

BEFORE THE
INTELLECTUAL PROPERTY AND INDUSTRY 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: SEPTEMBER 3, 2015
11 A.M.

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

BRS FILE NO.: 97883

BARRISTERS' REPORTING SERVICE

I N D E X

ITEM DESCRIPTION	PAGE NO.
CALL TO ORDER	3
ROLL CALL	3
3. CONSIDERATION OF AMENDMENTS TO LOAN ADMINISTRATION POLICY TO PERMIT EXISTING LOAN RECIPIENT WHOSE LOAN HAS BEEN FORGIVEN TO CONVERT ITS AWARD TO A GRANT.	4
4. CONSIDERATION OF AMENDMENTS TO LOAN POSTPONED ELECTION POLICY FOR CLINICAL STAGE PROGRAM AWARDS (PA 15-01, 15-02 AND 15-03).	
5. PUBLIC COMMENT.	NONE
6. ADJOURNMENT.	9

BARRISTERS' REPORTING SERVICE

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SEPTEMBER 3, 2015; 11 A.M.

CHAIRMAN JUELSGAARD: WONDERFUL. WELL,
THEN I WILL CALL THE MEETING OF THE INTELLECTUAL
PROPERTY AND INDUSTRY SUBCOMMITTEE MEETING TO ORDER.
OUR FIRST ITEM OF BUSINESS IS THE ROLL CALL. SO,
MARIA, IF YOU WOULD PROCEED WITH THAT, PLEASE.

MS. BONNEVILLE: STEVE JUELSGAARD.

CHAIRMAN JUELSGAARD: HERE.

MS. BONNEVILLE: OS STEWARD. JONATHAN
THOMAS.

CHAIRMAN THOMAS: HERE.

MS. BONNEVILLE: JEFF SHEEHY.

MR. SHEEHY: HERE.

MS. BONNEVILLE: JOE PANETTA. ANNE-MARIE
DULIEGE.

DR. DULIEGE: HERE.

MS. BONNEVILLE: AND SUE BRYANT.

DR. BRYANT: HERE.

MR. HARRISON: AND WE'VE GOT JOE AS WELL.

MS. BONNEVILLE: JOE, ARE YOU ON? STEVE,
WE HAVE A QUORUM.

CHAIRMAN JUELSGAARD: OKAY. GREAT. SO WE
HAVE ONLY ONE ITEM OF BUSINESS TO CONSIDER TODAY.
THE OTHER ITEM OF BUSINESS THAT WAS ORIGINALLY TO BE

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1 PART OF THIS HAS BEEN POSTPONED FOR FURTHER WORK.
2 BUT THE ITEM OF BUSINESS REGARDS AN AMENDMENT OF THE
3 LOAN ADMINISTRATION POLICY. IS SCOTT THERE, MARIA?

4 MS. BONNEVILLE: HE SURE IS.

5 CHAIRMAN JUELSGAARD: HI, SCOTT. SO,
6 SCOTT, SINCE YOU'RE THE AUTHOR OF THIS PROPOSED
7 CHANGE, I'M GOING TO TURN THE MEETING OVER TO YOU SO
8 YOU CAN TAKE US THROUGH WHAT THE PROPOSAL IS PLEASE.

9 MR. TOCHER: OKAY. GREAT. THANKS VERY
10 MUCH.

11 SO AS YOU'RE PROBABLY AWARE, THE CIRM TEAM
12 IS REVIEWING THE ENTIRETY OF CIRM POLICIES BOTH
13 EXTERNAL AND INTERNAL TO IDENTIFY THE EFFICIENCIES
14 AND OPPORTUNITIES FOR IMPROVEMENT OR TO ADDRESS THE
15 CONCERNS OF OUR GRANTEES AND MEMBERS OF THE
16 REGULATED COMMUNITY.

17 TO THAT END AND TO THE ITEM THAT STEVE
18 MENTIONED THAT IS CURRENTLY POSTPONED, WE'VE
19 IDENTIFIED MEASURES THAT WE WOULD CONSIDER IN HOW WE
20 IMPLEMENT OUR LOAN PROGRAM IN THE CONTEXT OF THESE
21 NEW CIRM 2.0 PROGRAMS. SO THAT WILL BE A FUTURE
22 ITEM FOR THE COMMITTEE.

23 HOWEVER, WE HAVE IDENTIFIED AN ITEM WITH
24 RESPECT TO OUR EXISTING LOAN PROGRAM AND OUR
25 EXISTING LOAN RECIPIENTS. AND THE CHANGE THAT WE

BARRISTERS' REPORTING SERVICE

1 HAVE BEFORE YOU TODAY IS TO ADDRESS A POTENTIAL
2 CONCERN THAT HAS ARISEN FOR OUR GRANTEES, BUT ALSO
3 HAS IMPLICATIONS FOR CIRM IN THE FUTURE AS WELL.

4 SO AS THE MEMO DESCRIBES, THE CURRENT LOAN
5 PROGRAM IS BASICALLY CONFIGURED IN TWO WAYS SUCH
6 THAT A LOAN RECIPIENT IS EITHER OBLIGATED TO REPAY
7 THE LOAN REGARDLESS OF WHETHER THE CIRM-FUNDED
8 PROJECT IS SUCCESSFUL OR, CONVERSELY, THAT THE LOAN
9 RECIPIENT IS OBLIGATED TO REPAY ONLY IF THE PROGRAM
10 IS SUCCESSFUL. AND IT'S IN THE CONTEXT OF THAT
11 SECOND OPTION, WHICH IS CALLED A PRODUCT-BACKED
12 LOAN, THAT THIS PROPOSED CHANGE EXISTS.

13 WHAT WE HAVE HEARD BACK FROM AT LEAST ONE
14 OF OUR LOAN RECIPIENTS IS THAT EVEN IN THE EVENT
15 THAT THEIR LOAN IS FORGIVEN BY CIRM, BECAUSE OF THE
16 NATURE OF THE WAY THE LOAN MAY SPRING BACK INTO
17 OBLIGATION IF FUTURE REVENUES ARE RECEIVED ON THE
18 CIRM PROJECT, THIS PRESENTS A CHALLENGE AS TO HOW
19 THESE COMPANIES CARRY THIS LOAN ON THEIR BOOKS AND
20 FOR HOW LONG. SO WHAT WE'VE PROPOSED, TO PROVIDE
21 CLARITY WITH REGARD TO THESE OBLIGATIONS, IS TO
22 PROVIDE THE OPTION FOR LOAN RECIPIENTS WHO HAVE A
23 PRODUCT-BACKED LOAN THAT IS FORGIVEN TO, INSTEAD,
24 CONVERT THAT LOAN TO HAVE IT BE TREATED AS A GRANT.
25 AND THEIR GRANT, THEREFORE, WOULD BE SUBJECT TO ALL

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1 OF THE USUAL FINANCIAL REVENUE SHARING PROVISIONS
2 THAT APPLY TO ANY TRADITIONAL GRANT.

3 AND SO WE'VE SPOKEN TO A FEW INTERESTED
4 PARTIES ABOUT THIS, OR AT LEAST ONE, AND WHAT WE
5 WOULD PROPOSE IS TO INITIATE A REGULATORY PROCEEDING
6 TO CIRCULATE THE PROPOSED AMENDMENT FOR PUBLIC
7 COMMENT, BRING IT BACK TO THE SUBCOMMITTEE AND THE
8 BOARD FOR FINAL CONSIDERATION, AND BEGIN THAT
9 PROCESS AFTER THE NEXT BOARD MEETING. AND IF YOU
10 HAVE ANY QUESTIONS, I'D BE HAPPY TO DISCUSS THEM.

11 CHAIRMAN JUELSGAARD: SCOTT, THIS IS
12 STEVE. HOW MANY LOANS HAVE WE FORGIVEN TO DATE FOR
13 WHICH THIS PRESENTS AN ISSUE TO THE PARTY THAT TOOK
14 OUT THE LOAN?

15 MR. TOCHER: RIGHT. THERE ARE TWO LOANS
16 CURRENTLY THAT ARE FORGIVEN THAT ARE PRODUCT-BACKED
17 LOANS THAT WOULD BE ELIGIBLE UNDER THIS PROGRAM.

18 CHAIRMAN JUELSGAARD: AND NECK OF BOTH
19 PARTIES, THEY SEE THIS AS A PROBLEM?

20 MR. TOCHER: I KNOW THAT I CAN SPEAK TO AT
21 LEAST ONE OF THEM HAS.

22 CHAIRMAN JUELSGAARD: OKAY. WE HAVEN'T
23 CONTACTED THE OTHER ONE TO SEE IF THIS PRESENTED A
24 SIMILAR PROBLEM FOR THEM.

25 MR. TOCHER: CORRECT. I HAVEN'T SPOKEN

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1 WITH THEM. THAT WOULD BE PART OF OUR REGULATORY
2 PROCESS OF SEEKING PUBLIC COMMENT FROM THEIR PARTY.

3 CHAIRMAN JUELSGAARD: ALL RIGHT. WE HAVE
4 NO REASON TO DISBELIEVE WHAT THEY'RE TELLING US,
5 THAT THEY BASICALLY HAVE TO RETAIN THIS LOAN ON
6 THEIR BALANCE SHEET AS A POTENTIAL LIABILITY?

7 MR. TOCHER: THAT'S RIGHT.

8 CHAIRMAN JUELSGAARD: WE HAVEN'T
9 INDEPENDENTLY CONFIRMED THAT WITH ANY ACCOUNTING OR
10 HAVE WE?

11 MR. HARRISON: WE HAVEN'T SPOKEN TO THE
12 ACCOUNTANTS, BUT I HAVE IN CONTACT WITH THE GENERAL
13 COUNSEL OF ONE OF OUR LOAN RECIPIENTS WHO DID MAKE
14 THE REPRESENTATION THAT THEIR ACCOUNTANTS HAD
15 ADVISED THEM THAT THEY NEEDED TO CARRY THE LOAN ON
16 THEIR BOOKS BECAUSE OF THE SPRINGING OBLIGATIONS
17 UNDER OUR LOAN ADMINISTRATION POLICY EVEN THOUGH
18 CIRM HAD FORGIVEN THE LOAN.

19 CHAIRMAN JUELSGAARD: FROM MY POINT OF
20 VIEW, IT MAKES SENSE THAT THAT WOULD BE THE CASE,
21 BUT I JUST WONDER WHAT SORT OF DUE DILIGENCE WE HAD
22 DONE BESIDES SIMPLY THAT INPUT FROM ONE OF THE LOAN
23 RECIPIENTS. THAT WAS THE NATURE OR THE REASON FOR
24 MY QUESTION.

25 ARE THERE ANY QUESTIONS FROM OTHER MEMBERS

BARRISTERS' REPORTING SERVICE

1 OF THE COMMITTEE OR COMMENTS? ARE THERE ANY
2 QUESTIONS FROM THE PUBLIC AT THIS POINT, OR DO WE
3 MOVE TO ASKING FOR A MOTION.

4 MR. TOCHER: ASK FOR A MOTION.

5 CHAIRMAN JUELGAARD: OKAY. IS THERE A
6 MOTION THAT WE APPROVE THE REVISED POLICY AS SCOTT
7 HAS PRESENTED IT?

8 CHAIRMAN THOMAS: SO MOVED.

9 CHAIRMAN JUELGAARD: AND IS THERE A
10 SECOND?

11 DR. BRYANT: SECOND.

12 CHAIRMAN JUELGAARD: ALL RIGHT. SO IT'S
13 BEEN MOVED AND SECONDED. IS THERE ANY PUBLIC
14 COMMENT BEFORE WE MOVE TO A VOTE? IF NOT, THEN,
15 MARIA, WOULD YOU CALL THE ROLL?

16 MS. BONNEVILLE: SURE. STEVE JUELGAARD.

17 CHAIRMAN JUELGAARD: YES.

18 MS. BONNEVILLE: OS STEWARD. JONATHAN
19 THOMAS.

20 CHAIRMAN THOMAS: YES.

21 MS. BONNEVILLE: JEFF SHEEHY.

22 MR. SHEEHY: YES.

23 MS. BONNEVILLE: JOE PANETTA.

24 MR. PANETTA: YES.

25 MS. BONNEVILLE: ANNE-MARIE DULIEGE.

BARRISTERS' REPORTING SERVICE

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DR. DULIEGE: YES.

MS. BONNEVILLE: SUE BRYANT.

DR. BRYANT: YES.

THAT'S IT. THE MOTION PASSES.

CHAIRMAN JUELSGAARD: VERY GOOD. THANK
YOU VERY MUCH. I ASSUME -- ARE THERE ANY OTHER
ITEMS THAT THE COMMITTEE WOULD LIKE TO DISCUSS?
THERE ARE NONE ON THE AGENDA, BUT ARE THERE ANY
OTHER ITEMS BEFORE WE MOVE TO CONCLUDE? ARE THERE
ANY PUBLIC COMMENTS BEFORE WE MOVE TO CONCLUDE? IF
NOT, IS THERE A MOTION TO ADJOURN THE MEETING?

CHAIRMAN THOMAS: SO MOVED.

CHAIRMAN JUELSGAARD: OKAY. AND A SECOND?

DR. BRYANT: SECOND.

CHAIRMAN JUELSGAARD: ALL RIGHT. ALL IN
FAVOR. THIS MEETING IS ADJOURNED. THANK YOU ALL
FOR PARTICIPATING.

(THE MEETING WAS THEN CONCLUDED AT
11:11 A.M.)

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REPORTER'S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE TELEPHONIC PROCEEDINGS BEFORE THE INTELLECTUAL PROPERTY AND INDUSTRY SUBCOMMITTEE OF THE INDEPENDENT CITIZEN'S OVERSIGHT COMMITTEE OF THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE IN THE MATTER OF ITS REGULAR MEETING HELD ON SEPTEMBER 3, 2015, 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.

BETH C. DRAIN, CSR 7152
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