

BEFORE THE
CITIZENS FINANCIAL ACCOUNTABILITY
OVERSIGHT COMMITTEE
ORGANIZED PURSUANT TO THE
CALIFORNIA STEM CELL RESEARCH AND CURES ACT
REGULAR MEETING

LOCATION: STATE CONTROLLER'S OFFICE
300 CAPITOL MALL, SUITE 635
SACRAMENTO, CALIFORNIA

DATE: TUESDAY, APRIL 14, 2009
12:30 P.M.

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

BRS FILE NO.: 84330

BARRISTERS' REPORTING SERVICE

I N D E X

ITEM DESCRIPTION	PAGE NO.
CALL TO ORDER	3
ROLL CALL	3
OPENING STATEMENT	4
ADOPT MINUTES OF NOVEMBER 27, 2007	5
ADOPT MINUTES OF JULY 7, 2008	6
PRESENTATION OF THE 2007-08 INDEPENDENT FINANCIAL AUDIT BY MACIAS, GINI & O'CONNELL	7
STATUS UPDATE OF CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE'S FINANCIAL PERFORMANCE, UPDATE OF GRANTS AWARDED, AND GRANT PROCESS	14
PRESENTATION OF THE THIRD ANNUAL REPORT OF THE CITIZENS FINANCIAL ACCOUNTABILITY OVERSIGHT COMMITTEE	69
CONSIDERATION OF DRAFT AGENDA FOR NEXT MEETING	69
PUBLIC COMMENT	71
BOARD MEMBER TIME	71
ADJOURNMENT	72

BARRISTERS' REPORTING SERVICE

1 SACRAMENTO, CALIFORNIA; TUESDAY, APRIL 14, 2009

2 12:30 P.M.

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

CHAIRPERSON HOLTON-HODSON: LITTLE ODD,
BUT THAT WORKS. IT BEING 12:30, AND IT LOOKS LIKE
EVERYONE IS HERE, LET'S GET STARTED.

FIRST, A FEW ANNOUNCEMENTS, AND THIS IS
REALLY QUITE DISCONCERTING, BUT FOR THE PUBLIC THAT
IS IN LOS ANGELES, YOU WILL BE INVITED TO TESTIFY
AFTER EACH ITEM. PLEASE STATE YOUR NAME AND YOUR
AFFILIATION. PLEASE LIMIT YOUR REMARKS TO THREE
MINUTES. AND IF YOU COULD TAKE A MOMENT RIGHT NOW
TO TURN OFF YOUR CELL PHONES, WE WOULD MUCH
APPRECIATE IT OR PUT IT ON VIBRATE.

AND BEFORE WE GET STARTED, I WOULD LIKE TO
ASK THE AUDIENCE TO RISE FOR THE PLEDGE OF
ALLEGIANCE.

(THE PLEDGE OF ALLEGIANCE.)

CHAIRPERSON HOLTON-HODSON: THANK YOU.
AND THEN I WOULD LIKE TO CALL THIS CFAOC MEETING TO
ORDER. AND I WOULD ASK THE STAFF IF THEY COULD CALL
THE ROLL.

MS. LEAVITT: DAN BRUNNER.

MR. BRUNNER: HERE.

MS. LEAVITT: RUTH HOLTON-HODSON FOR JOHN

BARRISTERS' REPORTING SERVICE

1 CHIANG.

2 CHAIRPERSON HOLTON-HODSON: HERE.

3 MS. LEAVITT: DR. LIPSON.

4 CHAIRPERSON HOLTON-HODSON: ABSENT.

5 MS. LEAVITT: JIM LOTT.

6 MR. LOTT: HERE.

7 MS. LEAVITT: MYRTLE POTTER.

8 MS. POTTER: HERE.

9 MS. LEAVITT: DR. SADANA.

10 DR. SADANA: HERE.

11 CHAIRPERSON HOLTON-HODSON: EXCELLENT.

12 WE HAVE A QUORUM, SO LET'S GET STARTED.

13 FIRST, I WANT TO -- THE CONTROLLER
14 SINCERELY REGRETS NOT BEING ABLE TO ATTEND. HE
15 REINJURED HIS FOOT AND IS IN A GREAT DEAL OF PAIN.
16 HE WAS HOPING TO BE ABLE TO AT LEAST TRAVEL TO THE
17 LOS ANGELES OFFICE, AND HE'S NOT EVEN ALLOWED TO DO
18 THAT. SO UNFORTUNATELY I WILL DO MY BEST TO REPLACE
19 HIM.

20 ON BEHALF OF THE CONTROLLER, I WOULD
21 REALLY LIKE TO THANK THE MEMBERS OF THE CFAOC
22 COMMITTEE FOR BEING WITH US TODAY. I KNOW IT TAKES
23 A LOT TO TRAVEL TO THESE MEETINGS. AND WE REALLY
24 APPRECIATE YOUR INTEREST AND DEDICATION TO
25 PROTECTING CALIFORNIA'S HUGE INVESTMENT IN STEM CELL

BARRISTERS' REPORTING SERVICE

1 RESEARCH.

2 WE'RE ALL HERE TODAY BECAUSE WE SHARE A
3 COMMITMENT TO ENSURING THAT THE \$3 BILLION PLEDGED
4 FOR EMBRYONIC STEM CELL RESEARCH FUNDED BY THE
5 HARD-EARNED DOLLARS OF CALIFORNIA'S TAXPAYERS IS
6 SPENT LAWFULLY, WISELY, AND SUCCESSFULLY.

7 THERE HAVE BEEN MANY CHANGES SINCE OUR
8 LAST MEETING IN NOVEMBER. THE ELECTION OF A NEW
9 ADMINISTRATION THAT IS SUPPORTIVE OF STEM CELL
10 RESEARCH AND OBVIOUSLY THEN THE ECONOMIC SITUATION
11 WHICH WE WILL BE VERY INTERESTED IN HEARING HOW THAT
12 HAS IMPACTED CIRM AND YOUR ABILITY TO CONTINUE
13 FUNDING RESEARCH.

14 AGAIN, THANK YOU FOR ALL BEING HERE, AND I
15 WELCOME ANY INTRODUCTORY REMARKS THAT THE COMMITTEE
16 MIGHT HAVE.

17 JIM LOTT, DO YOU HAVE ANY OR DR. SADANA?

18 MR. LOTT: NONE FROM JIM LOTT.

19 DR. SADANA: NONE AT PRESENT.

20 CHAIRPERSON HOLTON-HODSON: THANK YOU.

21 LET'S MOVE TO ITEM 4, TO ADOPT THE TRANSCRIPT OF THE
22 NOVEMBER 27, 2007, CFAOC MEETING. YOU MIGHT WONDER
23 WHY THIS IS ON THE AGENDA. UNFORTUNATELY WE HAD NOT
24 PROPERLY AGENDIZED IT AT THE LAST MEETING. AND SO
25 DO I HAVE A MOTION TO ADOPT THE TRANSCRIPT OF THE

BARRISTERS' REPORTING SERVICE

1 NOVEMBER 27, 2007, CFAO MEETING?

2 MR. BRUNNER: SO MOVED.

3 CHAIRPERSON HOLTON-HODSON: AND A SECOND?

4 MS. POTTER: SECOND.

5 CHAIRPERSON HOLTON-HODSON: THANK YOU.

6 THEN WE WILL MOVE TO THE ADOPTION OF THE TRANSCRIPT
7 OF THE JULY 7TH, 2008, CFAOC MEETING. DO I HAVE A
8 MOTION TO ADOPT THAT TRANSCRIPT AS THE MINUTES?

9 MS. POTTER: SO MOVED.

10 MR. BRUNNER: SECOND.

11 CHAIRPERSON HOLTON-HODSON: THANK YOU.

12 COULD STAFF PLEASE CALL THE ROLL? WE'RE GOING TO
13 HAVE TO CALL THE ROLL EVERY TIME BECAUSE THIS IS A
14 VIDEO CONFERENCE.

15 MS. LEAVITT: DAN BRUNNER.

16 MR. BRUNNER: AYE.

17 MS. LEAVITT: RUTH HOLTON-HODSON FOR JOHN
18 CHIANG.

19 CHAIRPERSON HOLTON-HODSON: AYE.

20 MS. LEAVITT: JIM LOTT.

21 MR. LOTT: ABSTAIN.

22 MS. LEAVITT: MYRTLE POTTER.

23 MS. POTTER: AYE.

24 MS. LEAVITT: DR. SADANA.

25 DR. SADANA: AYE.

BARRISTERS' REPORTING SERVICE

1 CHAIRPERSON HOLTON-HODSON: WE'LL ACCEPT
2 THAT ROLL CALL VOTE FOR BOTH TRANSCRIPTS. I
3 REALIZED I ADVERTENTLY FORGOT TO DO IT FOR THE FIRST
4 ONE.

5 SO MOVING ON TO ITEM 6 IS CIRM'S 2007-08
6 FINANCIAL AUDIT. BEFORE I ASK MACIAS TO COME UP, I
7 REALLY WANTED TO RELAY THE CONTROLLER'S CONCERNS AND
8 DISAPPOINTMENT, FRANKLY, THAT THE AUDIT TOOK SO
9 LONG. WE HAD FRANKLY EXPECTED WE WOULD HAVE IT FOR
10 OUR NOVEMBER 2008 MEETING SO THAT WE COULD REVIEW
11 THE AUDITS IN A MORE TIMELY MANNER. UNFORTUNATELY
12 WE DIDN'T RECEIVE THE AUDIT UNTIL JANUARY, AND I
13 UNDERSTAND THE DELAY WAS DUE, IN PART, TO CIRM'S
14 TRANSITION FROM THE SCO FOR ACCOUNTING SERVICES TO
15 THE PUC FOR ACCOUNTING SERVICES.

16 AND OUR STAFFS HAVE DISCUSSED THE ISSUE,
17 AND I THINK WE'RE IN AGREEMENT THAT BEGINNING THIS
18 YEAR WE WILL BE ABLE TO HAVE THE AUDITS COMPLETED SO
19 THAT WE WILL BE ABLE AT OUR DECEMBER MEETING TO HEAR
20 THIS YEAR'S FISCAL AUDIT. AND THEN WE WILL BE ON
21 TRACK EVERY YEAR TO HEAR THE AUDIT ENDING JUNE OF
22 THAT PARTICULAR FISCAL YEAR.

23 SO WITH THAT, MAY I ASK A REPRESENTATIVE
24 FROM MACIAS TO PRESENT THE AUDIT. IF YOU COULD JUST
25 GO TO THE PODIUM. I'M AFRAID YOU WILL HAVE TO SPEAK

BARRISTERS' REPORTING SERVICE

1 UP. WE DON'T HAVE A MIC. JUST PROJECT.

2 MS. WALKER-DAVEY: GOOD AFTERNOON. MY
3 NAME IS SHELLEY WALKER-DAVEY, AND I'M THE MANAGER ON
4 THIS AUDIT ENGAGEMENT.

5 CHAIRPERSON HOLTON-HODSON: I'M SORRY.
6 SHELLEY. CAN I ASK CAN THE PEOPLE DOWN IN LOS
7 ANGELES HEAR HER?

8 MR. LOTT: NOT TOO WELL.

9 MS. WALKER-DAVEY: HOW ABOUT THIS IF I
10 SPEAK THIS LOUD?

11 CHAIRPERSON HOLTON-HODSON: WE'LL MOVE A
12 SPEAKER OVER THERE.

13 MS. WALKER-DAVEY: CAN YOU HEAR ME NOW?
14 I'LL START OVER. MY NAME IS SHELLEY WALKER-DAVEY,
15 AND I'M THE MANAGER ON THIS AUDIT ENGAGEMENT. I'M
16 PLEASED TO PRESENT TO YOU OUR REQUIRED
17 COMMUNICATIONS UNDER OUR PROFESSIONAL STANDARDS AND
18 THE JUNE 30TH, 2008, AUDITED FINANCIAL STATEMENT FOR
19 THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE.

20 I'M GOING TO BRIEFLY GO OVER SOME OF THE
21 HIGHLIGHTS FOR THE REQUIRED COMMUNICATIONS REPORT
22 AND THEN GO OVER THE HIGHLIGHTS OF SOME OF THE
23 CHANGES, SIGNIFICANT CHANGES, FROM ONE YEAR TO THE
24 NEXT IN THE FINANCIAL STATEMENTS. I'LL BE VERY
25 BRIEF. IF ANYBODY HAS ANY QUESTIONS, I'LL BE HAPPY

BARRISTERS' REPORTING SERVICE

1 TO ADDRESS THEM AFTER MY PRESENTATION.

2 PROFESSIONAL STANDARDS REQUIRED THAT WE
3 PROVIDE YOU WITH THE FOLLOWING INFORMATION RELATED
4 TO OUR AUDIT. IN PLANNING PERFORMING OUR AUDIT OF
5 THE FINANCIAL STATEMENTS OF CIRM FOR THE YEAR ENDED
6 JUNE 30, 2008, IN ACCORDANCE WITH OUR AUDITING
7 STANDARDS WHICH ARE GENERALLY ACCEPTED BY UNITED
8 STATES OF AMERICA, WE CONSIDERED CIRM'S INTERNAL
9 CONTROL OR FINANCIAL REPORTING AS A BASIS FOR
10 DESIGNING OUR AUDIT PROCEDURES AND FOR THE PURPOSE
11 OF EXPRESSING OPINION ON THE FINANCIAL STATEMENTS,
12 BUT NOT FOR THE PURPOSES OF EXPRESSING AN OPINION ON
13 THE EFFECTIVENESS OF THE CIRM INTERNAL CONTROLS.

14 OUR CONSIDERATION OF INTERNAL CONTROLS WAS
15 LIMITED AND DOES NOT NECESSARILY IDENTIFY ALL
16 DEFICIENCIES AND INTERNAL CONTROLS THAT MIGHT BE
17 CONSIDERED A CONTROL DEFICIENCY, A SIGNIFICANT
18 DEFICIENCY, OR A MATERIAL WEAKNESS. ACCORDINGLY, WE
19 DO NOT EXPRESS AN OPINION ON THE EFFECTIVENESS OF
20 CIRM'S INTERNAL CONTROL.

21 CHAIRPERSON HOLTON-HODSON: I'M SORRY,
22 SHELLEY. COULD YOU SPEAK UP? I'M EVEN HAVING
23 TROUBLE HEARING YOU.

24 MS. WALKER-DAVEY: I'M PLEASED TO SAY THAT
25 DURING OUR AUDIT, WE DID NOT IDENTIFY ANY

BARRISTERS' REPORTING SERVICE

1 DEFICIENCIES IN INTERNAL CONTROL THAT WOULD BE
2 CONSIDERED A CONTROL DEFICIENCY, A SIGNIFICANT
3 DEFICIENCY, OR A MATERIAL WEAKNESS.

4 MANAGEMENT IS RESPONSIBLE FOR THE
5 SELECTION OF THE APPROPRIATE ACCOUNTING POLICIES.
6 THE SIGNIFICANT ACCOUNTING POLICIES USED BY CIRM ARE
7 DESCRIBED IN FOOTNOTE 2 IN THE FINANCIAL STATEMENTS.
8 DURING OUR AUDIT WE NOTED NO TRANSACTIONS ENTERED
9 INTO BY CIRM DURING THE YEAR WHICH LACKED CONSENSUS
10 OR GUIDANCE.

11 PROFESSIONAL STANDARDS REQUIRE THAT WE
12 ACCUMULATE ALL KNOWN AND LIKELY MISSTATEMENTS
13 IDENTIFIED DURING OUR AUDIT OTHER THAN THOSE THAT
14 ARE TRIVIAL AND COMMUNICATE THEM TO THE APPROPRIATE
15 LEVEL OF MANAGEMENT. NONE OF THE MISSTATEMENTS
16 DETECTED AS A RESULT OF OUR AUDIT PROCEDURES AND/OR
17 CORRECTED BY MANAGEMENT WERE MATERIAL, EITHER
18 INDIVIDUALLY OR IN AGGREGATE, TO THE FINANCIAL
19 STATEMENTS TAKEN AS A WHOLE.

20 WE GENERALLY DISCUSS A VARIETY OF MATTERS,
21 INCLUDING THE APPLICATION OF ACCOUNTING PRINCIPLES
22 AND AUDITING STANDARDS, WITH MANAGEMENT EACH YEAR
23 PRIOR TO OUR RETENTION AS CIRM'S AUDITORS. HOWEVER,
24 THESE DISCUSSIONS OCCURRED IN THE NORMAL COURSE OF
25 PROFESSIONAL RELATIONSHIP AND OUR RESPONSES DID NOT

BARRISTERS' REPORTING SERVICE

1 CONDITION OUR RETENTION.

2 FINALLY, I'D LIKE TO SAY THAT WE
3 ENCOUNTERED NO DIFFICULTIES IN DEALING WITH
4 MANAGEMENT IN PERFORMING AND COMPLETING OUR AUDIT.
5 THAT'S THE HIGHLIGHTS FOR REQUIRED COMMUNICATIONS.

6 AND I'LL BRIEFLY GO OVER THE SIGNIFICANT
7 CHANGES IN THE FINANCIAL STATEMENTS FROM THE CURRENT
8 YEAR TO THE PRIOR YEAR.

9 AS STATED IN OUR ENGAGEMENT LETTER, OUR
10 RESPONSIBILITIES AS DESCRIBED BY OUR PROFESSIONAL
11 STANDARDS IS TO EXPRESS AN OPINION ABOUT WHETHER THE
12 FINANCIAL STATEMENTS AS PREPARED BY MANAGEMENT WITH
13 THE OVERSIGHT OF THIS COMMITTEE ARE FAIRLY STATED.
14 IN ALL MATERIAL RESPECTS, IN CONFORMITY WITH THE
15 U. S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, OUR
16 AUDIT OF THE FINANCIAL STATEMENTS DOES NOT RELIEVE
17 MANAGEMENT OF THE RESPONSIBILITIES.

18 THE MOST SIGNIFICANT CHANGES IN THE
19 FINANCIAL STATEMENTS COMPARED TO PRIOR YEAR ARE AS
20 FOLLOWS: THE RECEIPT OF THE BOND PROCEEDS IN THE
21 AMOUNT OF \$250 MILLION AND THE REPAYMENT OF DEBT OF
22 \$198 MILLION PLUS ACCRUED INTEREST. INVESTMENT
23 EARNINGS AMOUNTED TO APPROXIMATELY \$10 MILLION AND
24 REPRESENTS THE INTEREST EARNED ON CASH AND CASH
25 EQUIVALENT AND IS AN INCREASE OF APPROXIMATELY \$5.9

BARRISTERS' REPORTING SERVICE

1 MILLION FROM THE PRIOR YEAR.

2 OPERATION EXPENSES INCREASED TO \$303
3 MILLION DURING THE YEAR, WHICH IS AN INCREASE OF
4 \$291 MILLION FROM THE PRIOR YEAR. THIS INCREASE
5 INCLUDES GRANT AWARD EXPENSES AS APPROXIMATELY \$261
6 MILLION, AND THE REMAINING INCREASE IS DUE TO THE
7 GROWTH OF CIRM'S OPERATIONS.

8 THOSE ARE THE HIGHLIGHTS OF THE FINANCIAL
9 STATEMENTS. IF ANYONE HAS ANY QUESTIONS, I'LL BE
10 HAPPY TO ADDRESS THEM AT THIS TIME.

11 CHAIRPERSON HOLTON-HODSON: THANK YOU FOR
12 THAT REPORT. DOES ANY -- ANY QUESTIONS FROM LOS
13 ANGELES? ARE THERE --

14 MR. LOTT: NEGATIVE.

15 CHAIRPERSON HOLTON-HODSON: ARE THERE ANY
16 COMMENTS FROM CIRM STAFF AT THIS POINT?

17 WITH THAT, LET ME INVITE OUR STAFF,
18 CASSANDRA MOORE-HUDNELL, TO PRESENT THE CONTROLLER'S
19 REVIEW OF THE AUDIT.

20 MS. MOORE-HUDNELL: GOOD AFTERNOON. I'M
21 CASSANDRA MOORE-HUDNELL. I'M CHIEF OF THE FINANCIAL
22 AUDITS BUREAU. HEALTH AND SAFETY CODE SECTION
23 125290.30 REQUIRES THAT CIRM HAVE AN ANNUAL
24 FINANCIAL AUDIT AND THAT THE SCO REVIEW AND PUBLISH
25 THE RESULTS OF OUR REVIEW OF THAT AUDIT. THE

BARRISTERS' REPORTING SERVICE

1 OBJECTIVES OF OUR REVIEW ARE TO DETERMINE WHETHER
2 THE AUDIT WAS PERFORMED IN ACCORDANCE WITH GENERALLY
3 ACCEPTED AUDITING STANDARDS, GOVERNMENT AUDITING
4 STANDARDS, AND THE CALIFORNIA BUSINESS AND
5 PROFESSIONS CODE.

6 OUR METHODOLOGY WAS TO COMPARE THE FIRM'S
7 AUDIT WORK AS DOCUMENTED IN THEIR WORKING PAPERS TO
8 THE AUDIT STANDARDS AND STATE LAW TO ENSURE THAT THE
9 FIRM'S CONCLUSION AND OPINION THAT THE FINANCIAL
10 STATEMENTS FAIRLY PRESENTS CIRM'S FINANCIAL POSITION
11 AS OF JUNE 30, 2008, WAS SUPPORTED AND CORRECT.

12 DURING OUR REVIEW, WE FOUND THAT MACIAS,
13 GINI & O'CONNELL'S AUDIT WAS PERFORMED IN ACCORDANCE
14 WITH AUDIT STANDARDS AND REQUIREMENTS. WE PUBLISHED
15 OUR REPORT ON FEBRUARY 27, 2009, AND WE HAD NO
16 ISSUES WITH RESPECT TO THE AUDIT.

17 DO YOU HAVE ANY QUESTIONS?

18 CHAIRPERSON HOLTON-HODSON: ARE THERE ANY
19 QUESTIONS FROM MEMBERS DOWN SOUTH?

20 MR. LOTT: NO.

21 CHAIRPERSON HOLTON-HODSON: NONE HERE.
22 ANY COMMENTS OR QUESTIONS FROM THE PUBLIC?

23 MR. SIMPSON: THIS IS JOHN SIMPSON FROM
24 CONSUMER WATCHDOG. I JUST WANTED TO SAY THAT I
25 THOUGHT THAT BOTH THE AUDITS WERE VERY WELL DONE,

BARRISTERS' REPORTING SERVICE

1 AND CREDIT SHOULD GO TO BOTH THE AUDITOR AND TO THE
2 CONTROLLER'S OFFICE FOR PERFORMING SO WELL.

3 CHAIRPERSON HOLTON-HODSON: THANK YOU,
4 JOHN. AND THANK YOU, CASSANDRA.

5 SO WITH THAT, LET'S MOVE TO ITEM 7, THE
6 STATUS UPDATE OF CIRM'S FINANCIAL PERFORMANCE,
7 UPDATE OF GRANTS AWARDED, AND THE GRANT PROCESS.
8 AND I WOULD LIKE TO INVITE DR. ROBSON, CIRM'S --

9 DR. ROBSON: MARGARET FERGUSON WAS GOING
10 TO PRESENT OUR OPERATIONS BUDGET, BUT MY SLIDES ARE
11 UP THERE, SO WE CAN SWITCH THE ORDER HOWEVER YOU
12 LIKE.

13 CHAIRPERSON HOLTON-HODSON: LET'S SEE.
14 WHY DON'T YOU START WITH THE OPERATIONS BUDGET AND
15 THEN WE CAN GO TO THAT. I SAW THAT AS JUST SORT OF
16 PART OF YOUR GENERAL UPDATE STATUS, SO WE CAN START
17 WITH MARGARET AND THEN MOVE TO THE REST.

18 MS. FERGUSON: WE WORK TOGETHER. OKAY.
19 FIRST OFF, I'D LIKE TO SAY GOOD AFTERNOON, MEMBERS
20 OF THE CFAOC. MY NAME IS MARGARET FERGUSON. I AM
21 PRESENTING CIRM'S OPERATING BUDGET ALLOCATION AND
22 EXPENDITURES THROUGH FEBRUARY 2009. THIS
23 PRESENTATION WILL ADDRESS WHAT CIRM SPENDS TO
24 OPERATE OR HAS BEEN SPENDING TO OPERATE AND DOES NOT
25 INCLUDE THE GRANT FUNDING AS THAT WILL BE PRESENTED

BARRISTERS' REPORTING SERVICE

1 BY DR. JOHN ROBSON.

2 FIRST, I'LL GIVE YOU AN OVERVIEW OF CIRM'S
3 2008-9 BUDGET ALLOCATIONS AS THEY WERE APPROVED BY
4 THE ICOC IN THE JUNE 2008 MEETING AND THEN COMPARE
5 THE APPROVED ALLOCATIONS AGAINST OUR EXPENDITURES
6 THROUGH FEBRUARY 2009.

7 OKAY. I'M GOING TO GIVE YOU A BRIEF
8 OVERVIEW OF OUR EXPENDITURE CATEGORIES. GO TO THE
9 NEXT SLIDE, PLEASE. THERE WE GO. THE FIRST ONE IS
10 PRETTY MUCH SELF-EXPLANATORY, AND THAT'S SALARIES
11 AND BENEFITS, INTERAGENCY AGREEMENTS. AND IN THIS
12 CATEGORY WE RECORD EXPENDITURES FOR AGREEMENTS THAT
13 ARE MADE WITH OTHER STATE OF CALIFORNIA AGENCIES FOR
14 SERVICES THEY RENDER TO THE CIRM. OUR CURRENT
15 AGREEMENTS ARE FOR ACCOUNTING, PAYROLL, LEGAL, AND
16 I.T. SERVICES.

17 EXTERNAL CONTRACTS, EXPENDITURES IN THIS
18 CATEGORY OF EXPENSE ARE FOR CONTRACTS WITH OUTSIDE
19 CONTRACTORS AND VENDORS TO PROVIDE A VARIETY OF
20 NECESSARY SERVICES TO CIRM. SUCH SERVICES INCLUDE,
21 BUT ARE NOT LIMITED TO, AUDITING, GRANTS MANAGEMENT,
22 I.T. SUPPORT, CONSULTING, LEGAL, COMMUNICATIONS,
23 WEBSITE DEVELOPMENT, PRINTING, AND MAINTENANCE.

24 ICOC SCIENCE WORK GROUP MEETINGS, THIS
25 BUDGET ALLOCATION IS FOR ALL COSTS RELATED TO

BARRISTERS' REPORTING SERVICE

1 CONDUCTING BOARD WORK GROUP AND SCIENTIFIC MEETINGS.
2 SUCH COSTS WOULD INCLUDE TRAVEL, THE MEETING VENUES,
3 AUDIOVISUAL, SUPPLIES, AND TRANSCRIPTION SERVICES.
4 OTHER TRAVEL IS FOR THE COST OF TRAVEL OF CIRM STAFF
5 ON OFFICIAL STATE BUSINESS BOTH WITHIN AS WELL AS
6 OUTSIDE OF THE STATE OF CALIFORNIA.

7 FURNITURE AND EQUIPMENT, AGAIN, IS PRETTY
8 SELF-EXPLANATORY. AND INFORMATION TECHNOLOGY, THIS
9 CATEGORY WOULD INCLUDE THE COSTS OF OUR COMPUTERS,
10 SOFTWARE, AND SOFTWARE MAINTENANCE. OTHER OE&E,
11 WHICH IS OTHER OPERATING EXPENSE AND EQUIPMENT,
12 INCLUDES EXPENDITURES FOR OUR OFFICE SUPPLIES,
13 PAPER, PRINTING, COMMUNICATION COSTS, TRAINING,
14 PUBLICATIONS, SUBSCRIPTIONS, AND MEMBERSHIPS.

15 NOW, MOVING ON TO THE EXPENDITURE COLUMNS,
16 THE BUDGET ALLOCATION REPRESENTS THE BUDGETED
17 OPERATING ALLOCATIONS, AGAIN, APPROVED BY THE ICOC,
18 FOR FISCAL YEAR 2008-9 FOR A TOTAL SUPPORT BUDGET OF
19 \$13.3 MILLION.

20 COLUMN 2, EXPENDITURES POSTED REPRESENT
21 THE OPERATING EXPENDITURES POSTED FOR CIRM AS OF
22 FEBRUARY 28TH BY THE DEPARTMENT OF GENERAL SERVICES
23 WHO MAINTAINS OUR ACCOUNTING RECORDS. AND AS OF
24 FEBRUARY 2009, WE HAD POSTED APPROXIMATELY \$5.7
25 MILLION IN EXPENDITURES.

BARRISTERS' REPORTING SERVICE

1 COLUMN 3, WHICH IS THE AVAILABLE BUDGET
2 ALLOCATION, REPRESENTS THAT PORTION OF OUR ORIGINAL
3 BUDGET ALLOCATION THAT IS STILL AVAILABLE TO COVER
4 ACTUAL AND PROJECTED OPERATING EXPENDITURES THROUGH
5 JUNE 30, 2009.

6 AND THE LAST COLUMN 4 IS THAT PERCENTAGE
7 OF THE EXPENDITURES TO THE BUDGET ALLOCATION, AND
8 OVERALL WE STILL HAVE SPENT APPROXIMATELY 43 PERCENT
9 OF OUR 2008 BUDGET. AS DISPLAYED, THE EXPENDITURES
10 INDICATE THAT WE HAVE USED APPROXIMATELY 36 PERCENT
11 OF OUR OPERATING FOR OTHER EXPENSES AND EQUIPMENT,
12 49 PERCENT OF OUR SALARIES AND BENEFITS ALLOCATION,
13 AND OVERALL, AGAIN, 43 PERCENT OF OUR APPROVED
14 BUDGET ALLOCATION.

15 I WOULD LIKE TO BRING TO THE BOARD'S
16 ATTENTION THAT THERE IS ALWAYS AT LEAST A ONE-MONTH
17 LAG IN INVOICE PROCESSING, AND THAT'S BECAUSE
18 TYPICALLY YOUR INVOICES FOR ANY GOODS OR SERVICES
19 THAT ARE RENDERED IN ONE MONTH AREN'T GOING TO GET
20 TO YOUR OFFICE FOR PAYMENT PROCESSING TILL THE
21 FOLLOWING MONTH. AND IN ADDITION TO THAT, THERE ARE
22 ALSO CONTRACTS AND SOME INTERAGENCY AGREEMENTS THAT
23 CALL FOR A QUARTERLY PAYMENT. SO THOSE INCREASES
24 WOULD BE REFLECTED ON A QUARTERLY BASIS AFTER THEY
25 ACTUALLY OCCUR.

BARRISTERS' REPORTING SERVICE

1 AS IT STANDS RIGHT NOW, THAT IS OUR
2 OPERATING BUDGET THROUGH FEBRUARY, AND WE STILL
3 PROJECT TO OPERATE WELL UNDER THAT BUDGET. AND WHEN
4 DR. ROBSON CONTINUES ON, I THINK WE ARE PROJECTING
5 AN APPROXIMATELY 20-PERCENT SAVINGS AT THIS POINT IN
6 TIME. ARE THERE ANY QUESTIONS?

7 CHAIRPERSON HOLTON-HODSON: ANY QUESTIONS
8 OF THE BOARD MEMBERS HERE? ANY QUESTIONS DOWN
9 SOUTH?

10 DR. SADANA: NONE.

11 CHAIRPERSON HOLTON-HODSON: I HAVE A
12 QUESTION. I NOTICE THAT CERTAINLY WITH EXTERNAL
13 CONTRACTS THAT'S BY FAR THE LARGEST PORTION OF YOUR
14 BUDGET. TWO QUESTIONS. LEGAL SERVICES, ARE THOSE
15 INCLUDED IN YOUR EXTERNAL CONTRACTS?

16 MS. FERGUSON: YES, THEY ARE.

17 CHAIRPERSON HOLTON-HODSON: SO YOU ALSO
18 HAVE A LEGAL DEPARTMENT WITHIN CIRM, I BELIEVE. SO
19 HOW DOES THE SORT OF WORKLOAD BREAK OUT BETWEEN
20 WHAT'S DONE BETWEEN YOUR LEGAL SERVICES WITHIN CIRM
21 AND THEN THE CONTRACTED LEGAL SERVICES THAT YOU
22 HAVE?

23 MS. FERGUSON: LET'S SEE. I THINK THAT
24 SOMEONE ELSE HERE IN THE STAFF WOULD PROBABLY BE
25 BETTER AT ADDRESSING THAT PARTICULAR QUESTION. IAN.

BARRISTERS' REPORTING SERVICE

1 MR. SWEEDLER: I'M IAN SWEEDLER. I'M THE
2 INTERIM GENERAL COUNSEL AT CIRM. AND I AM THE
3 INTERNAL LEGAL DEPARTMENT WE REFER TO, WHICH MAY
4 HELP TO ANSWER YOUR QUESTION.

5 CHAIRPERSON HOLTON-HODSON: OKAY. THAT
6 MIGHT ANSWER THE QUESTION.

7 MR. SWEEDLER: WE RELY ON THE ATTORNEY
8 GENERAL'S OFFICE IN PART FOR LEGAL SERVICES. THAT'S
9 HANDLED THROUGH INTERAGENCY AGREEMENTS. AND THEN WE
10 ALSO HAVE CONTRACTS WITH A NUMBER OF DIFFERENT
11 OUTSIDE COUNSEL WHO HANDLE SPECIALIZED ASPECTS OF
12 THINGS THAT WE DO THAT ARE NOT THINGS THAT THE
13 ATTORNEY GENERAL'S OFFICE COVERS. AND THAT RANGES
14 FROM THINGS WHERE WE MIGHT HAVE ONLY AN ISOLATED
15 OCCASIONAL NEED TO THINGS WHERE THERE ARE ISSUES
16 THAT COME UP ON A ROUTINE BASIS.

17 SO THERE'S A WIDE RANGE OF CONTRACTS
18 THERE, BUT ALL OUTSIDE COUNSEL ARE SELECTED FOR
19 THEIR ABILITY TO PROVIDE SERVICES IN SPECIALIZED
20 AREAS FOR CIRM'S PARTICULAR NEEDS.

21 CHAIRPERSON HOLTON-HODSON: THANK YOU.
22 AND THEN FOLLOWING UP ON THAT, I KNOW THAT CIRM IS
23 LIMITED TO 50 STAFF, I BELIEVE, UNDER PROP 71. SO
24 WHERE ARE YOU ON THAT STAFFING, AND COULD ONE
25 ACTUALLY SAY THAT THE REASON FOR THE LARGE EXTERNAL

BARRISTERS' REPORTING SERVICE

1 CONTRACT BUDGET IS FOR THE STAFFING WORK THAT YOU
2 REALLY NEED TO HAVE DONE, BUT CAN'T BECAUSE OF THE
3 LIMITATIONS OF THE MEASURE?

4 MR. SWEEDLER: I WOULDN'T SAY THAT IT'S
5 WORK THAT WE CAN'T HAVE DONE BECAUSE OF THE
6 LIMITATIONS OF THE MEASURE. BUT BECAUSE OF THE
7 50-EMPLOYEE CAP, WE PAY VERY CLOSE ATTENTION TO
8 WHICH THINGS REQUIRE THE KIND OF CONTINUOUS
9 ATTENTION OF SOMEBODY ON STAFF ON A LONG-TERM BASIS
10 AND WHICH THINGS CAN BE IDENTIFIED AS PROJECT-BASED
11 OR SHORT-TERM NEEDS OR OCCASIONAL NEEDS THAT ARE
12 MORE APPROPRIATE FOR CONTRACTING OUT. SO THAT'S HOW
13 WE DEAL WITH THAT.

14 CHAIRPERSON HOLTON-HODSON: THANK YOU.

15 MS. FERGUSON: DOES THAT ANSWER YOUR
16 QUESTION?

17 CHAIRPERSON HOLTON-HODSON: ANY FURTHER
18 QUESTIONS JUST ON THIS PARTICULAR ITEM? WITH
19 THAT --

20 MS. POTTER: NO.

21 CHAIRPERSON HOLTON-HODSON: WITH THAT --

22 MR. SIMPSON: PUBLIC COMMENT?

23 CHAIRPERSON HOLTON-HODSON: PUBLIC
24 COMMENT?

25 MR. SIMPSON: THIS IS JOHN SIMPSON AGAIN

BARRISTERS' REPORTING SERVICE

1 FROM CONSUMER WATCHDOG. I BELIEVE THAT ONE OF THE
2 LARGEST EXTERNAL CONTRACTS IS TO THE LEGAL FIRM OF
3 REMCHO AND JOHANSEN. I'M CURIOUS WHETHER THAT LARGE
4 CONTRACT IS LIKELY TO BE OFFERED UP FOR BID THE NEXT
5 TIME IT COMES DUE.

6 MS. FERGUSON: THAT AGAIN, I AM --

7 MR. SWEEDLER: LEGAL SERVICES CONTRACTS
8 ARE NOT NORMALLY HANDLED THROUGH THE PROCUREMENT
9 PROCESS. THEY'RE PERSONAL SERVICES THAT ARE VERY
10 SPECIFICALLY TIED TO THE INDIVIDUAL EXPERIENCES OF
11 THE ATTORNEYS. IN FACT, WE DON'T EVEN ENTER INTO
12 OVERALL CONTRACTS WITH LAW FIRMS. WE'RE SPECIFIC AS
13 TO WHICH ATTORNEYS WE'LL BE WORKING WITH.

14 SO OUR CONTRACTING PROCESS DOES INVOLVE
15 VERIFYING THAT THE RATES THAT WE'RE BEING CHARGED
16 ARE REASONABLE AND APPROPRIATE FOR WHAT WE'RE DOING,
17 BUT WE DON'T DO IT THROUGH A BIDDING PROCESS BECAUSE
18 THESE ARE NOT THE KINDS OF SERVICES WHERE IT WOULD
19 BE APPROPRIATE FOR SEPARATE BIDS AND THEN A BID
20 EVALUATION COMMITTEE COMPARING PURELY ARITHMETICALLY
21 BASED COMPARISONS.

22 CHAIRPERSON HOLTON-HODSON: THANK YOU.
23 SO, DR. ROBSON, WOULD YOU LIKE TO COME UP. I KNOW
24 YOU HAVE AN EXTENSIVE PRESENTATION. I WONDERED IF
25 YOU COULD START, THOUGH, SPEAKING SPECIFICALLY TO

BARRISTERS' REPORTING SERVICE

1 YOUR CASH FLOW SITUATION. WE UNDERSTAND THAT IF THE
2 BONDS AREN'T SOLD SOON, YOU WILL BE RUNNING OUT OF
3 CASH IN THE FALL.

4 DR. ROBSON: MOSTLY WHAT I'M GOING TO TALK
5 ABOUT IS OUR CASH FLOW SITUATION.

6 CHAIRPERSON HOLTON-HODSON: TERRIFIC
7 BECAUSE WE'VE ACTUALLY INVITED A REPRESENTATIVE FROM
8 THE STATE TREASURER'S OFFICE TO ALSO SPEAK ABOUT THE
9 BOND SITUATION. SO WHY DON'T YOU FOCUS ON THAT
10 FIRST, AND THEN WE CAN BRING UP MR. FOWLER FROM THE
11 STATE TREASURER'S OFFICE.

12 DR. ROBSON: SO LET ME JUST SAY A COUPLE
13 OF INTRODUCTORY COMMENTS ABOUT HOW WE OPERATE AS A
14 GRANTING AGENCY AND ALSO RELATIVE TO OTHER GRANTING
15 AGENCIES LIKE THE NIH OR SO SEPARATE.

16 FIRST OF ALL, WE ARE THROUGH PROP 71
17 AUTHORIZED TO RAISE \$3 BILLION THROUGH THE SALE OF
18 GENERAL OBLIGATION BONDS FROM THE STATE OF
19 CALIFORNIA FOR \$3 BILLION OVER TEN YEARS. SO UP TO
20 \$350 MILLION WE'RE AUTHORIZED TO RAISE. THAT'S THE
21 MONEY WE USE TO FUND OUR GRANTS; HOWEVER, WE, LIKE
22 OTHER GRANTING AGENCIES, DON'T RAISE THE MONEY IN
23 ADVANCE OF FUNDING THE GRANTS. SINCE WE ARE
24 CONTINUOUSLY APPROPRIATED, WE HAVE WORKED UNDER THE
25 EXPECTATION AND THE ASSUMPTION THAT WE WOULD BE ABLE

BARRISTERS' REPORTING SERVICE

1 TO RAISE THIS MONEY AS WE NEEDED GOING FORWARD.

2 SO GRANTS TEND TO BE FUNDED. WE FUND OUR
3 GRANTS IN ADVANCE AND IN ANTICIPATION OF RAISING
4 BONDS BECAUSE OUR GRANTS ARE MULTIYEAR COMMITMENTS.
5 SO WE'LL MAKE A COMMITMENT OVER THREE TO FIVE YEARS.
6 WE MAY ONLY HAVE AT THE TIME WE MAKE THE AWARD THE
7 MONEY FOR THE FIRST YEAR, AND THEN WE ANTICIPATE
8 WE'LL RAISE MONEY FOR THE SECOND, THIRD, FOURTH YEAR
9 SUBSEQUENTLY AS WE MOVE ALONG. VIRTUALLY ALL
10 PUBLICLY FUNDED GRANTING AGENCIES, LIKE THE NIH,
11 WORK THAT WAY. EVEN THOSE THAT ARE FUNDED ON AN
12 ANNUAL BASIS, THEY DON'T HAVE A CONTINUING
13 APPROPRIATION LIKE WE DO. THOSE ARE JUST A FEW
14 BACKGROUND BITS OF INFORMATION THAT YOU SHOULD KEEP
15 IN MIND ABOUT THE WAY WE OPERATE.

16 SO YOU'RE ABSOLUTELY RIGHT. WE HAVE BEEN
17 WORKING WITH THIS ASSUMPTION THAT WE WOULD BE ABLE
18 TO RAISE MONEY THROUGH THE SALE OF GENERAL
19 OBLIGATION BONDS ANNUALLY AS WE NEEDED IT. BUT OVER
20 THE PAST FEW MONTHS, BECAUSE OF THE ECONOMY AND
21 ECONOMIC SITUATION IN CALIFORNIA, THE ABILITY TO
22 RAISE MONEY IN THAT METHOD HAS BEEN AFFECTED AND
23 IT'S VERY MUCH OF A CHANGING CLIMATE. I'M SURE
24 YOU'RE AWARE RIGHT NOW FROM OUR PERSPECTIVE IT SEEMS
25 TO CHANGE ALMOST DAILY.

BARRISTERS' REPORTING SERVICE

1 SO WE HAVE BEEN TRYING TO WORK IN A WAY
2 THAT WE CAN MOVE FORWARD TOWARD OUR MISSION, KEEP
3 OUR PROGRAMS FUNDED, KEEP THEM MOVING FORWARD, BE
4 OPTIMISTIC THAT WE ARE GOING TO MEET OUR MISSION AND
5 MAINTAIN THE FUNDING THAT WE ANTICIPATED, BUT AT THE
6 SAME TIME WE HAVE TO TRY TO BE PRUDENT AND CAREFUL
7 ABOUT OUR STEWARDSHIP OF THE STATE'S FUNDS.

8 SO THIS HAS BEEN A DIFFICULT PROCESS FOR
9 US OVER THE PAST FEW MONTHS, AND I'M GOING TO TRY TO
10 SHOW YOU WHAT OUR SITUATION IS NOW AND HOW WE'RE
11 HANDLING IT.

12 IF I COULD HAVE THE NEXT SLIDE. THIS IS A
13 SLIDE I PRESENTED TO THE ICOC IN JANUARY. THIS IS
14 WHAT OUR FINANCIAL SITUATION WAS AS OF JANUARY THE
15 1ST. SO WE HAD \$158 MILLION IN THE BOND FUND. THIS
16 IS FROM A PREVIOUS SALE. SO THIS IS MONEY THAT'S
17 AVAILABLE FOR US. IT CAN ONLY BE USED FOR CIRM
18 FUNDS. IT CAN'T BE USED BY ANYTHING ELSE OR THE
19 STATE. SO IT'S ESSENTIALLY OUR SAVINGS ACCOUNT THAT
20 WE'VE BEEN WORKING OFF.

21 AS WE LOOK FORWARD, THESE ARE SOME
22 FIGURES. BELOW SHOW SOME NUMBERS THAT WE KNEW THAT
23 WE COULD COUNT ON. WE HAD SOME INTEREST THAT WAS
24 GOING TO BE RECEIVED ON SOME MONEY THAT WE HAD, SO
25 THAT WAS ABOUT \$2 MILLION, 2.6 MILLION. OUR

BARRISTERS' REPORTING SERVICE

1 OPERATIONS THAT MARGARET JUST TALKED ABOUT, WE
2 ANTICIPATED OVER THE NEXT COUPLE OF YEARS THAT'S
3 GOING TO COST US ABOUT, WE'RE PROJECTING, 28
4 MILLION. WE HAVE ONGOING COMMITMENTS. THESE ARE
5 GRANTS THAT WE HAVE FUNDED ALREADY PRIOR TO JANUARY
6 1ST, SO THESE COMMITMENTS ARE EXTENDING FOR YEARS
7 INTO THE FUTURE, 251 MILLION, AND INTEREST THAT WAS
8 OWED. AND THAT'S CAPITALIZED INTEREST ON OUR BOND
9 SALES.

10 SO TO GET TO THE END OF DECEMBER 2010, WE
11 WILL NEED AN ADDITIONAL \$133 MILLION OVER WHAT WE
12 CURRENTLY HAVE IN THE BANK.

13 NOW, LET ME MENTION SOMETHING ABOUT WHAT'S
14 MAGICAL ABOUT THE DATE OF DECEMBER 31, 2010. WHEN
15 WE WERE DOING THESE PROJECTIONS AND MAKING THESE
16 CALCULATIONS AROUND THE FIRST OF JANUARY, WE WERE
17 ANTICIPATING THAT WE MIGHT NOT BE ABLE TO SELL
18 GENERAL OBLIGATION BONDS, PUBLIC SALE OF BONDS,
19 UNTIL THAT POINT. RIGHT NOW IT LOOKS LIKE THAT
20 SITUATION IS CHANGING, BUT AT THAT TIME THAT'S WHAT
21 WE THOUGHT. LET'S JUST SEE HOW WE'RE GOING TO GET
22 THROUGH WHAT WE WERE FACING AS A POTENTIAL CASH FLOW
23 PROBLEM. SO WE WANTED TO FIRST SEE WHERE WE STOOD.
24 THIS IS WHAT WE THOUGHT WE NEEDED.

25 SO THE NEXT SLIDE SHOWS, THEN, THESE WERE

BARRISTERS' REPORTING SERVICE

1 PROGRAMS, BECAUSE WE HAD BEEN, AS I SAY, MOVING
2 ALONG IN ANTICIPATION THAT NEW MONIES WOULD BE
3 COMING IN, THESE WERE ADDITIONAL PROGRAMS BEYOND
4 THOSE FOR WHICH WE WERE ALREADY COMMITTED, THAT THE
5 ICOC HAD APPROVED FOR FUNDING. SO THEY WERE IN
6 VARIOUS -- THESE ARE IN VARIOUS STAGES OF REVIEW.
7 THEY'RE EITHER GRANTS HAVE BEEN REVIEWED, ARE BEING
8 REVIEWED, OR ARE STILL BEING PREPARED. BUT THESE
9 WERE PROGRAMS THAT HAD BEEN THROUGH CONCEPT APPROVAL
10 BY THE ICOC. WHAT'S LISTED IN THE BUDGET IS THE
11 AMOUNT, THE TOTAL AMOUNT THAT WOULD BE COMMITTED FOR
12 THOSE VARIOUS PROGRAMS. AND THEN IN THE LAST COLUMN
13 SHOWS WHAT THE CASH FLOW REQUIREMENTS WOULD BE
14 BETWEEN NOW AND THE END OF 2010.

15 SO THESE ARE VARIOUS ASPECTS OF OUR
16 PROGRAM. SOME OF THESE ARE BASIC BIOLOGY. THE
17 LARGER ONES, EARLY TRANSLATION AND DISEASE TEAMS,
18 THESE ARE OUR FIRST SORT OF FORAYS INTO MORE
19 CLINICAL AND APPLIED APPLICATION OF STEM CELL
20 RESEARCH TOWARDS TREATING AND DEALING WITH DISEASES.
21 AND THESE ARE REALLY TWO OF OUR FLAGSHIP, WHICH WE
22 HAVE ALWAYS VIEWED AS OUR FLAGSHIP PROGRAMS, BUT WE
23 REALLY NEEDED TO GET A BASIS, A GROUNDWORK, OF BASIC
24 BIOLOGY TO BUILD A TEAM OF SCIENTISTS IN THE STATE
25 OF CALIFORNIA IN PREPARATION FOR THAT. AND THAT'S

BARRISTERS' REPORTING SERVICE

1 WHAT WE'VE BEEN DOING OVER THE PAST COUPLE OF YEARS.
2 NOW WE'RE READY TO GO INTO THIS.

3 SO LET'S GO AHEAD AND NOW LET'S LOOK AT A
4 PROJECTION. SO THIS IS A PROJECTION FORWARD AS BEST
5 WE CAN OF WHAT OUR CASH FLOW NEEDS WILL BE. I'LL
6 WALK YOU THROUGH THE SLIDE. IT'S NOT QUITE AS
7 COMPLICATED AS IT LOOKS. I DON'T THINK THE
8 SITUATION IS QUITE AS DEPRESSING AS YOU MIGHT END UP
9 THINKING AT THE END OF THE SLIDE. YOU HAVE TO WAIT
10 FOR THE NEXT SLIDE.

11 SO WHAT THE SLIDE SHOWS, LET ME JUST WALK
12 OVER HERE -- I GUESS I SHOULD STAY BY THE
13 MICROPHONE. IF YOU LOOK -- SO THIS IS A SERIES OF
14 BARS, THE VERTICAL BARS REPRESENT EACH QUARTER AND
15 THE YEAR FROM BETWEEN JANUARY OF 2009 UNTIL DECEMBER
16 OF 2010. THE BLUE PORTION OF THE BAR IS WHAT WE
17 ANTICIPATE EXPENDING FOR GRANT FUNDS IN THAT
18 QUARTER, AND THEN THE YELLOW BAR AT THE BOTTOM,
19 THOSE ARE OUR OPERATING COSTS. SO THE OPERATING
20 COSTS ARE FAIRLY CONSISTENT ALL THE WAY ACROSS. THE
21 FUNDING THAT WOULD GO OUT FOR GRANTS VARIES FROM
22 MONTH TO MONTH.

23 AND THE COLUMN ON THE LEFT, THE NUMBERS
24 THAT GO THERE, ZERO UP TO 70 MILLION, THOSE REFER TO
25 THE BARS, AND THE ACTUAL NUMBERS ARE WRITTEN IN THE

BARRISTERS' REPORTING SERVICE

1 BARS. AND THEN THE NUMBERS ON THE RIGHT SHOW OUR
2 CASH BALANCE. THAT'S OUR BANK ACCOUNT BALANCE, AND
3 THAT'S INDICATED -- THE AMOUNT THAT'S IN THE BOND
4 FUND IS INDICATED BY THE GREEN LINE. THE RED LINE,
5 THE HORIZONTAL RED LINE THERE, SHOWS ZERO. SO WHEN
6 WE'RE ABOVE THE RED LINE, WE HAVE A POSITIVE
7 BALANCE. WE'RE IN THE BLACK. WHEN WE'RE BELOW THE
8 RED LINE, WE'RE IN THE RED. SO THE OBJECTIVE IS TO
9 KEEP THE GREEN LINE ABOVE THE RED LINE. THAT'S WHAT
10 WE'RE CHALLENGED WITH DOING OVER THE NEXT COUPLE OF
11 YEARS.

12 MS. POTTER: CAN I ASK A QUESTION JUST TO
13 MAKE SURE I CAN FOLLOW THE MATH? SO THE BALANCE IN
14 YOUR ACCOUNTS AT THE SECOND QUARTER OF '09, 145.78
15 MILLION, IS THAT -- THAT NUMBER IS WHAT'S LEFT AFTER
16 YOU DEDUCT 26.8 MINUS THE THREE MINUS THE 18 POINT,
17 HOW IS THAT WORKING?

18 DR. ROBSON: SO WHAT WE ARE SHOWING HERE
19 IS BECAUSE WE EXPECT TOMORROW TO RECEIVE AN
20 ADDITIONAL \$45 MILLION. THAT'S GOING TO BE ADDED TO
21 THE PMIA FUND. SO THAT 45 MILLION IS INDICATED
22 THERE AT THE BOTTOM.

23 MS. POTTER: GOT IT. NOW I CAN UNDERSTAND
24 IT. THANK YOU.

25 DR. ROBSON: YOU WERE A STEP AHEAD OF ME.

BARRISTERS' REPORTING SERVICE

1 MS. POTTER: THAT'S OKAY.

2 DR. ROBSON: SO WE ANTICIPATE, THEN, WHEN
3 THAT 45 MILLION COMES IN, WE WILL BOOST UP TO 145
4 MILLION FUNDS AVAILABLE TO US. NOW, IF WE GET NO
5 MORE MONEY AND WE WERE TO FUND ALL OF THE GRANTS
6 THAT ARE ONGOING COMMITMENTS PLUS THE ONES THAT I
7 JUST SHOWED YOU WHICH HAVE BEEN CONCEPT APPROVED, WE
8 WOULD END UP AT THE END OF 2010 ABOUT \$190 MILLION
9 BELOW, IN THE NEGATIVE BALANCE. BUT WE DON'T REALLY
10 THINK THAT'S GOING TO BE THE SITUATION. WE HAVE
11 BEEN APPROVED TO RAISE 400 MILLION, AND WE HAVE
12 BEGUN THE PROCESS OF DOING THAT THROUGH A PRIVATE
13 PLACEMENT SALE. BUT OVER THE NEXT -- AND WE MAY
14 HEAR -- I WON'T VENTURE INTO WHAT OTHER PUBLIC
15 OPTIONS ARE AVAILABLE TO US. WE'VE BEEN HEARING A
16 LOT OVER THE LAST FEW DAYS THAT WE WILL BE ABLE TO
17 GO OUT AND RAISE SOME MONEY THROUGH THE PUBLIC SALE
18 OF BONDS.

19 BUT WE THINK THAT -- WE'VE OPERATED IN OUR
20 PROJECTIONS WITH THE EXPECTATION THAT WE WILL BE
21 ABLE TO RAISE AT LEAST \$200 MILLION BETWEEN NOW AND
22 THE END OF 2010. SO WE'VE DONE OUR PROJECTIONS
23 BASED ON THAT.

24 AND SO THE NEXT SLIDE SHOWS WHAT OUR
25 SITUATION WILL LOOK LIKE IF THAT'S THE CASE. SO

BARRISTERS' REPORTING SERVICE

1 THIS WAS WHAT WE'RE TRYING TO VIEW AS AN OPTIMISTIC,
2 BUT CONSERVATIVE APPROACH TO OUR FUNDING OVER THE
3 NEXT TWO YEARS. SO THIS ONE IS EXACTLY THE SAME AS
4 WHAT YOU JUST SAW. THE EXPENDITURES ARE ALL THE
5 SAME. THE DIFFERENCE IS THAT WE ARE MODELING IN A
6 \$100 MILLION INFLUX OF MONEY IN THE JULY TO
7 SEPTEMBER QUARTER OF THIS YEAR AND THEN ANOTHER
8 HUNDRED MILLION IN THE FIRST QUARTER OF NEXT YEAR.
9 WE DON'T KNOW EXACTLY WHEN THIS MONEY IS GOING TO
10 COME, BUT WE ARE CONFIDENT THAT THE MONEY WILL COME
11 SOMETIME IN THIS PERIOD.

12 IF WE DO THAT, THEN WE CAN GET THROUGH ALL
13 THE CONCEPT APPROVED PROGRAMS THAT I'VE JUST SHOWN
14 YOU PLUS OUR ONGOING COMMITMENTS THROUGH THE END OF
15 2010. NOW, OF COURSE, WE'RE HOPEFUL THAT THIS IS
16 NOT GOING TO BE THE CASE. WE'RE HOPEFUL THAT WE
17 WILL RAISE SOMETHING CLOSER TO THE \$400 MILLION THAT
18 WE'VE BEEN APPROVED TO RAISE.

19 AND SO JUST TO SHOW YOU THAT WE'RE NOT
20 SITTING STAGNANT. WE SHOWED YOU CONCEPT APPROVED
21 PROGRAMS, BUT WE'VE GOT A LOT OF STUFF WE'RE READY
22 TO DO. WE JUST NEED TO HAVE SOME CONFIDENCE THAT
23 WE'RE GOING TO HAVE THE FUNDS. AND SO THIS IS GOING
24 TO BE -- FOR US I THINK IT'S GOING TO BE QUITE --
25 WITH THESE NEW PROGRAMS, IT'S GOING TO BE A

BARRISTERS' REPORTING SERVICE

1 BALANCING ACT AS WE GO FORWARD. AS WE GET NEW
2 MONIES AND GOOD NEWS ABOUT NEW MONIES COMING IN,
3 WE'LL BE ABLE TO ADD NEW PROGRAMS AND BE ABLE TO
4 PLUG THEM IN, BUT WE'VE GOT THEM READY TO GO.

5 SO I'LL JUST SHOW YOU IN THE NEXT SLIDE,
6 WHICH IS MY LAST SLIDE, WHICH SEEMS TO NOT BE THERE.

7 MS. POTTER: WHILE YOU'RE LOOKING FOR YOUR
8 LAST SLIDE.

9 DR. ROBSON: IT'S IN THE HANDOUT. IF YOU
10 HAVE THE HANDOUT, IT DOESN'T APPEAR TO HAVE GOTTEN
11 ONTO THIS SLIDE.

12 MS. KING: LOOKS LIKE IT'S NOT IN THE
13 HANDOUT EITHER.

14 CHAIRPERSON HOLTON-HODSON: ACTUALLY WHILE
15 HE'S DOING THAT, IF YOU COULD, DOWN SOUTH, IF YOU
16 COULD BE CAREFUL ABOUT SHUFFLING YOUR PAPERS RIGHT
17 NEAR THE MIC BECAUSE SOMETIMES THEN IT GETS HARD TO
18 HEAR. WE HEAR YOUR PAPERS AND NOT THE PRESENTATION.
19 SO THANK YOU.

20 DR. ROBSON: THERE IT IS. SO THIS IS SORT
21 OF WHAT WE HAVE IN THE -- JUMP TO THE LAST ONE. SO
22 THIS IS WHAT WE HAVE SORT OF EITHER IN THE PIPELINE
23 OR IN THE PLANNING STAGES. SO THE TOP PART OF --
24 THE GROUP THAT'S LISTED THERE, BRIDGES TO STEM CELL
25 RESEARCH, MOST OF THOSE WERE IN THE LIST I JUST

BARRISTERS' REPORTING SERVICE

1 SHOWED YOU. THESE ARE ONES THAT HAVE BEEN THROUGH
2 CONCEPT APPROVAL. A COUPLE OF THESE, BRIDGES TO
3 STEM CELL RESEARCH AND TRAINING II, THOSE HAVE
4 ALREADY BEEN APPROVED, AND THEY ARE ONGOING.
5 THEY'VE STARTED ALREADY. SO THOSE ARE NOT -- THEY
6 WEREN'T IN MY CONCEPT APPROVED LIST, BUT THOSE ARE
7 ALREADY GETTING GOING.

8 AND THEN BELOW THERE WHERE IT SAYS FISCAL
9 YEAR 9, 10, 11, 12, THESE ARE PROGRAMS THAT WE'RE
10 PREPARING TO PUT FORWARD. WE'RE PREPARING TO BRING
11 THESE FORWARD TO THE ICOC, ISSUE RFA'S, COLLECT
12 GRANTS, AND FUND THESE. AND WE WILL START PUTTING
13 THESE IN AS OUR FINANCIAL SITUATION CHANGES, AS WE
14 GET MORE AND MORE FUNDS IN.

15 SO THAT'S THE APPROACH WE'VE TAKEN. IT'S
16 A BIT OF A JUGGLING ACT, BUT WE'RE CONFIDENT THAT
17 WE'RE GOING TO BE ABLE TO KEEP MOVING FORWARD IN AN
18 EFFECTIVE WAY TOWARD OUR MISSION.

19 MS. POTTER: SO MY QUESTION IS, AND I
20 GUESS WE'VE ALL BEEN IN SITUATIONS LIKE THIS, WHERE
21 WE'VE HAD A BUSINESS THAT HAD CASH FLOW ISSUES, BUT
22 HAVE YOU THOUGHT ABOUT SPECIFICALLY WHICH PROGRAMS
23 YOU WILL HOLD BACK ON IN A GATED KIND OF FASHION SO
24 YOU DON'T GET CAUGHT?

25 DR. ROBSON: I DIDN'T PRESENT THAT THIS

BARRISTERS' REPORTING SERVICE

1 TIME, BUT WE HAVE DONE INTERNALLY AT CIRM, WE'VE
2 DONE A PRIORITY LIST. AND IF IT COMES THAT THE
3 FUNDS DON'T COME IN AS WE HOPE, AS I'VE SHOWN HERE,
4 WE WILL JUST MOVE TO THIS PRIORITY LIST. AND THAT
5 WILL MEAN SOME OF THE PROGRAMS WILL HAVE TO BE --
6 THE TOTAL BUDGET AMOUNTS WILL HAVE TO BE CUT. WE
7 STILL THINK IT'S IMPORTANT TO DO THE PROGRAMS TO
8 MAINTAIN OUR MOMENTUM; BUT INSTEAD OF DOING -- JUST
9 PICK ANY ONE. SAY, IN DISEASE TEAMS, WE MIGHT NOT
10 BE ABLE TO DO 240 MILLION, WHICH WOULD FUND MAYBE 10
11 TO 15 AWARDS. WE MIGHT HAVE TO SAY WE CAN ONLY DO
12 THE TOP SEVEN OR EIGHT RIGHT NOW. AND THEN WHEN WE
13 GET MORE MONEY, WE'LL DO ANOTHER COMPETITION AND
14 BRING THOSE OTHER PROGRAMS BACK.

15 WE HAD TO DO THAT WITH TRAINING II. WE
16 DELAYED THAT A YEAR. WE APPROVED THE PROGRAM, BUT
17 INSTEAD OF STARTING RIGHT NOW, IT'S GOING TO START A
18 YEAR FROM NOW BECAUSE WE FELT THAT WAS A PROGRAM
19 THAT COULD BE MAINTAINED AT LEAST AS FAR AS WE NEED.
20 THE TRAINING OF STEM CELL BIOLOGISTS CAN HAPPEN IN
21 MANY WAYS. AND MANY OF OUR GRANT PROGRAMS WHICH DO
22 RESEARCH ALSO FUND THE TRAINING OF STUDENTS,
23 GRADUATE STUDENTS AND POST DOCS, SO WE THOUGHT WE
24 COULD KEEP THE TRAINING MOMENTUM GOING WITHOUT THIS
25 SEPARATE PROGRAM FOR A YEAR ANYWAY AND THEN WE'LL

BARRISTERS' REPORTING SERVICE

1 BRING IT BACK. THIS IS JUST THE REALITY OF WHERE WE
2 WERE AT THE TIME. WE JUST FELT WE HAD TO MAKE THIS
3 KIND OF DECISION.

4 CHAIRPERSON HOLTON-HODSON: AND SO
5 PAYMENTS ON AWARDS THAT YOU HAVE ALREADY MADE AND
6 THAT YOU PAY, I DON'T KNOW, ON A QUARTERLY OR ANNUAL
7 BASIS, ON A QUARTERLY BASIS, ARE THOSE PAYMENTS
8 BEING INTERRUPTED AT ALL --

9 DR. ROBSON: NO. THE --

10 CHAIRPERSON HOLTON-HODSON: -- OR ARE THEY
11 BEING MADE AS PROMISED?

12 DR. ROBSON: -- ICOC WAS QUITE ADAMANT
13 ABOUT THIS, THAT THEY DID NOT WANT TO DO ANY CUTTING
14 TO THE ONGOING PROGRAMS. OF COURSE, THAT IS
15 POSSIBLE TO DO, BUT WE REALLY DON'T WANT TO DO THAT
16 IF WE CAN AVOID IT. WE WOULD PREFER TO TRIM BACK ON
17 THE NEW PROGRAMS A LITTLE BIT RIGHT NOW RATHER THAN
18 DO THAT BECAUSE PEOPLE MAKE PLANS, THEY DEVELOP
19 RESEARCH PROGRAMS, THEY'VE HIRED TEAMS. YOU DON'T
20 WANT TO TEAR THEM APART IN THE MIDDLE OF THE
21 PROCESS.

22 CHAIRPERSON HOLTON-HODSON: I THINK NOW
23 WOULD BE A GOOD TIME TO STOP. IF I COULD INVITE
24 MR. FOWLER FROM THE STATE TREASURER'S OFFICE TO
25 SPEAK BRIEFLY ABOUT IS HE OPTIMISTIC WE'RE GOING TO

BARRISTERS' REPORTING SERVICE

1 HAVE THE PUBLIC BOND SALE. IF NOT, SORT OF HOW DOES
2 A PRIVATE BOND SALE OPERATE AND WHAT TYPES OF
3 MEASURES WILL BE TAKEN TO ENSURE THE TRANSPARENCY OF
4 THAT SALE?

5 MR. FOWLER: GOOD AFTERNOON. I'M BLAKE
6 FOWLER WITH THE PUBLIC FINANCE DIVISION OF THE STATE
7 TREASURER'S OFFICE, AND I DO HAVE SOME GOOD NEWS.
8 THE STATE TREASURER'S OFFICE IS PLANNING AN
9 APPROXIMATELY \$3 BILLION GENERAL OBLIGATION BOND
10 SALE NEXT WEEK. APPROXIMATELY ONE BILLION DOLLARS
11 OF THE PROCEEDS FROM THAT SALE ARE GOING TO BE USED
12 TO PAY DOWN PREVIOUSLY DISBURSED LOANS FOR GENERAL
13 OBLIGATION BOND PROGRAMS THAT WERE MADE FROM THE
14 STATE'S POOLED MONEY INVESTMENT ACCOUNT WHICH HAS
15 HISTORICALLY PROVIDED INTERIM FINANCING. AND WE
16 EXPECT FROM THE SALE THAT CIRM'S APPROXIMATELY \$250
17 MILLION LOAN FROM THE POOLED MONEY INVESTMENT
18 ACCOUNT WILL BE PAID DOWN IN FULL.

19 THERE WILL BE AN ADDITIONAL AMOUNT ABOVE
20 AND BEYOND THE APPROXIMATELY ONE BILLION THAT WILL
21 BE USED TO PROVIDE DIRECT PROJECT FUNDING. WE ARE
22 GOING TO BE ISSUING TWO TYPES OF BONDS WITH THIS
23 SALE. WE'RE GOING TO BE ISSUING WHAT WE CALL TRUE
24 TAXABLE BONDS, AND THOSE ARE BONDS FOR PROJECTS THAT
25 ARE NOT ELIGIBLE FOR TAX-EXEMPT FINANCING UNDER THE

BARRISTERS' REPORTING SERVICE

1 INTERNAL REVENUE CODE.

2 WE'RE GOING TO BE ISSUING A NEW TYPE OF
3 BOND THAT IS CALLED BUILD AMERICA BONDS. THEY WERE
4 RECENTLY AUTHORIZED BY THE FEDERAL ECONOMIC STIMULUS
5 PACKAGE. THOSE BONDS ARE ISSUED ON A TAXABLE BASIS
6 FOR PROJECTS THAT ARE OTHERWISE ELIGIBLE FOR
7 TAX-EXEMPT FINANCING. AND IN RETURN THE FEDERAL
8 GOVERNMENT WILL PAY BACK THE STATE A 35-PERCENT
9 SUBSIDY ON THE INTEREST RATE WE PAY. SO THOSE ARE
10 THE TWO TYPES OF BONDS WE'LL BE ISSUING.

11 AS FAR AS THE AMOUNT IN EXCESS OF \$1
12 BILLION THAT WILL PROVIDE PROJECT FINANCING, THE
13 DEPARTMENT OF FINANCE WILL BE COMING UP WITH A
14 PRIORITY LIST FOR THOSE PROJECTS, AND IT'S LIKELY
15 THAT CIRM WILL RECEIVE FUNDING FOR ITS REMAINING
16 MAJOR FACILITIES GRANTS AND COULD RECEIVE FUNDING
17 FOR ADDITIONAL RESEARCH. FOR THE REMAINING MAJOR
18 FACILITIES GRANTS, WE EXPECT TO BE ABLE TO ISSUE
19 THESE NEW TYPES OF BONDS, THE BUILD AMERICA BONDS,
20 WHICH SHOULD BE LOWER COST FINANCING FOR THE STATE.
21 FOR RESEARCH, WE WOULD HAVE TO ISSUE OUR TRUE
22 TAXABLE BONDS.

23 SO WE'RE NOT GOING TO KNOW THE AMOUNT OF
24 FUNDING AVAILABLE TO CIRM FROM THE BOND SALE UNTIL
25 WE COMPLETE IT NEXT WEEK AND KNOW THE FINAL SIZE OF

BARRISTERS' REPORTING SERVICE

1 THAT TRANSACTION AND GET DIRECTIONS FROM THE
2 DEPARTMENT OF FINANCE AS TO HOW THOSE PROCEEDS ARE
3 GOING TO BE ALLOCATED.

4 DO YOU HAVE ANY QUESTIONS THAT I CAN
5 ANSWER FOR YOU REGARDING OUR SALE NEXT WEEK?

6 CHAIRPERSON HOLTON-HODSON: NOT FOR THE
7 SALE NEXT WEEK, BUT IT SOUNDS LIKE WE STILL DON'T
8 KNOW IF CIRM WILL GET ENOUGH, EVEN THE HUNDRED
9 MILLION THAT IS ON THE CHART. SO I GUESS THE
10 QUESTION PERHAPS FOR CIRM IS IF YOU DON'T GET
11 ENOUGH, MAYBE EVEN HOW MUCH MIGHT YOU NEED BEFORE
12 YOU WOULD THEN PROCEED WITH A PRIVATE BOND SALE, AND
13 IS THAT SOMETHING THAT THE STATE TREASURER'S OFFICE
14 WOULD THEN ALSO CONCUR WITH DOING?

15 MR. FOWLER: GIVEN THE TREMENDOUS NEEDS,
16 WE CAN'T POSSIBLY SELL ENOUGH BONDS TO MEET THE
17 NEEDS FOR ALL OF THE GENERAL OBLIGATION BOND FUNDED
18 PROGRAMS. WE HAVE HAD DIFFERENT PARTIES APPROACH US
19 ABOUT INVESTING IN STATE GENERAL OBLIGATION BONDS IN
20 A PRIVATE PLACEMENT BASIS. AND SO FAR WE'VE
21 COMPLETED TWO PRIVATE PAYMENTS. THEY'VE BOTH BEEN
22 WITH PUBLIC AGENCIES. ONE IS WITH THE BAY AREA TOLL
23 AUTHORITY AND THE OTHER WAS WITH THE LOS ANGELES
24 COUNTY METROPOLITAN AND TRANSPORTATION AUTHORITY.

25 AND IN RETURN FOR THEIR INVESTMENT, THE

BARRISTERS' REPORTING SERVICE

1 CONDITION IS THAT THE STATE FUND PROJECTS IN THEIR
2 AREA THAT HAVE BEEN IMPACTED BY THE FREEZE IN
3 FUNDING FROM THE POOLED MONEY INVESTMENT ACCOUNT.
4 AND THESE ARE PRIVATELY PLACED BONDS. THAT MEANS
5 THEY'RE ISSUED WITHOUT AN OFFERING MEMORANDUM. THE
6 INVESTOR UNDERSTANDS THE RISK OF PURCHASING THESE
7 BONDS. WE STRUCTURE THEM AS WHAT IS KNOWN AS A
8 MANDATORY TENDER BOND, WHICH PAYS INTEREST TO THE
9 INVESTOR ON A SEMIANNUAL BASIS, AND THEN THERE IS A
10 MATURITY DATE UPON WHICH THE STATE HAS TO REDEEM
11 THAT FULL AMOUNT.

12 AND OUR PLAN IS UNDER THESE TYPES OF
13 TRANSACTIONS TO ISSUE LONG-TERM BONDS PRIOR TO THAT
14 MATURITY DATE TO REFUND THIS OBLIGATION OUT ON A
15 LONG-TERM BASIS. IF THE STATE WERE UNABLE TO SELL
16 THE LONG-TERM BONDS TO DO THAT, IT WOULD BE A FULL
17 FAITH AND CREDIT OBLIGATION PAYMENT FROM THE STATE'S
18 GENERAL FUND.

19 MS. POTTER: BESIDES THE TERMS YOU'VE JUST
20 MENTIONED, DO EACH OF THESE INVESTORS HAVE DIFFERENT
21 TERMS BECAUSE IT'S PRIVATE PLACEMENT, WHICH ISN'T
22 UNUSUAL, OR ARE THE TERMS EXACTLY THE SAME BETWEEN
23 THE TWO INVESTING PARTIES?

24 MR. FOWLER: WE HAVE DEVELOPED A FAIRLY
25 STANDARDIZED DOCUMENT THAT HAS BEEN USED IN BOTH

BARRISTERS' REPORTING SERVICE

1 TRANSACTIONS THAT HAVE BEEN COMPLETED TO DATE, AND
2 WE ANTICIPATE USING THAT IN FUTURE TRANSACTIONS. WE
3 HAVE ESTABLISHED A METHODOLOGY FOR SETTING THE
4 INTEREST RATE THAT IS TIED TO THE TERM, AND WE WOULD
5 EXPECT TO UTILIZE THAT IN FUTURE PRIVATE PLACEMENTS
6 AS WELL.

7 MS. POTTER: OKAY.

8 DR. ROBSON: I SHOULD ADD THAT OUR
9 ASSUMPTION IS STILL THAT WE ARE GOING TO HAVE TO
10 RAISE MONEY THROUGH PRIVATE PLACEMENTS, AND WE'RE
11 NOT WAITING TO START THE PROCESS. WE'RE ACTUALLY
12 STARTING THE PROCESS, AND SO WE'RE MOVING FORWARD ON
13 THAT. WE'RE MOVING ON THAT FRONT AS WELL AS THE
14 THIS OTHER.

15 CHAIRPERSON HOLTON-HODSON: I'M SORRY.
16 SINCE THIS IS BEING RECORDED, IF YOU COULD SAY YOUR
17 NAME EACH TIME YOU PRESENT.

18 DR. ROBSON: THIS IS JOHN ROBSON AGAIN.

19 CHAIRPERSON HOLTON-HODSON: DO ANY OF THE
20 OTHER COMMITTEE MEMBERS HAVE ANY QUESTIONS ON THIS?

21 MR. BRUNNER: TO THE EXTENT THAT THE SALE,
22 THE PUBLIC SALE NEXT WEEK GOES WELL, IS THERE A --
23 DO YOU HAVE SOME TIMING IN MIND AS TO WHEN A
24 SUBSEQUENT SALE COULD BE HELD?

25 MR. FOWLER: THAT'S A GOOD QUESTION.

BARRISTERS' REPORTING SERVICE

1 HISTORICALLY THE STATE HAS PERIODS OF TIME DURING
2 THE YEAR WHERE WE CANNOT ISSUE BONDS, AND THEY
3 GENERALLY CENTER AROUND THE RELEASE OF THE
4 GOVERNOR'S BUDGET IN EARLY JANUARY AND THE MAY
5 REVISION THAT COMES OUT. THIS YEAR'S MAY REVISION
6 IS COMING OUT LATER, SO WE WILL NOT BE ABLE TO SELL
7 DURING THE ENTIRE MONTH OF MAY, AND WE'LL HAVE TO
8 AWAIT THE RESULTS OF THE MAY REVISION AND THE
9 RESULTS OF THE MAY 19TH SPECIAL ELECTION TO
10 DETERMINE IF THERE'S AN IMPACT ON OUR ABILITY TO
11 ISSUE LONG-TERM GENERAL OBLIGATION BONDS AGAIN.

12 BEST-CASE SCENARIO WOULD BE THAT WE COULD
13 PROBABLY SELL BONDS AGAIN IN EARLY JULY.

14 CHAIRPERSON HOLTON-HODSON: ANY QUESTIONS
15 FROM THE MEMBERS DOWN SOUTH?

16 MR. LOTT: NO.

17 CHAIRPERSON HOLTON-HODSON: ONE MORE
18 QUESTION THEN, ACTUALLY TWO. WITH THE PRIVATE BOND
19 SALE, DOES THAT END UP COSTING MORE FOR THE STATE OF
20 CALIFORNIA THAN THE G.O. SALES?

21 MR. FOWLER: THE TRANSACTION WE'VE, THE
22 TWO WE'VE DONE TO DATE, THE INTEREST RATE FOR THAT
23 TERM IS SLIGHTLY HIGHER THAN WHAT WE HAVE PAID ON
24 OUR PUBLICLY OFFERED GENERAL OBLIGATION BONDS. IT'S
25 APPROPRIATE TO HAVE A HIGHER INTEREST RATE BECAUSE

BARRISTERS' REPORTING SERVICE

1 OF THE STRUCTURE OF THESE TRANSACTIONS. THEY'RE
2 PRIVATE PLACEMENTS. THEY'RE SOLD WITHOUT AN
3 OFFERING DOCUMENT. AND THEY HAVE LIMITED ABILITY
4 FOR THE INVESTOR TO SELL THOSE BONDS. TYPICALLY
5 WITH THE PUBLICLY OFFERED BOND, YOU COULD GO TO YOUR
6 BROKER AND SELL THAT IN FIVE MINUTES. WITH THESE
7 TYPES OF BONDS, WE ARE LOOKING FOR INVESTORS THAT
8 WILL CERTIFY TO US THAT THEY'RE BUYING THE BONDS
9 WITH AN EYE TO HOLD THAT, NOT TO SELL IT. AND WE
10 ACTUALLY MAKE THEM TAKE PHYSICAL DELIVERY OF THE
11 BONDS, WHICH REALLY RESTRICTS THE RESALE ABILITY.

12 SO IT'S APPROPRIATE TO HAVE A SLIGHTLY
13 HIGHER INTEREST RATE FOR THAT SHORT PERIOD OF TIME
14 GIVEN THE STRUCTURE THAT WE ARE PURSUING. THE
15 BENEFITS OF THIS STRUCTURE IS THAT WE ARE ACHIEVING
16 OR BEING ABLE TO ISSUE BONDS AND ATTRACT INVESTORS
17 THAT ARE TYPICALLY NOT INVESTORS OF THE STATE'S
18 GENERAL OBLIGATION BONDS, SO IT REALLY EXPANDS OUR
19 INVESTOR BASE.

20 CHAIRPERSON HOLTON-HODSON: AND ON THE
21 SORT OF PUBLIC DISCLOSURE, I KNOW PARTICULARLY WITH
22 THIS KIND OF MONEY, THERE IS A REAL QUESTION OF
23 TRANSPARENCY. WHAT TYPE OF PUBLIC DISCLOSURE
24 REQUIREMENTS DO YOU HAVE IN TERMS OF WHO THE
25 PURCHASERS OF THE BONDS ARE, WHAT THE TERMS OF THE

BARRISTERS' REPORTING SERVICE

1 BONDS ARE?

2 MR. FOWLER: WE WOULD ENTER INTO A BOND
3 PURCHASE CONTRACT WITH THE INVESTOR. THAT'S A
4 PUBLIC DOCUMENT JUST THE SAME AS ALL OF OUR BOND
5 PURCHASE CONTRACTS WITH ANY SALE, WHETHER IT BE
6 PUBLIC OR PRIVATE. SO THAT'S CERTAINLY A PUBLIC
7 DOCUMENT THAT ANYBODY COULD REQUEST.

8 FOR THE CIRM TRANSACTIONS, IF WE DO
9 UNDERTAKE SOME PRIVATE PLACEMENTS, WE WOULD
10 ANTICIPATE RECEIVING A CERTIFICATE SIMILAR TO WHAT
11 WE RECEIVED IN THE PAST ON THE BOND ANTICIPATION
12 NOTE SALES. WITH THOSE SALES THE ICOC PROVIDED A
13 CERTIFICATE TO US THAT SAID THAT IT HAD PERFORMED
14 ITS OWN DUE DILIGENCE WITH RESPECT TO EACH OF THE
15 PURCHASERS, AND TO THE BEST OF ITS KNOWLEDGE, THE
16 PURCHASERS OF THE NOTES WILL BE -- THE PURCHASES OF
17 THE NOTES WILL BE IN COMPLIANCE WITH ALL APPLICABLE
18 CONFLICT OF INTEREST LAWS AND REGULATIONS UNDER
19 CALIFORNIA LAW, INCLUDING THE POLITICAL REFORM ACT
20 AND GOVERNMENT CODE SECTION 1090.

21 IN ADDITION, THE STATE TREASURER'S OFFICE
22 WOULD BE LOOKING AT POTENTIAL PURCHASERS
23 INDEPENDENTLY TO SEE IF THERE WERE ANY CONFLICTS.

24 CHAIRPERSON HOLTON-HODSON: ANY QUESTIONS
25 FROM THE COMMITTEE? ANY QUESTIONS PARTICULARLY ON

BARRISTERS' REPORTING SERVICE

1 THIS FROM THE PUBLIC?

2 MR. SIMPSON: THIS IS JOHN SIMPSON,
3 CONSUMER WATCHDOG IN LOS ANGELES. YOU SAID THAT THE
4 INTEREST IS SLIGHTLY HIGHER. COULD YOU BE A LITTLE
5 BIT MORE SPECIFIC ABOUT WHAT SLIGHTLY MEANS?

6 MR. FOWLER: ON THE TWO TRANSACTIONS WE'VE
7 DONE TO DATE, THE INTEREST RATE WAS 1 PERCENT HIGHER
8 THAN A SIMILAR PUBLICLY OFFERED SERIAL BOND WITH THE
9 SAME MATURITY. IN ONE OF THE TRANSACTIONS, WE WERE
10 ABLE TO QUALIFY THESE AS THE BUILD AMERICA BONDS,
11 WHICH I SPOKE ABOUT EARLIER. SO OUR NET INTEREST
12 RATE IS ACTUALLY 35 PERCENT LOWER THAN THAT.

13 SO THE INTEREST RATES WE ENDED UP PAYING
14 WERE 3.77 PERCENT ON THE THREE-YEAR AND 3.34, I
15 BELIEVE, ON THE TWO-YEAR TRANSACTION.

16 CHAIRPERSON HOLTON-HODSON: GREAT. THANK
17 YOU FOR THAT. IF THERE AREN'T ANY OTHER QUESTIONS,
18 WE REALLY APPRECIATE YOU TAKING THE TIME TO EDUCATE
19 US ON THE BOND SALE.

20 AND WITH THAT, DR. ROBSON, DID YOU WANT TO
21 SORT OF CONTINUE YOUR PRESENTATION ABOUT YOUR GRANT
22 MAKING AND CIRM'S GENERAL STATUS?

23 DR. ROBSON: I DIDN'T HAVE ANY ADDITIONAL
24 SLIDES. I'M HAPPY TO ANSWER QUESTIONS ABOUT OUR
25 GRANT-MAKING PROCESS. I MIGHT MENTION, AGAIN, IN

BARRISTERS' REPORTING SERVICE

1 THE RESPONSE -- QUESTION I HAD ABOUT SETTING
2 PRIORITIES, WE REALLY HAVE DONE THIS. I MUST SAY
3 OUR LAST ICOC MEETING, THE ICOC WAS REALLY NOT READY
4 TO CUT ANY OF THE PROGRAMS THAT WERE FORTHCOMING.
5 WE DO HAVE A REVIEW COMING UP IN APRIL, AND I THINK
6 THE DECISION WILL REALLY COME DOWN TO WHAT HAPPENS
7 IN THE BOND SALE OVER THE NEXT COUPLE OF WEEKS THAT
8 WILL INFLUENCE BECAUSE THE ICOC IS VERY COGNIZANT OF
9 THESE ISSUES AND QUITE CONCERNED.

10 CHAIRPERSON HOLTON-HODSON: WELL, I KNOW
11 CERTAINLY FROM THE CONTROLLER'S PERSPECTIVE, ONE OF
12 THE ISSUES WE'RE INTERESTED IN HEARING ABOUT IS HOW
13 IS CIRM RESPONDING TO THE LIFTING OF THE RESTRICTION
14 ON STEM CELL RESEARCH, AND HOW DOES THAT IMPACT CIRM
15 AS YOU ARE THE LARGEST FUNDER OF STEM CELL RESEARCH,
16 SO HOW YOU'RE INTERACTING WITH THAT. AND ARE THERE
17 ANY FEDERAL DOLLARS NOW AVAILABLE THAT YOU MIGHT BE
18 ABLE TO LEVERAGE?

19 DR. ROBSON: WELL, THERE ARE FEDERAL
20 DOLLARS AVAILABLE THROUGH THE STIMULUS PROGRAMS, AND
21 MANY OF OUR GRANTEES AND OUR GRANTEE ORGANIZATIONS
22 ARE PURSUING THOSE. SOME OF THOSE ARE STEM CELL
23 RELATED. MOST OF THEM ARE NOT. THEY'RE RESEARCH
24 RELATED. OF COURSE, FOR US IT WAS INCREDIBLY GOOD
25 NEWS. WE HAD A BIG CELEBRATION IN OUR OFFICE WHEN

BARRISTERS' REPORTING SERVICE

1 PRESIDENT OBAMA MADE THAT ANNOUNCEMENT. IT WAS
2 QUITE EXCITING FOR ALL OF US.

3 WE DON'T -- IT'S STILL A LITTLE EARLY TO
4 KNOW EXACTLY HOW WE'RE GOING TO INTERACT WITH THE
5 NIH ON THIS. IN FACT, A GROUP FROM CIRM IS GOING TO
6 WASHINGTON IN THE NEXT COUPLE OF WEEKS TO MEET WITH
7 REPRESENTATIVES FROM THE FOOD AND DRUG
8 ADMINISTRATION TO START TALKING ABOUT POLICIES
9 AROUND STEM CELL THERAPIES AND HOW WE CAN HELP THEM
10 AND THEY CAN HELP US, WE CAN MOVE THAT FORWARD.

11 SAME MEETING THEY'RE GOING TO -- THAT SAME
12 TRIP SOME OF OUR PEOPLE ARE MEETING WITH
13 REPRESENTATIVES FROM THE NIH, WHO ARE INTIMATELY
14 INVOLVED WITH THE STEM CELL PROGRAMS AND TO SEE HOW
15 WE CAN COOPERATE AND WORK TOGETHER ON THOSE.

16 SO IT'S A LITTLE EARLY, I THINK, TO SAY.
17 TO THINK THAT OUR CALIFORNIA SCIENTISTS ARE GOING TO
18 GET A LOT OF MONEY FOR STEM CELL RESEARCH OUT OF THE
19 NIH IN THE IMMEDIATE FUTURE IS PROBABLY NOT CORRECT.
20 MUCH OF THE MONEY THAT WILL BE PUT INTO THE NIH NOW
21 IS GOING TO BE USED TO FUND PROGRAMS THAT HAVE
22 ALREADY BEEN REVIEWED BECAUSE THEY WANT TO GET THE
23 MONEY OUT FAST. IT TAKES ABOUT NINE MONTHS OR SO
24 FOR PEOPLE TO WRITE GRANTS, SUBMIT THEM, GET THEM
25 REVIEWED, AND FUNDED. THEY WANT TO GET THE MONEY

BARRISTERS' REPORTING SERVICE

1 OUT FASTER. BECAUSE OF THE FLAT FUNDING INCREASES
2 AT NIH OVER THE PAST FEW YEARS, THE FUNDING RATES
3 HAVE GONE WAY DOWN. THERE'S A REAL PENT-UP DEMAND
4 AND NEED FOR FUNDING, AND THEY HAVE MANY GRANT
5 APPLICATIONS THAT HAVE BEEN JUST IN THE LAST FEW
6 MONTHS THROUGH THE REVIEW PROCESS THAT WERE VIEWED
7 AS OUTSTANDING GRANTS, BUT THE FUNDS WEREN'T THERE
8 TO MAKE THOSE AWARDS. THEY CAN MAKE THOSE AWARDS
9 RIGHT NOW.

10 SO I THINK THE IDEA THAT OUR SCIENTISTS
11 ARE GOING TO RUN, OUR STEM CELL SCIENTISTS, AND
12 SUBMIT TO THE NIH IS NOT -- IT'S GOING TO -- THAT'S
13 NOT GOING TO HAPPEN RIGHT AWAY. THOSE PROGRAMS
14 HAVEN'T EVEN BEEN DEVELOPED YET, AND THAT WILL TAKE
15 A YEAR OR TWO, I THINK, AT NIH. THAT DOESN'T MEAN
16 WE CAN'T START COLLABORATING WITH NIH IN SOME WAYS
17 NOW, AND IT'S GOING TO BE EASIER. THERE ARE SOME
18 OTHER STATES THAT HAVE DONE SIMILAR THINGS TO
19 CALIFORNIA, NOT NEARLY TO THE EXTENT, AND THEY'RE
20 WAY BEHIND US IN TIME, BUT WE CAN LOOK TO DO SOME
21 COLLABORATIVE PROGRAMS WITH THEM.

22 CHAIRPERSON HOLTON-HODSON: AND ALSO
23 UNDERSTAND THAT YOU ARE ABOUT TO EMBARK ON A LOAN
24 PROGRAM. AND I THINK IT WOULD BE HELPFUL IF YOU
25 COULD SORT OF TALK A LITTLE BIT ABOUT THAT LOAN

BARRISTERS' REPORTING SERVICE

1 PROGRAM, AND IN PARTICULAR SORT OF HOW MUCH OF YOUR
2 DOLLARS DO YOU ANTICIPATE USING FOR LOANS VERSUS
3 GRANTS? HOW DOES THAT -- HOW DOES THAT WORK?

4 DR. ROBSON: LYNN, DO YOU WANT TO TALK
5 ABOUT THIS? I AM INVOLVED WITH IT. THERE ARE
6 OTHERS WHO KNOW THE PROGRAM BETTER. I CAN GIVE YOU
7 SORT OF A GENERAL ANSWER. THE LOAN PROGRAM IS SET
8 UP TO REALLY ENCOURAGE BIOTECH COMPANIES TO MOVE
9 INTO THIS AREA. OUR BELIEF IS THAT THROUGH GRANTS
10 TO UNIVERSITIES, WE NEED MORE THAN THAT IN ORDER TO
11 GET THE RESEARCH FINDINGS TRANSLATED INTO TREATMENTS
12 FOR PATIENTS. SO WE NEED TO FIND WAYS TO BRING THE
13 BIOTECH COMPANIES IN.

14 WE HAVE A GRANT -- THEY'RE ELIGIBLE FOR
15 MOST OF OUR GRANT PROGRAMS, BUT OUR GRANT PROGRAMS
16 CARRY SOME INTELLECTUAL PROPERTY RESTRICTIONS THAT
17 MANY OF THE BIOTECH COMPANIES ARE A LITTLE LEERY OF.
18 AND IF THEY COME WITH A LOAN, PART OF THE LOAN
19 PROGRAM IS THAT MANY OF THOSE INTELLECTUAL PROPERTY
20 PROBLEMS DISAPPEAR. IN ADDITION, IT GIVES US THE
21 OPPORTUNITY TO RECOUP SOME OF THE MONEY THAT WE PUT
22 OUT THERE, AND WE CAN REINVEST IN OTHER GRANTS OR
23 OTHER LOANS. THAT'S THE BASIC STRATEGY HERE.

24 CHAIRPERSON HOLTON-HODSON: AND COULD YOU
25 SORT OF ELABORATE ON WHAT THOSE INTELLECTUAL

BARRISTERS' REPORTING SERVICE

1 PROPERTY CONCERNS THAT THEY'RE LEERY OF?

2 DR. ROBSON: OUR LEGAL OFFICE WILL COME
3 UP.

4 MR. SWEEDLER: THIS IS IAN SWEEDLER AGAIN.
5 CIRM HAS A SET OF INTELLECTUAL PROPERTY AND REVENUE
6 SHARING REGULATIONS THAT COVER SEVERAL DIFFERENT
7 AREAS. AND ONE AREA THAT THEY COVER HAS TO DO WITH
8 ACCESS AND PRICING. THAT IS, WHEN DRUGS AND
9 THERAPIES ARE DEVELOPED USING CIRM FUNDING, THAT
10 PUBLICLY SUPPORTED CALIFORNIA HEALTHCARE PLANS WILL
11 HAVE A REDUCED PRICE ACCESS, REDUCED PRICE FOR THE
12 DRUGS AS WELL AS ACCESS TO THOSE THERAPIES FOR THE
13 UNINSURED. THOSE POLICIES APPLY EQUALLY TO PROJECTS
14 FUNDED THROUGH LOANS.

15 THE DIFFERENCE IS THAT WE ALSO HAVE
16 REVENUE SHARING PROVISIONS WHICH PROVIDE FOR CIRM TO
17 GET PERCENTAGES OF REVENUE GENERATED THROUGH
18 CIRM-FUNDED RESEARCH. AND THAT'S THE PROVISION THAT
19 GOES WITH GRANTS. WITH LOANS, INSTEAD, DEPENDING ON
20 THE EXACT NATURE OF THE LOAN, WE WOULD EITHER BE
21 REPAID THE FULL AMOUNT OF THE LOAN WITH INTEREST
22 WITHOUT REGARD TO WHAT REVENUE IS GENERATED LATER;
23 OR IF THE SPECIFIC PROJECT THAT'S FUNDED ENDS UP NOT
24 LEADING TO A MARKETABLE THERAPY, BUT IN SOME OTHER
25 WAY LEADS TO REVENUE GENERATION FOR THE COMPANY,

BARRISTERS' REPORTING SERVICE

1 CIRM WOULD BE REPAID IN THAT FORM.

2 SO IT'S A DIFFERENT REVENUE SHARING MODEL.
3 BOTH PLANS ARE INTENDED TO MAKE SURE THAT THE STATE
4 IS GETTING ITS FAIR SHARE. THE WAY IT'S CALCULATED
5 DIFFERS, AND SO SOME COMPANIES PREFER THAT APPROACH.

6 CHAIRPERSON HOLTON-HODSON: THANK YOU.

7 MS. POTTER: I DID A LITTLE BIT OF
8 RESEARCH ON THIS. I ACTUALLY -- I THINK THIS IS A
9 VERY GOOD IDEA. IT REALLY IS A WAY TO ADVANCE
10 SCIENCE AT A TIME WHEN INNOVATION IS JUST BEING
11 CHALLENGED ON ALL SIDES, AND IT ALSO SPEAKS REALLY
12 BROADLY TO THE DEMONSTRATION BY THE INSTITUTE THAT
13 YOU GUYS DON'T NECESSARILY HAVE ALL THE ANSWERS AND
14 THAT THE ANSWERS ARE IN MANY PLACES. SO THE BIGGEST
15 THING IS TO PROTECT THE FUNDING FROM STATE OF
16 CALIFORNIA. I THINK IT'S VERY NOVEL.

17 MR. BRUNNER: I DON'T KNOW IF THIS IS A
18 FAIR QUESTION, BUT AS YOU PRIORITIZE THE GRANTS THAT
19 YOU HAVE IN MIND ALREADY, IN LIGHT OF THE FISCAL
20 REALITY, WHAT ARE THE BASIC FACTORS YOU'RE LOOKING
21 AT IN SETTING PRIORITIES?

22 DR. ROBSON: JOHN ROBSON AGAIN. WELL, WE
23 LOOK AT A LOT OF THINGS. WE LOOK AT WHAT WE HAVE
24 FUNDED UP TO DATE. SO WE HAD -- THE ONE EXAMPLE WE
25 TALKED ABOUT WAS THE TRAINING PROGRAMS. WE HAD DONE

BARRISTERS' REPORTING SERVICE

1 SOME TRAINING PROGRAMS. WE'VE DONE SOME PROGRAMS TO
2 GET NEW FACULTY MEMBERS, NEW SCIENTISTS WHO ARE JUST
3 COMING OUT OF THEIR POST DOCS, STARTED ON THEIR
4 INDEPENDENT CAREERS. AND THOSE WERE DONE TO BUILD
5 THE SCIENTIFIC BASE IN CALIFORNIA SO WE WOULD HAVE
6 THE PEOPLE WE NEEDED TO DO THE PROJECTS TO MOVE
7 THINGS FORWARD.

8 SO WE'VE INVESTED A FAIR AMOUNT OF MONEY
9 INTO THAT, AND THOSE THINGS ARE ONGOING. RIGHT NOW
10 WE FEEL THAT IF WE HAVE TO MAKE CHOICES, WE MADE A
11 CHOICE TO RESTRICT THAT TRAINING BECAUSE WE FELT WE
12 HAD DONE A FAIR AMOUNT OF THAT ALREADY. WE HAD A
13 GOOD BASE. WE FEEL THAT THE EARLY TRANSLATION AND
14 THE DISEASE TEAMS, THOSE PROGRAMS, THOSE ARE THINGS
15 THAT ARE GOING TO LEAD TO NEW DRUGS, CLINICAL
16 TRIALS. WE THINK WE'RE AT THE POINT NOW WHERE WE
17 HAVE ENOUGH BASIC RESEARCH THAT WE CAN START DOWN
18 THAT ROAD.

19 BUT YOU HAVE TO UNDERSTAND THAT AS WE GET
20 DOWN THE ROAD, WE'RE GOING -- ANY RESEARCH TEAM IS
21 GOING -- THEY'RE GOING TO GET UNANTICIPATED RESULTS.
22 AND THAT'S GOING -- THEY'RE GOING TO SAY WE HAVE TO
23 GO BACK TO THE LAB NOW AND FIND OUT WHAT'S GOING ON.

24 SO WE HAVE TO KEEP PUTTING MONEY INTO THE
25 BASIC SCIENCE. IT'S NOT ANYTHING WHERE YOU DO YOUR

BARRISTERS' REPORTING SERVICE

1 BASIC SCIENCE, THEN YOU DO THE NEXT. IT'S NOT A
2 STEP. IT'S A CONTINUAL PROCESS. SO YOU JUST HAVE
3 TO RECYCLE THROUGH THE BASIC SCIENCE AS YOU SORT OF
4 MOVE UP THE CHAIN.

5 SO I THINK OUR BASIC FEELING HAS BEEN THAT
6 WHAT WE WILL HAVE TO DO IS JUST GENERALLY SHRINK
7 THEM ALL DOWN A LITTLE. SO WE THINK IT WOULD BE
8 NICE TO PUT 60 MILLION INTO EARLY TRANSLATION. WE
9 MAY HAVE TO SAY WE CAN ONLY DO 35 RIGHT NOW. AND
10 THAT'S SORT OF THE APPROACH THAT WE'VE BEEN TRYING,
11 WE'VE BEEN TAKING, EXCEPT FOR THE TRAINING WHERE WE
12 SAID WE CAN HOLD THAT OFF RIGHT NOW. NEW FACULTY,
13 WE DON'T HAVE TO PUT ANY MORE GRANTS UP FOR NEW
14 FACULTY BECAUSE WE'VE GOT A BIG GROUP IN HERE.
15 LET'S SEE HOW THEY DO. THE UNIVERSITIES ARE NOT IN
16 A POSITION RIGHT NOW TO HIRE A LOT, SO WE DON'T NEED
17 THOSE AWARDS RIGHT NOW. AND SO THAT'S BEEN OUR
18 BASIC APPROACH.

19 MR. BRUNNER: THIS MAY BE UNREALISTIC, BUT
20 ARE YOU LOOKING AT ALL AT WHERE THE NIH IS PROPOSING
21 TO PUT MONEY AND WHERE OTHER STATES ARE PUTTING
22 MONEY SO THAT EFFORTS ARE NOT DUPLICATED OR THAT YOU
23 CAN LEVERAGE RESOURCES?

24 DR. ROBSON: THAT'S PART OF THE DISCUSSION
25 THAT WE'RE STARTING WITH THE NIH. THE OTHER STATES,

BARRISTERS' REPORTING SERVICE

1 THE AMOUNTS OF MONEY THAT THEY'VE BEEN PUTTING IN
2 HAVE NOT BEEN ENOUGH THAT -- WE HAVEN'T REALLY
3 STARTED THAT PROCESS. WE HAVE BEEN INTERACTING WITH
4 SOME OTHER COUNTRIES, AND WE HAVE SET UP
5 COLLABORATIVE AGREEMENTS WITH, IF I CAN REMEMBER
6 THEM ALL NOW, AUSTRALIA, CANADA, UNITED KINGDOM,
7 JAPAN, SPAIN. THAT'S IT FOR NOW.

8 AND THE WAY THOSE PROGRAMS -- SO IT SOUNDS
9 LIKE A TOP-DOWN SORT OF APPROACH, BUT IT'S ACTUALLY
10 NOT. WE SET UP THESE PROGRAMS IN A TOP-DOWN SORT OF
11 FASHION, BUT IT'S REALLY A BOTTOM-UP EFFORT. SO IF
12 THERE'S A GROUP OF SCIENTISTS OR A SCIENTIST IN
13 CALIFORNIA WHO'S GOT SOME COLLEAGUES IN CANADA THAT
14 THEY WANT TO WORK TOGETHER WITH, BECAUSE WE'RE
15 NOT -- WE DON'T BELIEVE THAT ALL THE GOOD SCIENCE ON
16 STEM CELLS IS DONE IN CALIFORNIA. THERE'S OTHER
17 PLACES AROUND THE WORLD THAT HAVE OUTSTANDING
18 SCIENTISTS.

19 SO THE WAY THESE PROGRAMS WORK, IF THESE
20 SCIENTISTS WANT TO WORK TOGETHER, THEY PUT TOGETHER
21 A JOINT PROPOSAL. AND CIRM WILL FUND THE CALIFORNIA
22 PORTION OF THAT BECAUSE WE CAN'T SPEND ANY MONEY
23 OUTSIDE OF CALIFORNIA. AND THEN THE CANADIAN
24 GOVERNMENT, WHEN WE HAVE AN AGREEMENT IN PLACE, WILL
25 FUND THE CANADIANS WHO ARE PARTICIPATING IN THE

BARRISTERS' REPORTING SERVICE

1 PROGRAM. AND IN THAT PARTICULAR CASE, THE CANADIANS
2 ARE WILLING TO FUND IN THIS DISEASE TEAM PROGRAM UP
3 TO \$40 MILLION OVER FIVE YEARS FOR TWO GRANTS. AND
4 THEN WE WOULD MATCH THAT WITH 20 MILLION EACH ON OUR
5 OWN. SO THAT BECOMES A \$40 MILLION PROJECT THAT WE
6 CAN LEVERAGE UP. THESE COULD BE VERY POWERFUL
7 PROGRAMS.

8 SO THOSE -- SO OUR AGREEMENTS WITH THESE
9 OTHER COUNTRIES REQUIRE THAT THEY COMMIT A CERTAIN
10 AMOUNT OF MONEY TO FUND THEIR RESEARCHERS. AND THEN
11 WE DO THE REVIEW PROCESS, THEY ACCEPT THE RESULTS
12 FROM OUR GRANTS WORKING GROUP, OUR PEER REVIEW
13 SYSTEM, WHICH WE THINK IS AS GOOD AS ANYWHERE IN THE
14 WORLD, AND THEY CAN SEND OBSERVERS OVER AND WATCH AS
15 LONG AS THEY'RE COMFORTABLE WITH THAT. SO THAT'S --
16 BUT THIS IS BRAND-NEW. WE'VE ONLY ACTUALLY DONE ONE
17 ROUND OF FUNDING WITH THIS COOPERATIVE PROGRAM, BUT
18 IT WILL CONTINUE NOW.

19 MS. POTTER: AND YOU'RE THINKING THROUGH
20 THE IP ISSUES AND THE DOWNSTREAM REVENUE
21 IMPLICATIONS OF THIS SHARED REVENUE STREAM, ETC.
22 AND SO FAR, I GUESS IT'S PROBABLY FOR COUNSEL, OR
23 YOU.

24 DR. ROBSON: I'M SORRY. LIKE THE AMOUNTS
25 OF MONEY?

BARRISTERS' REPORTING SERVICE

1 MS. POTTER: SO, IN OTHER WORDS, IF YOU'VE
2 GOT -- IF YOU HAVE A GRANT OR A PROGRAM THAT'S BEING
3 FUNDED BY CALIFORNIA AND AUSTRALIA, FOR EXAMPLE,
4 THAT PROGRAM PRODUCES SOMETHING THAT HAS MARKETABLE
5 VALUE, HOW ARE YOU THINKING ABOUT REVENUE SHARING?
6 HOW ARE YOU THINKING ABOUT IP? HOW ARE YOU THINKING
7 ABOUT THE UPSIDE THAT MIGHT COME FROM IT? AND HOW
8 IS THAT -- ARE YOU THINKING THAT THROUGH UP FRONT
9 BECAUSE IT'S EASY TO -- YOU KNOW, IT'S MUCH HARDER
10 TO FIGHT OVER THE THINGS THAT COME OUT OF IT AFTER
11 THINGS HAVE POPPED OUT AND IT'S ALL GOOD, AND, OF
12 COURSE, WE WANT IT ALL FOR THE STATE OF CALIFORNIA.

13 DR. ROBSON: BASICALLY OUR RULES APPLY TO
14 THE PEOPLE WE FUND. THEIR RULES APPLY TO THE PEOPLE
15 THAT THEY FUND. AND THEN THE SCIENTISTS HAVE THEIR
16 OWN AGREEMENT.

17 MR. SWEEDLER: JUST TO AMPLIFY ON THAT A
18 LITTLE BIT, SOME OF THE REVENUE SHARING
19 REQUIREMENTS, THE REVENUE STREAM TO CIRM, TO THE
20 STATE, IS PROPORTIONAL TO CIRM'S INVESTMENT IN THE
21 PROJECT. SO THE COLLABORATION ITSELF OPERATES TO
22 CREATE CIRM GETTING ITS APPROPRIATE PART.

23 IN THE COLLABORATIVE PROJECTS, THEY'RE
24 REQUIRED TO HAVE IN PLACE AN IP AGREEMENT AT THE
25 OUTSET SO THAT THE INTELLECTUAL PROPERTY

BARRISTERS' REPORTING SERVICE

1 ARRANGEMENTS BETWEEN THE CALIFORNIA SCIENTISTS AND
2 THE SCIENTISTS, SAY, IN MELBOURNE OR THE SCIENTIST
3 IN LONDON, THAT HAS TO BE IN PLACE.

4 AND THEN I BELIEVE WE'VE ALSO ADDRESSED --
5 SCOTT, YOU CAN CONFIRM THIS -- THE ACCESS AND
6 PRICING TO MAKE SURE THAT IF DRUGS AND THERAPIES ARE
7 DEVELOPED THROUGH ONE OF THESE COLLABORATIVE
8 PROJECTS THAT INCORPORATE CIRM FUNDING, BUT CIRM
9 DIDN'T PROVIDE EVERY DOLLAR, THAT CALIFORNIANS STILL
10 GET THE BENEFIT OF DISCOUNT PRICING AND ACCESS TO
11 THOSE DRUGS AND THERAPIES. SO WE DON'T -- EACH OF
12 OUR COLLABORATORS HAS ITS OWN INTELLECTUAL PROPERTY
13 POLICIES APPLICABLE WITHIN THEIR TERRITORIES, AND WE
14 DON'T ATTEMPT TO REACH IN AND SUPPLANT THOSE. WHAT
15 WE DO IS WE HAVE AN APPROACH IN PLACE THAT MAKES
16 SURE THAT THERE ISN'T ANY SORT OF GAMESMANSHIP GOING
17 ON TO MOVE THE IP TO A MORE OR LESS FAVORABLE
18 LOCATION AND TO MAKE SURE THAT THE ACCESS AND
19 PRICING APPLY.

20 MS. POTTER: AND YOU HAVE EXTERNAL, NOT TO
21 SAY THAT YOU DON'T HAVE DEEP KNOWLEDGE IN THIS AREA,
22 BUT YOU HAVE EXTERNAL LEGAL EXPERTS ADVISING YOU ON
23 THE CONSTRUCT OF THESE AGREEMENTS? I'VE DONE MANY
24 OF THEM, AND IT ALL IS FUN UP FRONT, AND IT'S JUST
25 NASTY WHEN SOMETHING GREAT HAPPENS.

BARRISTERS' REPORTING SERVICE

1 MR. SWEEDLER: I COULD BARELY EVEN CLAIM
2 SHALLOW KNOWLEDGE IN THIS AREA. WE HAVE ABSOLUTELY
3 EXPERT OUTSIDE COUNSEL WITH A LOT OF BIOTECH
4 EXPERIENCE ASSISTING US WITH THIS BECAUSE WE KNOW
5 IT'S SUCH AN IMPORTANT PART OF MAKING THE WHOLE
6 PROGRAM WORK.

7 MS. POTTER: EXCELLENT. THANK YOU.

8 CHAIRPERSON HOLTON-HODSON: ONE OTHER
9 QUESTION I KNOW THE CONTROLLER WAS REALLY INTERESTED
10 IN IS THIS WHOLE ISSUE OF RISK ASSESSMENT. FUNDING
11 IN THIS AREA IS INHERENTLY RISKY, AND SOMETIMES THE
12 REALLY BIGGEST RISKS HAVE THE GREATEST PAYOFF. SO
13 YOU WANT RISKS TO BE DONE; BUT ON THE OTHER HAND,
14 AND I KNOW THAT YOU DO A RISK ASSESSMENT PROCESS ON
15 THE INDIVIDUAL GRANT LEVEL, BUT SORT OF GOING UP TO
16 THE 30,000 FOOT LEVEL, DO YOU HAVE A REGULAR SORT OF
17 ORGANIZATIONWIDE RISK ASSESSMENT PROCESS AS YOU'RE
18 LOOKING AT HOW ALL YOUR GRANTS AND NOW LOANS ALL
19 SORT OF INTERACT WITH EACH OTHER, AND SORT OF WHAT
20 TYPE OF RISK ASSESSMENT PROCESS DO YOU HAVE FROM A
21 LARGER PERSPECTIVE?

22 DR. ROBSON: WELL, I'M NOT SURE QUITE HOW
23 TO ANSWER THIS. WE DON'T -- I'M NOT SURE HOW THIS
24 APPLIES TO WHAT WE DO. THAT'S MY PROBLEM. I MEAN
25 SCIENCE IS -- THE SCIENCE THAT WE FUND IS HYPOTHESIS

BARRISTERS' REPORTING SERVICE

1 DRIVEN. AND THE WAY SCIENCE -- THE WAY SCIENCE HAS
2 WORKED EVER SINCE THE EXPERIMENTAL METHOD WAS
3 DEVELOPED BY GALILEO WAS BASICALLY DEVELOP A
4 HYPOTHESIS, AND THEN YOU TRY TO PROVE IT RIGHT AND
5 EVERYBODY ELSE IN THE WORLD TRIES TO PROVE YOU
6 WRONG. ONCE THEY PROVE YOU WRONG, THEN YOU HAVE TO
7 CHANGE THE HYPOTHESIS. SO SOMETIMES FINDING A
8 NEGATIVE RESULT IS AS USEFUL. IT MOVES THE THING
9 FORWARD AS WELL AS A POSITIVE RESULT.

10 THERE ARE NUMEROUS EXAMPLES OF PEOPLE WHO
11 SET OUT TO LEARN ONE THING AND THEN THEY END UP
12 DISCOVERING SOMETHING THAT APPLIES TO SOMETHING
13 COMPLETELY DIFFERENT. AND SO THE KIND OF RISK
14 ASSESSMENT WE DO IS REALLY AT THE PROGRAMMATIC, AT
15 THE ENTRANCE POINT. WE PUT TOGETHER A PEER REVIEW
16 COMMITTEE OF, AND I THINK WE PROVIDED A LIST, YOU
17 CAN SEE WHO THE PEOPLE ARE WHO SERVE ON OUR GRANTS
18 WORKING GROUP. REALLY THE BEST STEM CELL MOLECULAR
19 BIOLOGISTS OR WHATEVER WE NEED AT THE TIME,
20 SCIENTISTS FROM AROUND THE WORLD, WE'RE GETTING
21 PEOPLE -- WE DON'T GET ANYONE FROM CALIFORNIA
22 BECAUSE OF CONFLICT OF INTEREST ISSUES, BUT FROM
23 PEOPLE AROUND THE WORLD, AND WE BRING THEM IN.

24 THEY READ THE GRANTS, AND THEY SIT THERE
25 FOR TWO DAYS AND THEY DISCUSS THESE GRANTS AND THEY

BARRISTERS' REPORTING SERVICE

1 RANK THEM. AND THEY LOOK AT THE INNOVATION, THEY
2 LOOK AT THE SOUNDNESS OF THE FEASIBILITY OF THE
3 PROJECT, THE SOUNDNESS OF THE HYPOTHESIS, AND THEY
4 LOOK AT THE QUALITY OF THE INDIVIDUALS WHO ARE GOING
5 TO DO THE WORK. AND THEY RANK THESE PROPOSALS, AND
6 THEN THAT RANKING GOES TO THE ICOC THAT THEN --
7 ACTUALLY THERE'S ANOTHER STEP, WHICH I DIDN'T
8 MENTION, WHICH IS PATIENT ADVOCATE GROUPS, WHO ARE
9 REPRESENTED ON THESE GRANT WORKING GROUPS, THEN THEY
10 PRIORITIZE THE RANKING. THEY MOVE SOME THINGS
11 AROUND BECAUSE THEY MIGHT SAY WE THINK THIS IS A
12 LITTLE MORE DISEASE APPROPRIATE, AND THIS IS MORE
13 LIKELY TO LEAD TO A DISCOVERY THAT'S GOING TO GET TO
14 PATIENTS MORE QUICKLY. THEY MAKE THOSE KINDS OF
15 DETERMINATIONS. SO THEY ADJUST THE RANKINGS IN
16 THOSE WAYS.

17 SO THAT'S OUR FIRST WHAT, I THINK, WOULD
18 QUALIFY AS A RISK ASSESSMENT EVALUATION. JUST FUND
19 THE BEST THINGS THAT ARE MOST LIKELY TO LEAD TO
20 SOMETHING.

21 AND THEN THE OTHER STEP THAT WE DO IS WE
22 GET ANNUAL REVIEWS, PROGRESS REPORTS. AND OUR
23 SCIENCE OFFICERS GO THROUGH THOSE. AND IT'S NOT A
24 PERFUNCTORY EXERCISE. THEY GO THROUGH THESE THINGS
25 QUITE CAREFULLY. IF THERE'S THINGS THEY DON'T

BARRISTERS' REPORTING SERVICE

1 UNDERSTAND OR IF IT DOESN'T LOOK THERE'S BEEN MUCH
2 PROGRESS, THEY CALL UP THE PI AND THEY SAY WHAT'S
3 GOING ON? YOU KNOW, WE'VE SEEN THESE EXPERIMENTS
4 BEING DONE. WHAT'S YOUR PROGRESS? AND THEN WE WORK
5 FROM THERE.

6 IF IT TURNS OUT THAT THERE'S NO PROGRESS,
7 WE CAN CUT THE GRANT. I SUSPECT THAT'S GOING TO
8 HAPPEN. SOME PEOPLE ARE GOING TO LOSE SOME GRANTS.

9 MS. POTTER: AND THE LACK OF PROGRESS IS
10 EITHER BECAUSE THE SCIENCE DIDN'T PAN OUT; OR IF,
11 FOR WHATEVER REASON, ADMINISTRATIVELY THEY'RE JUST
12 NOT MAKING PROGRESS.

13 DR. ROBSON: RIGHT. COULD BE FOR A
14 VARIETY OF REASONS. ONE OF THE THINGS -- ONE OF THE
15 BALANCING ACTS IS THAT THEY'VE GIVEN YOU -- WHEN
16 THEY WRITE THE GRANT, THEY GIVE YOU A SET OF AIMS
17 AND GOALS THEY'RE GOING TO ACHIEVE AND THEN THEY
18 GIVE YOU A TIMELINE. AND SO THEY MIGHT GET A THIRD
19 OF THE WAY THROUGH THE PROJECT AND FIND OUT THAT
20 I'VE HIT A DEAD END HERE, BUT I'VE GOT ANOTHER
21 DIRECTION THAT THIS IS TAKING ME THAT REALLY LOOKS
22 EXCITING. WE HAVE TO BE SENSITIVE TO THAT, SO WE
23 HAVE TO BE FLEXIBLE ENOUGH TO ALLOW THEM TO CHANGE
24 THEIR PROGRAM, FOLLOW THEIR NOSE, BUT ALSO TO MAKE
25 SURE THAT THEY'RE PROGRESSING TOWARDS THEIR GOALS.

BARRISTERS' REPORTING SERVICE

1 SO IT REQUIRES SOME INTERACTION BETWEEN
2 OUR SCIENCE OFFICERS, WHO ARE ALL BENCH SCIENTISTS
3 AND OUTSTANDING, THEY KNOW THE FIELD INTIMATELY, AND
4 THEN THEY'RE THE ONES THAT HAVE TO INTERACT WHEN WE
5 MAKE THOSE KINDS OF ASSESSMENTS.

6 SO THAT'S THE RISK ASSESSMENT. WE DON'T
7 HAVE RFA'S THAT TARGET PARTICULAR DISEASES. WE
8 DON'T FEEL THAT'S THE WAY WE SHOULD GO. WE FEEL WE
9 SHOULD BE FOLLOWING THE BEST RESEARCHERS WHO HAVE
10 THE BEST IDEAS.

11 CHAIRPERSON HOLTON-HODSON: CERTAINLY NO
12 QUESTION. I THINK THE QUESTION FROM THE
13 CONTROLLER'S PERSPECTIVE IS IS SOMEONE DOING SORT OF
14 THE 30,000 FOOT LOOK DOWN? AND AS YOU PUT ALL THOSE
15 PUZZLE PIECES TOGETHER, INDIVIDUALLY THEY MIGHT NOT
16 LOOK AS THIS IS A GOOD RISK, THIS IS A GOOD RISK.
17 DO YOU REACH A TIPPING POINT?

18 DR. ROBSON: KIND OF MEASURES OF SUCCESS.
19 YES. SO THIS IS SOMETHING WE HAVE NOT REALLY
20 STARTED IN A BIG WAY YET, BUT IT'S SOMETHING WE TALK
21 ABOUT A LOT ARE OUTCOME MEASUREMENTS AND HOW WE'RE
22 GOING TO ASSESS THOSE. IT'S A LITTLE EARLY FOR US
23 TO BE DOING THAT. WE'VE REALLY BEEN FUNDING
24 RESEARCH GRANTS ONLY FOR A COUPLE OF YEARS. SO IT'S
25 A LITTLE BIT EARLY TO SEE TOO MUCH OF THAT YET.

BARRISTERS' REPORTING SERVICE

1 IT'S KIND OF STILL VERY SHIFTING GROUND RIGHT NOW.
2 IT'S NOT SOMETHING WE HAVE STARTED DOING, BUT IT IS
3 SOMETHING THAT WE CERTAINLY PLAN TO DO.

4 MS. POTTER: NOT TO -- I JUST WANT TO MAKE
5 SURE I'M REALLY UNDERSTANDING BECAUSE I'VE SEEN AND
6 READ THINGS THAT FOR ME WERE VERY VALUABLE MEASURES
7 OF SUCCESS, IN A VERY SHORT PERIOD OF TIME HAVE A
8 VERY GOOD TRACK RECORDS OF PUBLICATIONS. IN THIS
9 SPACE THAT IS A REALLY BIG DEAL TO HAVE SCIENCE THAT
10 IS CREDIBLE ENOUGH TO PUBLISH. SO AS YOU START TO
11 THINK ABOUT HOW YOU DECIDE YOU ARE GOING TO TAKE ON
12 YOUR MEASUREMENTS, THINGS LIKE PUBLICATIONS, THINGS
13 LIKE ADVANCES OF THERAPY, ETC. SO IT'S EARLY, BUT I
14 THINK YOU CAN START TO PUT TOGETHER A FEW THINGS.

15 AND I THINK, IF I UNDERSTAND THE
16 CONTROLLER'S QUESTION CORRECTLY, HE'S SAYING IF YOU
17 JUST TAKE THE COMBINED TOTAL OF ALL THE INDIVIDUAL
18 PROJECTS, AT SOME POINT DO YOU SAY, BOY, AS AN
19 ENTITY, IF YOU WILL, THIS IS GOING ONE WAY OR
20 ANOTHER. AND I THINK THAT'S SOMETHING THAT WILL BE
21 INTERESTING FOR YOU TO THINK ABOUT.

22 DR. ROBSON: THE EARLY INDICATIONS ARE
23 THAT THERE'S BEEN A LOT OF SUCCESSES. I THINK
24 THAT'S ABSOLUTELY RIGHT.

25 CHAIRPERSON HOLTON-HODSON: I THINK WE

BARRISTERS' REPORTING SERVICE

1 WOULD -- THE CONTROLLER WOULD CERTAINLY LIKE TO
2 PROPOSE PERHAPS THAT YOU, SAY, HIRE AN OUTSIDE RISK
3 ASSESSMENT GROUP THAT HAS SOME CRITERIA. AS YOU
4 THINK ABOUT, AS WE MOVE FORWARD, CLEARLY, YOU KNOW,
5 EVERYONE UNDERSTANDS YOU'RE AT SORT OF THE BEGINNING
6 STAGES, BUT THAT'S WHEN YOU WANT TO REALLY START
7 THINKING ABOUT WHAT ARE THOSE MEASURES. AND AS YOU
8 MOVE FORWARD, HOW ARE WE BALANCING THE VARIOUS RISKS
9 THAT THE ENTITY IS TAKING AND MEASURE THOSE RISKS
10 AND SUCCESSES. JUST LIKE TO PUT THAT FORWARD.

11 MR. SWEEDLER: I DID JUST WANT TO ADD
12 BECAUSE YOU AND I HAD SOME GOOD CONVERSATIONS.
13 WE'RE SEEING PLAYING OUT HERE ONE OF THE CHALLENGES
14 YOU AND I HAD, AND THAT WAS THE TERM "RISK
15 ASSESSMENT," WHICH DOESN'T HAVE AN EASY APPLICATION
16 IN THE AREA OF RESEARCH FUNDING, AND I DON'T THINK
17 BETWEEN THE TWO OF US WE EVER DID COME UP WITH A
18 GOOD WAY TO TRANSLATE THAT INTO THE TERMINOLOGY
19 THAT'S USED IN THE RESEARCH FUNDING AREA. WE DID
20 TALK ABOUT HOW EVERY SINGLE RFA OR REQUESTS FOR
21 APPLICATIONS, OUR FUNDING ROUNDS, HAVE FEASIBILITY
22 AMONG THE CRITERIA. AND AS YOU MENTIONED, THAT'S
23 BEING EXAMINED ON AN APPLICATION-BY-APPLICATION
24 LEVEL.

25 AND THEN, OF COURSE, THERE'S ALSO -- WHEN

BARRISTERS' REPORTING SERVICE

1 DR. ROBSON PRESENTED THE LIST OF THE DIFFERENT
2 INITIATIVES THAT ARE GOING ON, THOSE WEREN'T
3 SPONTANEOUSLY GENERATED IDEAS. THOSE ARE ALL PART
4 OF AN OVERALL SCIENTIFIC PLAN THAT WAS DEVELOPED.
5 AGAIN, THE TERM "RISK ASSESSMENT" IS HARD TO APPLY
6 TO THAT, BUT IT WAS DEVELOPED BASED ON AN ASSESSMENT
7 OF WHICH AREAS OF FUNDING TAKEN TOGETHER ARE MOST
8 LIKELY -- THERE'S THE PROBABILITY ASPECT OF IT -- TO
9 MOVE US TO OUR MISSION, WHICH THINGS LIKE
10 PUBLICATIONS AND ALL THOSE THINGS ARE GOOD
11 INDICATIONS THAT SCIENCE IS MOVING FORWARD, BUT THE
12 MISSION IS ABOUT THERAPY DEVELOPMENT.

13 AND THERE ARE OTHERS HERE WHO ARE MORE
14 FAMILIAR WITH THE SCIENTIFIC PLAN AND THE PROCESS
15 FOR DEVELOPING THAT, WHICH IS A VERY OPEN PUBLIC
16 PROCESS. BUT WE'RE STILL STRUGGLING WITH TRYING TO
17 FIGURE OUT HOW YOU CALL THAT RISK ASSESSMENT EXACTLY
18 BECAUSE WITH SCIENCE, A RESEARCH PROJECT WHICH
19 DISPROVES THE HYPOTHESIS ISN'T A FAILURE. YOU'VE
20 LEARNED FROM THAT. YOU'VE GAINED FROM THAT. THE
21 RISK, I SUPPOSE, WOULD BE THAT SOMEBODY WOULD TAKE
22 THE GRANT MONEY AND THEN RUN OFF AND DO SOMETHING
23 ELSE WITH IT. AND AS WE'VE DISCUSSED, WE HAVE
24 PROCESSES IN PLACE TO EVALUATE AHEAD OF TIME AND TO
25 MONITOR SO THAT'S NOT HAPPENING.

BARRISTERS' REPORTING SERVICE

1 I SUPPOSE THERE COULD BE A RISK THAT WE
2 WOULD FUND LOTS AND LOTS OF SCIENCE, BUT IT WOULD
3 ALL BE MISDIRECTED. AND THAT'S WHERE THE SCIENTIFIC
4 PLAN COMES IN, WHICH IS A VERY DYNAMIC DEVELOPMENT
5 THAT TAKES INTO ACCOUNT THE WAY SCIENCE HAS
6 DEVELOPED. I'M NOT THE RIGHT PERSON TO TALK TO YOU
7 ABOUT THE DETAILS OF THAT. BUT TRYING TO IDENTIFY
8 WHICH PARTS OF OUR OVERALL APPROACH WOULD FIT INTO
9 THE TERM "RISK ASSESSMENT" OR WHERE THE TERM -- HOW
10 THAT COULD DESCRIBE SOMETHING THAT WOULD HELP US
11 MOVE TOWARDS OUR MISSION EVERYBODY SHARES.

12 MR. GIBBONS: ARE YOU LOOKING TO MEASURE
13 BENEFITS?

14 CHAIRPERSON HOLTON-HODSON: I THINK AS --
15 THIS IS A LOT OF MONEY, AND OBVIOUSLY IT REALLY IS,
16 I THINK, LOOKING OVERALL. WE KNOW WHAT THE
17 INDIVIDUAL CRITERIA ARE THAT ARE BEING USED TO LOOK
18 AT EACH GRANT; BUT AS I SAID, YOU PICK AND GRANT AND
19 GRANT AND GRANT AND THEN THEY BUILD UP, AND THEN
20 SOMETIMES YOU WONDER, ALL RIGHT, WE UNDERSTAND THAT,
21 AND I DON'T KNOW WHAT THE SPECIFIC METRICS ARE, BUT
22 IT'S REALLY LOOKING AT THE PORTFOLIO AS A WHOLE AND
23 THE LOANS AS A WHOLE AND SAYING WHERE, AS A WHOLE,
24 ARE WE GOING WITH THIS? ARE THE GRANTS FITTING INTO
25 THAT PUZZLE APPROPRIATELY? ARE THE CRITERIA THAT

BARRISTERS' REPORTING SERVICE

1 WE'RE USING GOING TO GET US TO BUILDING THIS PUZZLE
2 IN AN APPROPRIATE WAY? BECAUSE IT'S VERY DIFFERENT
3 LOOKING AT THINGS ONE BY ONE BY ONE VERSUS THE WHOLE
4 HOUSE.

5 MR. GIBBONS: I'M DON GIBBONS, THE CHIEF
6 COMMUNICATIONS OFFICER. LOOKING AT A LOT OF THE
7 PLANNING PROCESSES, TWO THINGS. WE DO HAVE A
8 REQUEST FOR PROPOSALS OUTSTANDING RIGHT NOW FOR A
9 FIRM TO HELP US LOOK AT BENCHMARKS FOR BENEFIT FOR
10 THE STATE OF CALIFORNIA BECAUSE WE FEEL WE NEED TO
11 BE COLLECTING DATA NOW TO KNOW WHAT GOING FORWARD
12 WILL BE TRUE BENEFITS FOR THE CITIZENS OF
13 CALIFORNIA. SO THAT PROPOSAL IS OUT THERE.

14 WE WANT TO DO THIS BENCHMARK ANALYSIS SO
15 WE CAN MEASURE THINGS GOING FORWARD. THAT'S A PIECE
16 OF IT.

17 THE OTHER PIECE IS THE STRATEGIC PLAN THAT
18 THEY MENTIONED GOING FORWARD ISSUED IN 2006. OVER
19 THE LAST SEVERAL MONTHS, WE'VE BEEN THROUGH A PUBLIC
20 PROCESS LOOKING AT REVISIONS ON THAT, IN WHICH OUR
21 SCIENCE OFFICERS HAVE PROPOSED SOME THINGS GOING
22 FORWARD THAT WE MAY WANT TO CHANGE FROM THE 2006
23 VERSION. THAT VERSION CALLED FOR 12 GRANT CYCLES A
24 YEAR, WHICH WE'VE FOUND OUT IS NOT FEASIBLE.

25 SO INSTEAD WE'RE PROPOSING FOUR CORE

BARRISTERS' REPORTING SERVICE

1 GRANTS WITH POTENTIAL ADD-ON GRANTS NOW AND THEN,
2 BUT GETTING THE SCOPE OF THE SCIENCE WE NEED BASED
3 ON CHANGING THE PRIORITIES FROM TIME TO TIME IN
4 THOSE CORE GRANTS. THOSE PRIORITIES THEN WILL
5 REFLECT HOW THE SCIENCE HAS CHANGED.

6 OTHER THING IN THE STRATEGIC PLAN IS A
7 CALL FOR A LITTLE BIT MORE FUNDING IN THE CLINICAL
8 ARENA IN THE DISEASE TEAMS. WE SAW ON THE SLIDE IT
9 HAD GONE FROM A 120 MILLION TO 240 MILLION FROM THE
10 2006 PLAN TO NOW. THAT'S REFLECTION ON THE SCIENCE
11 TEAM LOOKING AT THE FIELD AND SAYING IT IS
12 ACCELERATING, IT IS MOVING FASTER. WE AS CIRM NEED
13 TO RESPOND. SO WE ARE DOING THAT.

14 THE PLAN CALLS FOR AN OUTSIDE REVIEW TEAM
15 TO LOOK AT US BEGINNING IN JULY OF 2010, WHICH WILL
16 INVITE EXPERTS FROM OUTSIDE OF CALIFORNIA TO LOOK AT
17 THE STRATEGIC PLAN FROM 2006 REVISION THAT WE'LL BE
18 ADOPTING IN THE NEXT FEW MONTHS HERE TO SEE HOW OUR
19 PROGRESS IS GOING IN THE SCIENCE MISSION AS OF JULY
20 2010. SO THOSE TWO PIECES TOGETHER, I THINK, WILL
21 DO A LOT OF WHAT YOU'RE ASKING FOR.

22 CHAIRPERSON HOLTON-HODSON: I THINK SO.
23 EXCELLENT. I'LL RELAY TO THE CONTROLLER AND WE CAN
24 HAVE FURTHER DISCUSSIONS TO SEE IF THERE'S ANYTHING
25 ELSE THAT HE THINKS WOULD BE IMPORTANT, BUT IT'S

BARRISTERS' REPORTING SERVICE

1 GOOD TO KNOW SORT OF LOOKING AT BOTH THE INDIVIDUAL
2 AND, AS I SAID, AGAIN, AT THE 3,000 FOOT LEVEL MAKE
3 SURE THINGS ARE MOVING FORWARD.

4 DO ANY OTHER COMMITTEE MEMBERS HAVE ANY
5 QUESTIONS? DOWN SOUTH, ANY COMMENTS FROM THE
6 PUBLIC?

7 DR. SADANA: NOT REALLY. I THINK ONE OF
8 THEM MAY HAVE BEEN ANSWERED.

9 CHAIRPERSON HOLTON-HODSON: I'M SORRY.
10 DR. SADANA, COULD YOU PLEASE IDENTIFY YOURSELF?
11 THE TRANSCRIBER CAN'T SEE YOU.

12 DR. SADANA: THIS IS GURBINDER SADANA. MY
13 QUESTION MAY HAVE BEEN PARTIALLY ANSWERED, AND THAT
14 WAS THAT OUR STATE HAS INVESTED HEAVILY IN THIS
15 PROJECT. AND WITH THE NEW ADMINISTRATION ALLOWING
16 STEM CELL RESEARCH OPENING UP, AND I HOPE WE KEEP A
17 LEAD AHEAD OF OTHER STATES AND CONTINUE TO DO SO.

18 THE FUNDING ISSUE DOES MAKE IT A LITTLE
19 CONCERNING, THAT WE MAY DROP DOWN ON THAT RACE. AND
20 THAT'S, I UNDERSTAND, BY VISITING NIH AND THE FDA,
21 THE CIRM MEMBERS ARE LOOKING INTO IT AND HOPEFULLY
22 THEY CONTINUE TO DO SO. SO IS THERE ANY COMMENT
23 FROM THEM? I'D LIKE TO KNOW THIS ASPECT.

24 DR. ROBSON: THIS IS JOHN ROBSON AGAIN.
25 THE COMMENT IS THAT YOU'RE EXACTLY RIGHT. THAT'S

BARRISTERS' REPORTING SERVICE

1 EXACTLY WHAT WE'RE DOING. WE'RE LOOKING TO WAYS WE
2 CAN WORK WITH THE FDA TO MOVE CELL THERAPIES TO BE
3 MORE OF A REALITY FOR OUR SCIENTISTS HERE. WE'RE
4 WORKING WITH NIH TO SEE WAYS THAT WE CAN COLLABORATE
5 WITH THEM. JUST KEEP IN MIND THAT THE NIH BUDGET,
6 EVEN THOUGH IT'S GETTING A BIG BOOST RIGHT NOW, IT'S
7 NOT CLEAR THAT THAT INCREASE WILL BE SUSTAINED IN
8 THE LONG RUN. AND THEY HAVE MANY PROGRAMS THAT
9 THEY'RE OBLIGATED AND INTERESTED AND SHOULD FUND.

10 SO THE AMOUNT OF NEW MONEY THAT WILL BE
11 AVAILABLE FOR STEM CELL RESEARCH BEYOND TWO YEARS,
12 IT'S NOT CLEAR. I'M SURE THERE WILL CERTAINLY BE
13 MORE, AND THERE WILL BE THE ABILITY TO DO KINDS OF
14 RESEARCH WITH STEM CELLS THAT SCIENTISTS OUTSIDE OF
15 CALIFORNIA HAVEN'T BEEN ABLE TO DO. BUT TO THINK
16 THAT THE NIH WILL BE ABLE TO FUND ALL THE STEM CELL
17 RESEARCH, PROVIDE ALL THE MONEY THAT'S NECESSARY TO
18 GET THESE KINDS OF DISCOVERIES TO THERAPIES IN A
19 SHORT MANNER, IN A SHORT TIMELINE LIKE WE'RE WORKING
20 ON, I THINK, IS PROBABLY NOT REALISTIC. BUT IF WE
21 WORK TOGETHER WITH THEM, WE CAN DO EVEN BETTER.

22 CHAIRPERSON HOLTON-HODSON: DR. SADANA,
23 DID THAT ANSWER YOUR QUESTION?

24 DR. SADANA: YEAH. THAT'S IT. THANK YOU.

25 CHAIRPERSON HOLTON-HODSON: IF THERE ARE

BARRISTERS' REPORTING SERVICE

1 NO MORE QUESTIONS FOR CIRM, WE'LL GO ON TO ITEM 8.
2 AND THAT'S JUST TO BRING TO YOUR ATTENTION THAT
3 WE'VE DONE THE THIRD ANNUAL REPORT OF THE CFAOC. WE
4 ARE REQUIRED BY PROP 71 TO DO AN ANNUAL REPORT.
5 IT'S IN YOUR PACKET, AND IT REALLY IS SIMPLY A
6 SUMMARY OF THE LAST MEETING. AND THEN AFTER THIS
7 MEETING AT THE END OF THIS YEAR, WE WILL DO ANOTHER
8 REPORT. ALL THE REPORTS THAT WE DISCUSSED IN THE
9 LAST MEETING ARE REFERENCED IN THIS THIRD REPORT AND
10 LINKED ON OUR WEBSITE.

11 SO THAT BRINGS US TO ITEM 9, CONSIDERATION
12 OF THE DRAFT AGENDA FOR THE NEXT MEETING. ONE THING
13 THAT THE CONTROLLER WOULD LIKE TO PUT ON THE NEXT
14 AGENDA IS THE DISCLOSURE ON CIRM'S WEBSITE OF ALL OF
15 CIRM'S AND ITS ATTENDANT COMMITTEES' FORM 700. AS
16 YOU KNOW, THE PUBLIC IS NATURALLY VERY CONCERNED
17 ABOUT TRANSPARENCY, ESPECIALLY IN THESE TIMES WHEN
18 IT COMES TO SPENDING PUBLIC DOLLARS AND POTENTIAL
19 CONFLICTS OF INTEREST THAT MIGHT ARISE.

20 TO BE AS TRANSPARENT AS POSSIBLE, THE
21 STATE CONTROLLER HAS ASKED THAT ALL OF HIS STAFF'S
22 FORM 700S AND FORM 800S, INCLUDING HIS OWN, BE
23 POSTED ON OUR WEBSITE. AND WE WOULD ALSO AT THE
24 NEXT MEETING BRING UP FOR DISCUSSION, AS I SAID, THE
25 POSTING OF CIRM'S FORM 700S WHO HAS TO FILE, ICOC

BARRISTERS' REPORTING SERVICE

1 AND CFAOC. AT THIS POINT THIS CANNOT BE AN ITEM FOR
2 DISCUSSION. IT WILL BE AN ITEM FOR DISCUSSION AT
3 THE NEXT MEETING, WHICH WE HOPE TO HOLD SHORTLY.
4 AND SINCE, PER THE OPEN MEETING LAWS, WE DIDN'T
5 AGENDIZE THIS, SO WE CAN'T DISCUSS IT.

6 DOES ANY OTHER MEMBER HAVE A --

7 MR. LOTT: THIS IS JIM LOTT DOWN IN LOS
8 ANGELES. I DO HAVE ONE QUESTION REGARDING THE NEXT
9 MEETING. WILL THAT BE A SINGLE AGENDA ITEM MEETING?

10 CHAIRPERSON HOLTON-HODSON: AT THIS POINT,
11 UNLESS I HEAR OTHERWISE FROM OTHER MEMBERS OF ITEMS
12 TO GO ON THE AGENDA, MOST LIKELY. AND IT WILL BE
13 HELD BY TELECONFERENCE.

14 MR. LOTT: THANK YOU VERY MUCH.

15 CHAIRPERSON HOLTON-HODSON: YOU'RE
16 WELCOME. ARE THERE ANY OTHER ITEMS THAT PEOPLE
17 WOULD LIKE TO HAVE ON THE AGENDA?

18 MR. BRUNNER: AT SOME POINT I'D LIKE TO
19 HAVE SOME FOLLOW-UP ON THIS WHOLE ISSUE OF HOW
20 GRANTS AND LOANS ARE PRIORITIZED AND THE EXTENT TO
21 WHICH THERE'S COORDINATION WITH OTHER ACTIVITIES
22 AROUND THE WORLD, WHETHER IT'S IN DIRECT
23 COLLABORATION OR ENSURING THAT THERE AREN'T
24 DUPLICATE EFFORTS IN A RESEARCH AREA.

25 CHAIRPERSON HOLTON-HODSON: EXCELLENT.

BARRISTERS' REPORTING SERVICE

1 MR. BRUNNER: I'D ALMOST SEE THAT AS A
2 CONSISTENT UPDATE ISSUE.

3 CHAIRPERSON HOLTON-HODSON: I AGREE. SO,
4 MR. LOTT, IT MIGHT NOT BE A ONE-AGENDA ITEM ITEM.

5 AT THIS POINT FOR ITEM 10, I'D LIKE TO
6 INVITE ANY MEMBER OF THE PUBLIC WHO WOULD LIKE TO
7 ADD ANYTHING, MAKE A COMMENT TO THE COMMITTEE.

8 MR. SIMPSON: THIS IS JOHN SIMPSON, AGAIN,
9 IN LOS ANGELES, CONSUMER WATCHDOG. IF YOU ARE GOING
10 TO HAVE AN AGENDA ITEM ABOUT A DISCUSSION OF POSTING
11 THE FORM 700S, I WOULD SUGGEST THAT YOU ALSO BROADEN
12 THAT DISCUSSION TO INCLUDE, AS THE GOVERNOR'S OFFICE
13 IS DOING AND I BELIEVE THE CONTROLLER WILL BE DOING
14 AS WELL, POSTING TRAVEL EXPENSE REPORTS OF KEY
15 EXECUTIVES. SO, FOR INSTANCE, THE ICOC CHAIRMAN,
16 THE TWO VICE CHAIRS, AND PERHAPS THE PRESIDENT,
17 MAYBE THE CHIEF SCIENTIFIC OFFICER.

18 CHAIRPERSON HOLTON-HODSON: THANK YOU FOR
19 THAT. I NEGLECTED TO SAY FORM 800S WE WERE
20 INCLUDING. WE WANT TO DISCUSS BOTH FORM 700 AND
21 800.

22 DO YOU HAVE ANYTHING ELSE? ANY OTHER
23 MEMBERS OF THE PUBLIC?

24 WELL, WITH THAT, ANY COMMITTEE MEMBERS
25 WOULD LIKE TO ADD ANYTHING? WITH THAT, THANK YOU

BARRISTERS' REPORTING SERVICE

1 ALL VERY MUCH FOR ATTENDING. AND I WILL ADJOURN THE
2 MEETING.

3 (THE MEETING WAS THEN ADJOURNED AT 2:05
4 P.M.)

5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BARRISTERS' REPORTING SERVICE

REPORTER'S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE PROCEEDINGS BEFORE THE CITIZENS FINANCIAL ACCOUNTABILITY OVERSIGHT COMMITTEE IN THE MATTER OF ITS REGULAR MEETING HELD AT THE LOCATION INDICATED BELOW

STATE CONTROLLER'S OFFICE
300 CAPITOL MALL, SUITE 635
SACRAMENTO, CALIFORNIA
ON
TUESDAY, APRIL 14, 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.

BETH C. DRAIN, CSR 7152
BARRISTER'S REPORTING SERVICE
1072 BRISTOL STREET
SUITE 100
COSTA MESA, CALIFORNIA
(714) 444-4100