT. SO I THINK WE'LL
22 HAVE, IN THE COURSE OF SETTING THE FINANCE
23 SUBCOMMITTEE MEETING TO REVIEW THE RECOMMENDATIONS
24 FROM THE CIRM, WE'LL ALSO INVITE EACH OF THE RFP
25 RESPONDERS TO ATTEND. I DON'T THINK A PRESENTATION

BARRISTERS' REPORTING SERVICE

1 WILL BE THAT INSIGHTFUL, BUT I THINK HAVING PEOPLE
2 THERE TO COMMENT, HAVING THEM AVAILABLE TO US AS A
3 COMMITTEE TO RESPOND TO QUESTIONS THAT WE MAY HAVE
4 WOULD BE VERY HELPFUL TO THE COMMITTEE IN MAKING ITS
5 RECOMMENDATION TO THE ICOC.

6 I'D ALSO LIKE TO EXPRESS MY APPRECIATION
7 TO ALL FIVE OF THE RESPONDENTS BECAUSE IT'S BEEN A
8 KIND OF AN EXPERIMENT HOW TO DO THIS ON BOTH SIDES
9 AND WOULD APPRECIATE YOUR PATIENCE WITH US IN OUR
10 PROCESS AND YOUR ONGOING COMMITMENT TO TRY TO SERVE
11 THE PROGRAM AND THE EFFICIENCIES WE'RE TRYING TO
12 ACHIEVE FOR THE STATE.

13 DR. AZZIZ: THIS IS RICARDO, MICHAEL. I
14 DO AGREE THAT I THINK WE SHOULD NOT HAVE
15 PRESENTATIONS BY THE COMPANIES AT THAT POINT. I
16 THINK THAT WOULD BE REDUNDANT, BUT I DO HAVE A
17 QUESTION. MAYBE JAMES NEEDS TO ANSWER THIS. I MEAN
18 WHILE THE PRESENCE OF THE COMPANIES IS REALLY, I
19 THINK I FULLY AGREE, WOULD BE VERY USEFUL TO ANSWER
20 QUESTIONS AND CLARIFY ISSUES OR THIS KIND OF THING,
21 THESE ARE -- THE BIDDING IS SORT OF CLOSED. THIS IS
22 NOT A TIME FOR RENEGOTIATION OR TWEAKING OF THINGS.
23 I JUST WANT TO MAKE SURE WE DON'T GET INTO A
24 HAGGLING SESSION. AM I CORRECT ON THAT, JAMES?

25 MR. HARRISON: YOU ARE CORRECT. ALTHOUGH

BARRISTERS' REPORTING SERVICE

1 THERE'S CERTAINLY NOTHING THAT WOULD PREVENT THE
2 RESPONDENTS FROM MAKING COMMENTS AND THE COMMITTEE
3 MEMBERS FROM ASKING QUESTIONS TO CLARIFY THE
4 INFORMATION THAT'S CONTAINED IN THEIR RESPONSES.
5 BUT YOU'RE CORRECT THAT THEY COULDN'T ADD NEW TERMS
6 AT THIS POINT IN TIME.

7 DR. AZZIZ: RIGHT.

8 MR. KLEIN: I'D LIKE TO CLARIFY THAT
9 LEGALLY AND TECHNICALLY. ONCE THERE IS A -- ONCE
10 THERE IS A RECOMMENDATION BY THIS COMMITTEE, WHAT I
11 REFERRED TO AS THE TERM OF ART IS GENERALLY IN
12 GOVERNMENT AN EXCLUSIVE RIGHT TO NEGOTIATE. IN THIS
13 PARTICULAR CASE, IT'S NOT GOING TO BE EXCLUSIVE IF
14 YOU'RE TRYING TO GET AT LEAST TWO DIFFERENT
15 FUNCTIONING PARTIES. SO SEMI-EXCLUSIVE RIGHT TO
16 NEGOTIATE MEANING OF THOSE PEOPLE WHO HAVE APPLIED,
17 THAT THOSE THAT ARE RECOMMENDED, BEFORE YOU GET TO
18 THE BOARD, WOULD WORK OUT SOMETHING CLOSER TO THEIR
19 FINAL TERMS OR STRUCTURING.

20 IT IS NOT AN OPPORTUNITY TO HAVE NEW
21 PARTIES JOIN; BUT IF THERE ARE ELEMENTS IN A
22 STRUCTURE, IN AN INNOVATIVE PROGRAM THAT DON'T WORK
23 WELL FOR THE AGENCY FOR LEGAL REASONS, OR FOR STATE
24 LAW REASONS, SEPARATE FROM THE LEGAL REASONS
25 ORIGINATING OR ARISING OUT OF THE INITIATIVE, THAT

BARRISTERS' REPORTING SERVICE

1 IS THE TIME PERIOD WHEN YOU CAN NEGOTIATE
2 STRUCTURING THAT SOLVES THOSE PROBLEMS. SO WHEN YOU
3 GET TO THE BOARD YOU HAVE A MORE MATURE PROPOSAL
4 THAT IS CLOSER TO THE FORM TO BE IMPLEMENTED.

5 DR. AZZIZ: RIGHT. JUST TO CLARIFY, I
6 MEAN WE'RE TALKING ABOUT ONCE WE SELECT THE ONE OR
7 TWO COMPANIES, OF COURSE, THAT WE'RE TALKING ABOUT,
8 WE WOULD THEN OBVIOUSLY HAVE TO FINALIZE THE DEVIL
9 IN THE DETAILS AND I UNDERSTAND THAT PART. WHAT I'M
10 JUST MAKING SURE, AND, AGAIN, THIS IS WHY I ASKED
11 JAMES, THAT THE NEXT COMMITTEE SESSION IS NOT ABOUT
12 TWEAKING EACH INDIVIDUAL CONTRACT. RATHER, SIMPLY
13 CLARIFYING WHAT THEY ACTUALLY MEANT TO SAY IN THEIR
14 RFP. OTHERWISE, YOU KNOW, WE'RE DEALING WITH
15 COMPANIES WHO ARE NOT RESPONDING CLEARLY TO THE RFP.

16 I JUST -- I HEAR WHAT YOU SAY. I JUST
17 WANT TO MAKE SURE THAT WE ARE CLEAR THAT THEY WILL
18 JOIN US TO ANSWER QUESTIONS THAT THE COMMITTEE MAY
19 HAVE, NOT TO PUT UP COUNTERPROPOSALS AS DISCUSSION
20 PROCEEDS.

21 CHAIRMAN GOLDBERG: WE'RE IN AGREEMENT.

22 DR. AZZIZ: GREAT.

23 MR. HARRISON: MICHAEL, COULD I JUST
24 BRIEFLY SUMMARIZE, THEN, WHAT I UNDERSTAND TO BE THE
25 SUBCOMMITTEE'S DESIRE WITH RESPECT TO THE PROCESS TO

BARRISTERS' REPORTING SERVICE

1 MAKE SURE THAT WE ARE ALL ON THE SAME PAGE.

2 CHAIRMAN GOLDBERG: YES, PLEASE.

3 MR. HARRISON: STAFF WILL ANALYZE THE
4 RESPONSES WITH INPUT FROM CHAIRMAN KLEIN AND DUANE
5 ROTH, THE CHAIR OF THE BIOTECH TASK FORCE, STAFF
6 WILL PRESENT ITS ANALYSIS TO THE FINANCE
7 SUBCOMMITTEE AT A MEETING WHICH WE HOPE TO SCHEDULE
8 IN THE NEAR FUTURE. THE FINANCE SUBCOMMITTEE WILL
9 SCORE THE RESPONSES BASED ON THE CRITERIA SET FORTH
10 IN THE RFP. THE RESPONDERS THEMSELVES ARE INVITED
11 TO ATTEND A FINANCE SUBCOMMITTEE MEETING TO ANSWER
12 ANY CLARIFYING QUESTIONS FROM THE SUBCOMMITTEE. AND
13 THE FINANCE SUBCOMMITTEE WILL SELECT A DELEGATED
14 UNDERWRITER OR DELEGATED UNDERWRITERS WITH WHOM WE
15 WILL ATTEMPT TO NEGOTIATE A REFINED PROPOSAL AND
16 CONTRACT TO PRESENT TO THE ICOC FOR FINAL APPROVAL.

17 CHAIRMAN GOLDBERG: THAT IS MY SENSE OF
18 THE DISCUSSION.

19 MR. HARRISON: THANK YOU.

20 CHAIRMAN GOLDBERG: ANY OBJECTIONS FROM
21 SUBCOMMITTEE MEMBERS?

22 MR. SHEEHY: JUST ONE REQUEST, THAT ALL
23 THE DOCUMENTATION THAT ACCOMPANIES THIS DECISION BE
24 PROVIDED IN TIME -- IN AN ADEQUATE TIMEFRAME SO THAT
25 WE CAN DIGEST THE INFORMATION BEFORE WE MAKE OUR

BARRISTERS' REPORTING SERVICE

1 CONSIDERATION.

2 CHAIRMAN GOLDBERG: POINT WELL TAKEN.
3 WHAT WOULD YOU CONSIDER AN ADEQUATE TIMEFRAME?

4 MR. SHEEHY: I'D SAY TEN DAYS. I KNOW
5 THAT'S PROBABLY NOT REALISTIC, BUT, YOU KNOW, THREE
6 OR FOUR DAYS FOR ME. I'VE JUST GOT TO HAVE -- YOU
7 KNOW, I HAVE A JOB AND I HAVE A KID, AND I JUST NEED
8 A COUPLE OF NIGHTS TO BE ABLE TO LOOK AT THIS STUFF.

9 CHAIRMAN GOLDBERG: THERE ARE A LOT OF
10 THINGS YOU AND I DISAGREE ON, JEFF, BUT THIS IS NOT
11 ONE OF THEM.

12 MR. SHEEHY: BUT I WOULD TAKE ANYTHING --
13 ANY ACCEPTABLE TIMEFRAME. ANYTHING MORE THAN 48
14 HOURS WOULD BE A HUGE BLESSING. FIVE DAYS.

15 DR. AZZIZ: I VOTE FOR CLOSURE FOR A WEEK.
16 I MEAN, YOU KNOW, IT JUST GETS TOUGH. I KNOW THAT
17 WE'RE ON A TIGHT TIMELINE, AND I WOULD WORK -- I
18 WOULD LOVE THREE DAYS, BUT THE LONGER THE BETTER.

19 CHAIRMAN GOLDBERG: MAY I SUGGEST FIVE
20 DAYS?

21 DR. AZZIZ: THAT SOUNDS GOOD.

22 CHAIRMAN GOLDBERG: OKAY.

23 MR. SIMPSON: THIS IS A MEMBER OF THE
24 PUBLIC, JOHN SIMPSON, WITH A QUESTION. WILL THAT BE
25 A PUBLIC FINANCE COMMITTEE MEETING, AND WILL THE

BARRISTERS' REPORTING SERVICE

1 DOCUMENTS BE MADE AVAILABLE FOR THE PUBLIC?

2 CHAIRMAN GOLDBERG: IT WILL BE A PUBLIC
3 MEETING, JOHN. AND, JAMES, COULD YOU SPEAK TO
4 WHETHER OR NOT THE MATERIALS COULD BE PROVIDED TO
5 THE PUBLIC AT THE TIME THEY'RE PROVIDED TO THE
6 SUBCOMMITTEE?

7 MR. HARRISON: YES. IT MAY BE THAT --
8 YES. THE RESPONSES ARE PUBLIC RECORDS, BUT THERE
9 MAY BE PROPRIETARY OR CONFIDENTIAL INFORMATION
10 CONTAINED IN THE RESPONSES WHICH WE WOULD REDACT
11 UNDER THE PUBLIC RECORDS ACT. BUT, YES, THEY WOULD
12 BE PROVIDED.

13 CHAIRMAN GOLDBERG: THAT ADDRESS YOUR
14 QUESTION, MR. SIMPSON?

15 MR. SIMPSON: THANK YOU VERY MUCH.

16 CHAIRMAN GOLDBERG: ANY QUESTIONS FROM THE
17 PUBLIC AT ANY OF THE SITES WHERE PUBLIC IS PRESENT?
18 HEARING NONE, WE'LL PROCEED TO THE LAST AND FINAL
19 AGENDA ITEM, AND WE'LL TRY TO WRAP THIS UP BY 11
20 O'CLOCK, IF NOT SOONER. I'M GOING TO ASK CHAIRMAN
21 KLEIN TO UPDATE US ON AGENCY FINANCING, INCLUDING A
22 DISCUSSION OF WHAT THE FIRST HALF OF THE FISCAL 2010
23 AND 11 MAY LOOK LIKE WITHOUT DESCENDING INTO THE
24 ARITHMETIC.

25 MR. KLEIN: SO AS A GENERAL DISCUSSION

BARRISTERS' REPORTING SERVICE

1 POINT, OUR PROGRAMMATIC SCHEDULE FOR THE LATTER PART
2 OF 2009 AND THE FIRST -- WELL, I WOULD SAY THE
3 LATTER PART OF THIS FISCAL YEAR, WHICH WOULD BE
4 2009-2010 FISCAL YEAR, MEANING THE FIRST SIX MONTHS
5 OF 2010 AND THE LAST SIX MONTHS OF 2010 BEING THE
6 FIRST SIX MONTHS OF THE NEXT FISCAL YEAR, WHEN THE
7 BOARD CONSIDERS THAT PROGRAMMATIC SCHEDULE, IT'S
8 GOING TO BE IMPORTANT TO REALIZE THAT WITH THE
9 VOLATILITY IN THE FINANCING MARKETS AND THE STATE'S
10 FINANCES, WHICH CERTAINLY ARE NOT APPARENTLY
11 RESOLVED AS OF TODAY, THAT WE HAVE 160 MILLION OF
12 ADDITIONAL PRIVATE PLACEMENT BOND AUTHORITY WE
13 HAVEN'T USED.

14 WE DO HAVE SOME IDENTIFIED PURCHASERS, AND
15 WE MAY, BASED UPON BOARD DECISIONS ON PROGRAMS,
16 PARTICULARLY THE SECOND PHASE TRANSLATIONAL PROGRAM
17 AND THE SECOND PHASE DISEASE TEAM PROGRAM, WANT TO
18 ISSUE THOSE BONDS AT THE END OF THE YEAR OR THE
19 BEGINNING OF NEXT YEAR BASED UPON MARKET
20 OPPORTUNITIES.

21 THE KEY POINT HERE IS THAT EVEN IF THE
22 FINAL AWARD, SAY, UNDER DISEASE TEAMS II IS NOT
23 UNTIL JANUARY OR FEBRUARY, I WOULD LIKE, AS A MATTER
24 OF CONTINUITY, TO MAKE SURE YOU HAVE THAT FUNDING
25 BEFORE I LEAVE BECAUSE IT MAY BE DIFFICULT FOR

BARRISTERS' REPORTING SERVICE

1 SOMEONE STEPPING INTO THE CHAIR'S POSITION TO
2 EXECUTE ON THAT GIVEN THE STATE'S CHALLENGES ON A
3 BUDGETARY BASIS AND VOLATILITIES IN THE MARKET.

4 SO WE WILL DO A MORE ADVANCED AND DETAILED
5 DISCUSSION OF THIS AS THE STATE'S BUDGETARY ISSUES
6 AND THEIR SOLUTIONS BECOME CLEARER, BUT I THINK WE
7 WOULD NEED TO CONSERVATIVELY LOOK AT TRYING TO ISSUE
8 THE NEXT 160 MILLION OF REMAINING PRIVATE PLACEMENT
9 BOND AUTHORITY TO CREATE THE RESERVES TO CREATE
10 PROGRAM FLEXIBILITY IF THE QUALITY OF THE SCIENTIFIC
11 PROGRAMS CREATES ANY CAPITAL DEMANDS IN THE FIRST 90
12 DAYS OF 2011.

13 CHAIRMAN GOLDBERG: COMMENTS FROM THE
14 SUBCOMMITTEE MEMBERS?

15 DR. AZZIZ: BOB, THIS IS RICARDO. JUST I
16 THINK THAT'S VERY PRUDENT, YOUR RECOMMENDATION. THE
17 QUESTION IS -- AND I KNOW THAT THIS IS A
18 GUESSTIMATE. YOU HAVE NOTED THAT THERE ARE SOME
19 BUYERS IDENTIFIED FOR THE \$160 MILLION WORTH OF
20 PRIVATE PLACEMENT BONDS. WHAT IS YOUR SENSE, I MEAN
21 WHAT IS -- YOU KNOW, I MEAN IT LOOKS PRETTY TIGHT
22 OUT THERE. ARE WE TALKING ABOUT \$20 MILLION WORTH
23 OF BONDS, 15, A HUNDRED? WHAT IS YOUR SENSE OF THE
24 MARKET CAPACITY IN THE PRIVATE BOND PLACEMENT?

25 MR. KLEIN: WELL, IF WE HAVE A PROGRAM

BARRISTERS' REPORTING SERVICE

1 THAT WE CAN TAKE TO THE DEPARTMENT OF FINANCE AND
2 THE TREASURER'S OFFICE AND GET THEIR COLLABORATION,
3 AGAIN, OUTSIDE OF AN IMMINENT CRISIS THAT THEY'RE IN
4 AT THE MOMENT, I WOULD HOPE THAT WE COULD PLACE THE
5 WHOLE 160 MILLION. I BELIEVE THAT WE CAN.

6 DR. AZZIZ: THANK YOU, BOB.

7 CHAIRMAN GOLDBERG: ANY OTHER COMMENTS OR
8 QUESTIONS FROM THE MEMBERS OF THE SUBCOMMITTEE?
9 HEARING NONE, I'D LIKE TO MOVE TO THE PUBLIC.
10 CEDARS?

11 DR. AZZIZ: NO COMMENT HERE.

12 CHAIRMAN GOLDBERG: NO COMMENT IN MENLO
13 PARK. PALO ALTO? SAN FRANCISCO?

14 MS. HARWELL: NO PUBLIC.

15 CHAIRMAN GOLDBERG: SAN DIEGO?

16 MR. ROTH: NO.

17 CHAIRMAN GOLDBERG: PLEASANTON?

18 MS. FEIT: NO.

19 CHAIRMAN GOLDBERG: ANY FINAL COMMENTS?
20 I'M SORRY. WAS THERE A COMMENT IN SAN FRANCISCO?

21 MS. HARWELL: NO.

22 CHAIRMAN GOLDBERG: SO ANY FINAL COMMENTS,
23 QUESTIONS FROM MEMBERS OF THE COMMITTEE OR THE
24 PUBLIC? HEARING NONE, I'D MOVE ADJOURNMENT.

25 (THE MEETING WAS THEN CONCLUDED AT 10:55 A.M.)

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 ON JUNE 11, 2009, WAS HELD AS HEREIN APPEARS AND THAT THIS IS THE ORIGINAL TRANSCRIPT THEREOF AND THAT THE STATEMENTS THAT APPEAR IN THIS TRANSCRIPT WERE REPORTED STENOGRAPHICALLY BY ME AND TRANSCRIBED BY ME. I ALSO CERTIFY THAT THIS TRANSCRIPT IS A TRUE AND ACCURATE RECORD OF THE PROCEEDING.

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