

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

DATE: WEDNESDAY, JANUARY 22, 2014
2: 30 PM

LOCATION: SOUTHERN CALIFORNIA ASSOCIATION OF
GOVERNMENTS
818 WEST 7TH STREET, 12TH FLOOR
LOS ANGELES, CALIFORNIA

REPORTER: BETH C. DRAIN, CSR 7152

BRS FILE NO. 95700

BARRISTERS' REPORTING SERVICE

I N D E X

ITEM DESCRIPTION	PAGE NO.
OPEN SESSION:	
1. PLEDGE OF ALLEGIANCE	3
2. CALL TO ORDER AND ROLL CALL	3
3. OPENING STATEMENT	4
4. ADOPT MINUTES OF THE FEBRUARY 20, 2013, CFAOC MEETING	5
5. PRESENTATION OF THE 2012-13 INDEPENDENT CIRM, SCO FINANCIAL AUDIT BY MACIAS GINI & O'CONNELL, LLP	6
AND	
STATE CONTROLLER'S OFFICE AUDIT REVIEW REPORT	13
6. STATUS UPDATE OF CIRM'S FINANCIAL PERFORMANCE CURRENT BUDGET, UPDATE OF GRANTS AWARDED, AND GRANT PROCESS:	
MS. SILVA-MARTIN	15
DR. FEIGAL	44
CHAIRMAN THOMAS	90
7. CONSIDERATION OF DRAFT AGENDA FOR NEXT MEETING	--
8. PUBLIC COMMENT	105
9. BOARD MEMBER TIME	105
10. ADJOURNMENT	107

BARRISTERS' REPORTING SERVICE

1 LOS ANGELES, CALIFORNIA; WEDNESDAY, JANUARY 22, 2014

2 2:30 P.M.

3

4 DEPUTY CONTROLLER HOLTON-HODSON: SO WHY
5 DON'T WE GET STARTED, IT BEING 2:30. MY NAME IS
6 RUTH HOLTON-HODSON, AND I'M THE DEPUTY CONTROLLER.
7 AND I NORMALLY STAFF THE CONTROLLER AT CFAOC. AND
8 THE CONTROLLER EXTENDS HIS GREATEST APOLOGIES. HE'S
9 ACTUALLY GOING TO TRY AND GET HERE. HE'S CURRENTLY
10 AT URGENT CARE HAVING HIS ANKLE LOOKED AT. HE
11 INJURED IT LAST WEEK AND REINJURED IT THIS MORNING
12 AT THE AIRPORT TRYING TO GET TO THE STATE OF THE
13 STATE. SO HE IS NOW BACK HERE AND AT KAISER. SO I
14 DON'T KNOW IF THERE'S A QUICK STEM CELL SOLUTION.
15 HOPEFULLY HE DOESN'T HAVE A BROKEN ANKLE, BUT I AM
16 INFORMED HE IS ON CRUTCHES. SO HE REALLY, REALLY
17 WANTED TO BE HERE. THIS IS HIS LAST MEETING AS
18 CONTROLLER.

19 SO LET ME BEGIN BY ASKING EVERYONE TO RISE
20 AND SAY THE PLEDGE OF ALLEGIANCE.

21 (THE PLEDGE OF ALLEGIANCE.)

22 DEPUTY CONTROLLER HOLTON-HODSON: THANK
23 YOU. ACTUALLY AS STAFF I WILL PUT MY STAFF HAT ON
24 AND CALL THE ROLL. JOHN CHIANG IS ABSENT. DAN
25 BRUNNER.

BARRISTERS' REPORTING SERVICE

1 MEMBER BRUNNER: HERE.

2 DEPUTY CONTROLLER HOLTON-HODSON: DR.

3 KOVACH IS ABSENT. DR. LIPSON.

4 MEMBER LIPSON: I'M HERE.

5 DEPUTY CONTROLLER HOLTON-HODSON: JIM

6 LOTT.

7 MEMBER LOTT: HERE.

8 DEPUTY CONTROLLER HOLTON-HODSON: AND DR.

9 SEDANA IS ABSENT AS WELL. DR. SEDANA IS ON
10 VACATION, AND DR. KOVACH SENDS HIS APOLOGIES. HE
11 WOULD HAVE BEEN HERE IN THE MORNING, BUT
12 UNFORTUNATELY WE HAD THE STATE OF THE STATE THIS
13 MORNING AND WE PLANNED THIS MEETING PRIOR TO KNOWING
14 THE DATE OF THE STATE OF THE STATE. SO THE
15 CONTROLLER HAD TO ATTEND THE STATE OF THE STATE.

16 SO ON BEHALF OF THE CONTROLLER, CERTAINLY
17 AS HIS LAST MEETING, HE REALLY WANTS TO EXTEND HIS
18 THANKS FOR ALL OF YOUR SERVICE AND APPRECIATES YOUR
19 INTEREST AND DEDICATION. HE ALSO, I THINK, IS VERY
20 PROUD OF THE ROLE THAT THIS COMMITTEE HAS PLAYED IN
21 PROVIDING THE NECESSARY OVERSIGHT AND PROUD OF THE
22 STEPS WE'VE TAKEN TO REALLY DEMONSTRATE TRANSPARENCY
23 AND PUSHING THE TRANSPARENCY ENVELOPE.

24 NOW, I CAN'T BELIEVE IT, BUT IT'S BEEN
25 ALMOST TEN YEARS SINCE PROP 71 PASSED. AND THIS IS,

BARRISTERS' REPORTING SERVICE

1 IN FACT, THE EIGHTH MEETING OF THE CFAOC. AND AS WE
2 KNOW AND YOU ARE ABOUT TO HEAR, CIRM IS ENTERING
3 SORT OF A TRANSITION PHASE. YOU ALWAYS SEEM TO BE
4 IN SOME TRANSITION, BUT ANYWAY, NOW YOU'RE SORT OF
5 IN ANOTHER TRANSITION PHASE. AND THEY'RE ENGAGED IN
6 ACTIVE SEARCH FOR A NEW PRESIDENT, FOCUSED ON HOW
7 BEST TO SPEND THE REMAINING FUNDS. AND WE'RE
8 EXCITED TO HEAR FROM YOU ABOUT SORT OF WHAT YOUR
9 PROGRESS HAS BEEN, WHERE THE SEARCH IS GOING, AND I
10 THINK ALSO YOUR PLANS FOR THE LAST PHASE AND IDEAS
11 THAT YOU MIGHT HAVE OF WHAT HAPPENS NEXT.

12 BUT FIRST AND ONE OF, ACTUALLY THE ONLY
13 REASON STATUTORILY THAT WE ARE HERE IS TO ACTUALLY
14 HEAR THE AUDIT. SO BUT BEFORE I DO THAT, LET'S JUST
15 ADOPT THE MINUTES OF THE FEBRUARY 20, 2013, CFAOC
16 MEETING. DO I HEAR A MOTION?

17 MEMBER LIPSON: SO MOVED.

18 MEMBER LOTT: SECOND.

19 DEPUTY CONTROLLER HOLTON-HODSON: SO
20 MOVED. I HAVE TO CALL THE ROLL. SORRY.

21 DAN.

22 MEMBER BRUNNER: AYE.

23 DEPUTY CONTROLLER HOLTON-HODSON: DR.

24 LIPSON.

25 MEMBER LIPSON: AYE.

BARRISTERS' REPORTING SERVICE

1 DEPUTY CONTROLLER HOLTON-HODSON: AND...

2 MEMBER LOTT: I WAS ABSENT, MADAM CHAIR,
3 SO I'M GOING TO ABSTAIN.

4 DEPUTY CONTROLLER HOLTON-HODSON: WHICH
5 MEANS THAT WE WILL HOLD ON THE MINUTES UNTIL THE
6 NEXT CFAOC MEETING BECAUSE WE DON'T HAVE A QUORUM.
7 RIGHT, JIM?

8 MR. HARRISON: YES.

9 DEPUTY CONTROLLER HOLTON-HODSON: I SEE
10 JAMES NODDING HIS HEAD. WE DON'T HAVE A QUORUM. SO
11 WE'LL HOLD OFF ON THAT.

12 SO WITH THAT, IF I CAN ASK SHELLEY
13 WALKER-DAVEY TO COME UP AND PRESENT THE FINDINGS FOR
14 THE FINANCIAL AUDIT.

15 MS. WALKER-DAVEY: THANK YOU. AND THANK
16 YOU FOR HAVING ME HERE TODAY. I'M SHELLY
17 WALKER-DAVEY. I'M A MANAGER AT MACIAS, GINI &
18 MCCONNELL, AND WE'VE SERVED FOR CIRM'S FINANCIAL
19 AUDITORS FOR SEVERAL YEARS. I'M HERE JUST TO GIVE
20 YOU AN ABBREVIATED OVERSIGHT OF THE REQUIRED
21 COMMUNICATIONS WE HAVE TO THOSE IN CHARGE OF
22 GOVERNANCE.

23 SO WE HAVE AUDITED THE FINANCIAL
24 STATEMENTS, THE GOVERNED ACTIVITIES OF THE STEM CELL
25 FUND, CALIFORNIA INSTITUTE FOR REGENERATIVE

BARRISTERS' REPORTING SERVICE

1 MEDICINE, FOR THE YEAR ENDED JUNE 30, 2013, AND HAVE
2 ISSUED A REPORT DATED OCTOBER 15TH OF 2013.

3 IN PLANNING AND PERFORMING THE AUDIT AS OF
4 THE YEAR ENDED JUNE 30, 2013, IN ACCORDANCE TO OUR
5 GENERALLY ACCEPTED ACCOUNTING STANDARDS, WE'VE
6 CONSIDERED CIRM'S INTERNAL CONTROLS FOR FINANCIAL
7 REPORTING AS A BASIS FOR DESIGNING OUR PROCEDURES
8 FOR THE PURPOSE OF EXPRESSING AN OPINION ON THE
9 FINANCIAL STATEMENTS, BUT NOT FOR THE PURPOSE OF
10 EXPRESSING AN OPINION ON THE EFFECTIVENESS OF CIRM'S
11 INTERNAL CONTROL. AND ACCORDINGLY, WE DON'T EXPRESS
12 AN OPINION ON THAT EFFECTIVENESS OF THE INTERNAL
13 CONTROLS.

14 SOME OF THE THINGS WE LOOK AT ARE THE
15 DEFICIENCIES IN INTERNAL CONTROL THAT MAY EXIST WHEN
16 DESIGN OR OPERATION OF CONTROL DOESN'T ALLOW
17 MANAGEMENT OR EMPLOYEES IN THE NORMAL COURSE OF
18 PERFORMING THEIR ASSIGNED FUNCTIONS TO PREVENT OR TO
19 DETECT OR CORRECT MISSTATEMENTS ON A TIMELY BASIS.

20 ANOTHER THING WE LOOK AT IS MATERIAL
21 WEAKNESS, WHICH WOULD BE DEFICIENCIES OR COMBINATION
22 OF DEFICIENCIES IN THE INTERNAL CONTROLS SUCH THAT
23 THE RESPONSIBLE PERSON WOULDN'T NOTICE A MATERIAL
24 AND SIGNIFICANT MISSTATEMENT ON THE ENTITY'S
25 FINANCIAL STATEMENTS AND IT WOULD NOT BE PREVENTED

BARRISTERS' REPORTING SERVICE

1 OR DETECTED ON A TIMELY BASIS.

2 IN OUR CONSIDERATION OF INTERNAL CONTROLS,
3 IT WAS LIMITED FOR THE PURPOSE THAT WE JUST
4 DESCRIBED AND WAS NOT DESIGNED TO IDENTIFY ALL
5 DEFICIENCIES IN INTERNAL CONTROL THAT MIGHT BE A
6 MATERIAL WEAKNESS. GIVEN THESE LIMITATIONS, DURING
7 OUR AUDIT, WE DID NOT IDENTIFY ANY DEFICIENCIES IN
8 INTERNAL CONTROL THAT WE CONSIDERED A MATERIAL
9 WEAKNESS OR A SIGNIFICANT DEFICIENCY. HOWEVER,
10 THERE IS A POSSIBILITY THAT MAY EXIST SINCE WE DON'T
11 TEST EVERYTHING.

12 IN ADDITION, OUR PROFESSIONAL STANDARDS
13 REQUIRE THAT WE PROVIDE YOU INFORMATION ABOUT OUR
14 RESPONSIBILITIES UNDER GENERAL ACCEPTED ACCOUNTING
15 STANDARDS AS WELL AS GOVERNMENT AUDITING STANDARDS
16 AS WELL AS CERTAIN INFORMATION RELATED TO THE
17 PLANNING, THE SCOPE, AND TIMING OF THE AUDIT. THIS
18 INFORMATION WAS COMMUNICATED TO YOU AND TO
19 MANAGEMENT IN A MANAGEMENT REPRESENTATION LETTER AND
20 ENGAGEMENT LETTER ON SEPTEMBER 30, 2013.

21 SO THE PROFESSIONAL STANDARDS REQUIRE THAT
22 I DISCLOSE A FEW ITEMS OR STANDARD INFORMATION. I'M
23 JUST GOING TO BRIEFLY REREAD THEM. I KNOW EVERYBODY
24 HAS THE REPORT. SO ONE OF THE THINGS WE LOOK AT IS
25 ACCOUNTING POLICIES. MANAGEMENT IS RESPONSIBLE FOR

BARRISTERS' REPORTING SERVICE

1 THE SELECTION AND THE APPROPRIATE USE OF ACCOUNTING
2 POLICIES. DURING THIS LAST FISCAL YEAR, THERE WERE
3 TWO NEW GOVERNMENT ACCOUNTING STANDARDS, GASB 63
4 THAT DEALS WITH PRESENTING OUTFLOWS OF RESOURCES AND
5 INFLOWS OF RESOURCES THAT LOOKS A LITTLE DIFFERENT
6 ON THE FACE OF THE FINANCIAL STATEMENTS IF YOU'RE AT
7 THEM FROM ONE YEAR TO THE NEXT, AS WELL AS GASB 65
8 THAT IS ITEMS PREVIOUSLY REPORTED AS AN ASSET AND
9 LIABILITY. WE LOOKED AT THOSE. THEY SEEM TO BE
10 APPLIED PROPERLY. AND IN ADDITION, WE DIDN'T NOTICE
11 ANY OTHER CHANGES TO POLICY THAT LACK ANY KIND OF
12 GUIDANCE OR AUTHORITY.

13 WE DIDN'T ENCOUNTER ANY DIFFICULTIES IN
14 DEALING WITH MANAGEMENT IN PERFORMING OUR AUDIT.
15 OCCASIONALLY WE MAY HAVE CORRECTED OR UNCORRECTED
16 MISSTATEMENTS. PROFESSIONAL STANDARDS REQUIRE THAT
17 WE ACCUMULATE ALL KNOWN AND LIKELY MISSTATEMENTS
18 IDENTIFIED DURING THE AUDIT AND THOSE THAT ARE
19 TRIVIAL AND COMMUNICATE THEM AT APPROPRIATE LEVEL OF
20 MANAGEMENT. MANAGEMENT HAS CORRECTED ANY SORT OF
21 MINOR ADJUSTMENTS WE MIGHT HAVE KNOWN.

22 IN ADDITION, NONE OF THE MISSTATEMENTS
23 DETECTED AS A RESULT OF OUR AUDIT PROCEDURES AND
24 CORRECTED BY MANAGEMENT WERE MATERIAL, EITHER
25 INDIVIDUALLY OR IN THE AGGREGATE, AND TO THE

BARRISTERS' REPORTING SERVICE

1 FINANCIAL STATEMENTS AS A WHOLE.

2 FOR THE PURPOSE OF THIS COMMUNICATION,
3 PROFESSIONAL STANDARDS REQUIRE THAT WE DEFINE
4 DISAGREEMENT WITH MANAGEMENT AS A FINANCIAL
5 ACCOUNTING REPORTING AUDITING MATTER WHETHER OR NOT
6 IT WAS RESOLVED TO OUR SATISFACTION THAT COULD HAVE
7 A FINANCIAL IMPACT ON THE REPORT THAT WE AUDIT.
8 WE'RE PLEASED TO REPORT THAT NO SUCH DISAGREEMENTS
9 AROSE DURING THE COURSE OF OUR AUDIT.

10 WE ALSO REQUEST CERTAIN REPRESENTATIONS
11 FROM MANAGEMENT THAT INCLUDE MANAGEMENT
12 REPRESENTATION LETTER DATED OCTOBER 15, 2013.

13 IN SOME CASES MANAGEMENT MAY DECIDE TO
14 CONSULT OTHER CONSULTANTS OR AUDITS ABOUT AUDITING
15 AND ACCOUNTING MATTERS SIMILAR TO OBTAINING A SECOND
16 OPINION ON CERTAIN SITUATIONS. IF SUCH CONSULTING
17 INVOLVES APPLICATION OF ACCOUNTING PRINCIPLES TO
18 CIRM'S FINANCIAL STATEMENTS OR IN DETERMINING THE
19 TYPE OF AUDIT OPINION THAT MAY BE EXPRESSED ON THOSE
20 STATEMENTS, WE ARE REQUIRED TO HAVE THEM CHECK WITH
21 US AND DETERMINE WHETHER OR NOT THE CONSULTANTS HAVE
22 ALL THE RELEVANT FACTS. TO OUR KNOWLEDGE NO SUCH
23 CONSULTATIONS WITH OTHER ACCOUNTANTS OCCURRED DURING
24 THE AUDIT.

25 GENERALLY WE DISCUSS A VARIETY OF MATTERS,

BARRISTERS' REPORTING SERVICE

1 INCLUDING APPLICATIONS OF ACCOUNTING PRINCIPLES,
2 LIKE THE ONES I MENTIONED, AND AUDITING STANDARDS
3 WITH MANAGEMENT EACH YEAR PRIOR TO OUR RETENTION AS
4 CIRM'S AUDITORS. HOWEVER, THESE DISCUSSIONS OCCUR
5 IN THE NORMAL COURSE OF OUR PROFESSIONAL
6 RELATIONSHIP, AND OUR RESPONSES ARE NOT CONDITIONAL
7 OF OUR RETENTION.

8 THERE IS A SUPPLEMENTARY REPORT TO THIS
9 FINANCIAL STATEMENT. WE DID MAKE CERTAIN INQUIRIES
10 TO MANAGEMENT AND EVALUATED THE FORM AND CONTENT,
11 PREPARING THE INFORMATION THAT RELATES TO THE DOLBY
12 GRANTS, BY THE WAY. WE REVIEWED TO MAKE SURE OF
13 THEIR COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING
14 PRINCIPLES, THE METHOD HASN'T CHANGED FROM ONE YEAR
15 TO THE NEXT, AND THE INFORMATION IS APPROPRIATE AND
16 COMPLETE IN RELATION TO THE AUDITED FINANCIAL
17 STATEMENTS. WE ALSO COMPARE AND RECONCILE THE
18 SUPPLEMENTARY INFORMATION TO THE UNDERLYING
19 ACCOUNTING RECORDS USED TO PREPARE THE FINANCIAL
20 STATEMENTS AND THE FINANCIAL SUPPLEMENTARY
21 INFORMATION THEMSELVES.

22 I WANT TO EXPRESS OUR APPRECIATION TO
23 MANAGEMENT AND TO STAFF FOR THEIR COOPERATION AND
24 COURTESIES EXTENDED TO US DURING OUR AUDIT. WE HAVE
25 NO FINDINGS, NO CORRECTIONS.

BARRISTERS' REPORTING SERVICE

1 DEPUTY CONTROLLER HOLTON-HODSON:

2 TERRIFIC. WE LIKE NO FINDINGS.

3 MEMBER LOTT: TWO QUESTIONS, IF I MAY,
4 MADAM CHAIR. I DO HAVE TWO QUESTIONS JUST FOR THE
5 RECORD. IT'S OBVIOUS PROBABLY WHAT THE ANSWERS ARE.
6 BUT, ONE, NO MATERIAL ACCOUNTING VARIANCES?

7 MS. WALKER-DAVEY: CORRECT. THAT IS BOTH
8 QUALITATIVE AND QUANTITATIVE. SO WE WOULD LOOK AT
9 THE ADJUSTMENTS THAT WERE MADE AS A RESULT OF THE
10 AUDIT. IF IT WAS SOMETHING THAT WAS RELATED TO AN
11 ACCOUNTING PRINCIPLE NOT BEING APPLIED, THEN MAYBE
12 THE QUANTITATIVE AMOUNT DOESN'T MATTER. IF IT'S A
13 VERY DE MINIMIS AMOUNT, IT DOESN'T EVEN SHOW UP AS
14 AN ADJUSTMENT. SO WE DIDN'T HAVE ANY OF THOSE, BOTH
15 QUALITATIVE AND QUANTITATIVE. WE LOOK AT BOTH
16 ASPECTS.

17 MEMBER LOTT: THANK YOU. MY SECOND
18 QUESTION IS WAS THERE ANY MANAGEMENT LETTER? DID
19 YOU LOOK AT ANY OF THE PRACTICES OF MANAGEMENT FOR
20 CIRM?

21 MS. WALKER-DAVEY: WE DO. AS PART OF
22 INTERNAL CONTROL DOCUMENTATION, WE LOOK AT THE
23 PROCESS. WE DOCUMENT WHERE THE CONTROL POINTS ARE.
24 WE EVEN DO WHAT WE CALL WALK-THROUGH, WHICH MEANS WE
25 TAKE A SAMPLE TRANSACTION AND TAKE IT FROM THE

BARRISTERS' REPORTING SERVICE

1 BEGINNING OF INCEPTION TO ITS END. WE ALSO LOOK AT
2 IT WHEN WE'RE TESTING. WHEN YOU SAY MANAGEMENT
3 LETTER, THAT USUALLY MEANS RECOMMENDATIONS.

4 MEMBER LOTT: RECOMMENDATIONS, EXACTLY.

5 MS. WALKER-DAVEY: AND THERE AREN'T ANY.
6 THEY WOULD BE ATTACHED TO THIS LETTER IF THERE WERE.

7 MEMBER LOTT: OKAY. FINE. THOSE ARE
8 FORMAL QUESTIONS ON THE RECORD. THANK YOU.

9 DEPUTY CONTROLLER HOLTON-HODSON: ANY
10 OTHER QUESTIONS?

11 LET ME THANK YOU VERY MUCH FOR THAT. WE
12 APPRECIATE THAT. AND LET ME CALL ON CAROLYN BAEZ
13 FROM THE CONTROLLER'S OFFICE. WE ALWAYS DO A REVIEW
14 OF MACIAS' AUDIT. AND SO, CAROLYN, LET ME TURN IT
15 OVER TO YOU.

16 MS. BAEZ: GOOD AFTERNOON. I'M CAROLYN
17 BAEZ. I'M WITH THE CONTROLLER'S OFFICE, AND I'M THE
18 CHIEF OF THE FINANCIAL AUDITS BUREAU. AND I'M HERE
19 TO PRESENT THE RESULTS OF THE SCO'S QUALITY CONTROL
20 REVIEW OF MACIAS, GINI & O'CONNELL'S AUDIT OF CIRM
21 FOR THE FISCAL YEAR 2012-13.

22 CALIFORNIA HEALTH & SAFETY ACT SECTION
23 125290.30 REQUIRES THE SCO TO CONDUCT A QUALITY
24 CONTROL REVIEW OF CIRM'S ANNUAL FINANCIAL AUDIT AND
25 TO ISSUE A PUBLIC REPORT OF THAT REVIEW. SO WE

BARRISTERS' REPORTING SERVICE

1 COMPARED THE AUDIT WORK PERFORMED BY THE FIRM AS
2 DOCUMENTED IN THEIR WORKING PAPERS WITH APPLICABLE
3 AUDITING STANDARDS AND REQUIREMENTS, WHICH INCLUDE
4 GOVERNMENT AUDITING STANDARDS, GENERALLY ACCEPTED
5 AUDITING STANDARDS, AND ALSO CALIFORNIA BUSINESS AND
6 PROFESSIONS CODE AND RELATED CALIFORNIA BOARD OF
7 ACCOUNTANCY REGULATIONS.

8 WE DETERMINED THAT THEIR AUDIT WAS
9 PERFORMED IN ACCORDANCE WITH ALL APPLICABLE AUDIT
10 STANDARDS AND REQUIREMENTS FOR FINANCIAL AUDITS. NO
11 DEFICIENCIES WERE NOTED.

12 SO DID ANYONE HAVE ANY QUESTIONS?

13 DEPUTY CONTROLLER HOLTON-HODSON: ANY
14 QUESTIONS? THANK YOU.

15 MS. BAEZ: THANK YOU FOR YOUR TIME.

16 DEPUTY CONTROLLER HOLTON-HODSON: I
17 APPRECIATE IT.

18 SO LET'S FOR SORT OF FOR THE REST OF THE
19 MEETING FOCUS ON CIRM. AND I WOULD SUGGEST LET'S
20 BEGIN WITH THE BUDGET, HAVING JUST COME OFF OF THE
21 AUDIT, AND WE'LL STOP. WE'LL HAVE QUESTIONS ABOUT
22 THE BUDGET. AND THEN WE CAN MOVE INTO GRANTS, I
23 THINK, AND THEN WE CAN MOVE INTO THE TRANSITION.
24 AND SO STOP AFTER EACH ONE. AND IF YOU HAVE
25 QUESTIONS IN BETWEEN, PLEASE FEEL FREE TO ASK.

BARRISTERS' REPORTING SERVICE

1 MS. SILVA-MARTIN: GOOD AFTERNOON.

2 MS. BONNEVILLE: 2012-2013 BUDGET

3 ALLOCATION.

4 MS. SILVA-MARTIN: GOOD AFTERNOON. MY

5 NAME IS CHI LA SILVA-MARTIN. I AM THE FINANCE

6 DIRECTOR WITH THE CALI FORNIA INSTITUTE FOR

7 REGENERATIVE MEDICINE. I WILL BE REPORTING --

8 DEPUTY CONTROLLER HOLTON-HODSON: CHI LA,

9 I'M SORRY. FIRST, LET'S MAKE SURE THAT EVERYONE HAS

10 IT IN FRONT OF THEM.

11 MS. SILVA-MARTIN: SO I'M GOING TO BE

12 STARTING WITH THE '12-'13 BUDGET ALLOCATION AND

13 EXPENDITURE REPORT.

14 GOOD AFTERNOON. MY NAME IS CHI LA

15 SILVA-MARTIN. I'M THE FINANCE DIRECTOR FOR THE

16 CALI FORNIA INSTITUTE FOR REGENERATIVE MEDICINE.

17 TODAY I WILL BE REPORTING ON CIRM'S FINANCES. I

18 WILL FIRST COVER THE '12-'13 BUDGET AND

19 EXPENDITURES. I WILL ALSO THEN PRESENT OUR CURRENT

20 BUDGET AND THEN REPORT ON OUR CURRENT FINANCES.

21 SO FOR THE '12-'13 FISCAL YEAR, WE ENDED

22 THE YEAR PROCESSES ON TIME AND WITHIN BUDGET.

23 SIMILARLY, AS HAS BEEN REPORTED BY MGO AND THE STATE

24 CONTROLLER'S, WE DID COMPLETE THE FINANCIAL AUDIT ON

25 TIME AND THERE WERE NO FINDINGS.

BARRISTERS' REPORTING SERVICE

1 SO NOW LOOKING AT OUR '12-'13 EXPENDITURES
2 AT A VERY HIGH LEVEL, OVERALL THE FIRST BAR
3 REPRESENTS OUR TOTAL ALLOCATIONS. SO WE WERE
4 ALLOCATED \$17.9 MILLION FOR THE '12-'13 FISCAL YEAR,
5 AND WE SPENT 16.3 MILLION, LEAVING A BALANCE OF 1.6.

6 THE SECOND BAR REPRESENTS OUR EMPLOYEE
7 EXPENSES, AND I'M GOING TO BE COVERING THOSE IN A
8 LITTLE BIT MORE DETAIL. BUT OVERALL ON THAT ONE WE
9 HAD \$11.1 MILLION ALLOCATED, AND WE SPENT \$10.8
10 MILLION, LEAVING A BALANCE OF 300,000.

11 AND THE THIRD SET OF BARS REPRESENTS THE
12 REST OF OUR EXPENDITURES. AND HERE WE HAVE
13 ALLOCATED \$6.8 MILLION. WE SPENT \$5.5 MILLION,
14 LEAVING A BALANCE OF 1.3.

15 SO LOOKING AT THOSE EXPENDITURES IN A
16 LITTLE BIT MORE DETAIL.

17 MEMBER LOTT: LET ME ASK A QUESTION FIRST,
18 IF I MAY. WHAT ACCOUNTS FOR THE -- IS THERE ANY
19 SPECIFIC THING THAT ACCOUNTS FOR THIS DOWNWARD
20 TREND? WAS THIS OVERBUDGETING ON THE PART OF CIRM,
21 OR WAS THIS BECAUSE OF SOME AUSTERITY MEASURE THAT
22 WAS ADOPTED? WAS THIS BECAUSE YOU MOVED MORE
23 FROM -- MORE TO CONTRACTING FROM -- WHY?

24 MS. SILVA-MARTIN: THERE'S ACTUALLY A LOT
25 OF DIFFERENT FACTORS, AND I WAS GOING TO GO OVER

BARRISTERS' REPORTING SERVICE

1 THAT WHEN I DID THE DETAILS.

2 MEMBER LOTT: I'LL BE PATIENT.

3 MS. SILVA-MARTIN: IF I DON'T COVER
4 SOMETHING, THEN I'LL BE HAPPY TO ANSWER ANY
5 QUESTIONS.

6 LOOKING AT THE ACTUAL EXPENDITURES VERSUS
7 WHAT WAS BUDGETED. SO AS YOU CAN SEE IN THIS NEXT
8 CHART, FOR EMPLOYEE EXPENSES WE WERE BUDGETED \$11.1
9 MILLION AND WE SPENT \$10.8 MILLION. SO WE HAD A 3
10 PERCENT OR \$300,000 BALANCE.

11 SO WE REALLY HAD -- COUPLE OF THINGS
12 HAPPENED HERE. SO DURING THE '12-'13 FISCAL YEAR,
13 WE ACTUALLY ESTABLISHED A POSITION WHERE WE TOOK --
14 WE HAD PREVIOUSLY SECURED SERVICES THROUGH EXTERNAL
15 CONTRACTS. AND WE DETERMINED THAT FOR OPERATIONAL
16 NEEDS WE WERE GOING TO ESTABLISH POSITIONS. SO WE
17 DID THAT IN ONE INSTANCE. SO THAT EXPLAINS SOME OF
18 THE COST IN EMPLOYEE EXPENSES.

19 ALSO, WE REALLY DIDN'T HAVE A LOT OF
20 SAVINGS IN THIS AREA BECAUSE WE HAD MINIMAL
21 VACANCIES DURING THE FISCAL YEAR. PRETTY MUCH
22 THROUGHOUT THE FISCAL YEAR ALL OF OUR POSITIONS WERE
23 VACANT. WE DID HAVE A LITTLE BIT OF SAVINGS BECAUSE
24 WE HAD A PLAN TO IMPLEMENT OUR MERIT SALARY
25 ADJUSTMENTS IN JULY AND IT DID NOT ACTUALLY OCCUR

BARRISTERS' REPORTING SERVICE

1 TILL NOVEMBER OF THAT FISCAL YEAR. SO THAT'S WHERE
2 THE SAVINGS CAME THERE.

3 NOW, IN EXTERNAL SERVICES, AS YOU CAN SEE,
4 WE WERE BUDGETED \$3.4 MILLION AND WE ONLY SPENT 2.7.
5 SO WE DID HAVE QUITE A BIT OF SAVINGS THERE. SO
6 REALLY THAT'S ATTRIBUTED TO A NUMBER OF REASONS.
7 FIRST OF ALL, EXPENDITURES EITHER DID NOT
8 MATERIALIZE AT THE LEVEL THAT WAS BUDGETED, SO WE
9 BUDGETED IN SOME CASES FOR, FOR EXAMPLE, LEGAL
10 SERVICES THAT DID NOT MATERIALIZE AT THE RATE THAT
11 WE BUDGETED FOR, OR WE BUDGETED FOR THINGS THAT WE
12 THOUGHT MIGHT OCCUR THAT DID NOT OCCUR.

13 ADDITIONALLY, AS I INDICATED EARLIER, WE
14 REDIRECTED SOME OF THE CONSULTING WORK TO A
15 POSITION. SO THAT RESULTED IN SAVINGS. SO MOST OF
16 THE SAVINGS IN THE EXTERNAL SERVICES REALLY CAME
17 FROM TWO AREAS. ONE OF THEM WAS FROM OUR LEGAL
18 OFFICE. SO, FOR EXAMPLE, OUR BOARD COUNSEL WE HAD
19 SAVINGS OF OVER \$200,000 JUST FROM COSTS THAT DID
20 NOT MATERIALIZE. THE REDIRECTION OF THE POSITION
21 FOR COLLABORATIVE FUNDING EFFORTS WAS ABOUT
22 \$200,000.

23 OUR PUBLIC COMMUNICATIONS OFFICE ALSO
24 EXPERIENCED SOME SAVINGS, AND THAT'S REALLY BECAUSE
25 WE HAD RECENTLY HIRED A DIRECTOR OF PUBLIC

BARRISTERS' REPORTING SERVICE

1 COMMUNICATIONS. AND SO SOME OF THE COSTS THAT WE
2 HAD BUDGETED FOR EXTERNAL SERVICES FOR COMMUNITY
3 OUTREACH DID NOT MATERIALIZE BECAUSE HE TOOK ON SOME
4 OF THOSE FUNCTIONS. SO THEN THAT'S FOR EXTERNAL
5 SERVICES.

6 THE OTHER AREA THAT I WANTED TO GO OVER IS
7 THE REVIEW MEETINGS AND WORKSHOPS. NOW, HERE, WE
8 ALSO HAD SAVINGS OF \$300,000. AND THAT'S REALLY --
9 WHILE MOST OF OUR COST CENTERS HAD SAVINGS IN THIS
10 CATEGORY, THE MAJORITY OF THE SAVINGS REALLY CAME
11 FROM TWO OFFICES, OUR SCIENCE OFFICE DEVELOPMENT AND
12 OFFICE OF THE PRESIDENT.

13 SO IN THE SCIENCE OFFICE DEVELOPMENT, THEY
14 ARE RESPONSIBLE FOR MANAGING OUR DISEASE TEAMS. AND
15 AS PART OF THAT PROCESS, THEY HOLD EVERY YEAR WHAT
16 WE CALL CDAP REVIEW MEETINGS WHERE THEY BRING IN
17 SOME OF THE DISEASE TEAMS AND THEY TALK TO THEM
18 ABOUT THEIR PROGRESS TODAY, LOOK AT MILESTONES, AND
19 MAKE GO/NO-GO DECISIONS. WELL, WHEN WE FIRST
20 ESTABLISHED THE BUDGET FOR THE CDAP MEETINGS, WE
21 REALLY DIDN'T HAVE A LOT OF EXPERIENCE BECAUSE WE'D
22 ONLY BEEN DOING THEM FOR ABOUT TWO AND A HALF YEARS
23 OR SO. AND SO WE BASED THE BUDGET, IN PART, ON OUR
24 EXPERIENCE IN HOLDING GRANTS WORKING GROUP MEETINGS.

25 HOWEVER, THE CDAP MEETINGS ARE A SMALLER

BARRISTERS' REPORTING SERVICE

1 GROUP OF -- SMALLER PARTICIPATION, AND THEN THEY'RE
2 ALSO ONE-DAY MEETINGS. SO THE COST FOR THOSE CAME
3 IN LOWER THAN WHAT WE HAD BUDGETED. SO IN THIS
4 INSTANCE IT WAS WE DIDN'T HAVE A LOT OF EXPERIENCE
5 IN BUDGETING FOR THOSE, AND SO WE BUDGETED A LITTLE
6 BIT HIGH AND THE COSTS CAME IN LOWER.

7 IN OUR OFFICE OF THE PRESIDENT, HE HAD
8 BUDGETED SEVERAL WORKSHOPS THAT HE ANTICIPATED HE
9 WOULD HOLD, AND THOSE WORKSHOPS JUST DID NOT
10 MATERIALIZE. SO THAT WAS WHERE ANOTHER BIG PORTION
11 OF THE 300,000 SAVINGS CAME FROM.

12 ANOTHER AREA WHERE WE EXPERIENCED SOME
13 SAVINGS WAS IN OUR TRAVEL. WE WERE BUDGETED ABOUT
14 \$500,000, AND OUR EXPENDITURES CAME IN JUST ABOUT
15 \$300,000. SO IN THAT AREA, OUR PRESIDENT WAS ON
16 LEAVE FOR SEVERAL MONTHS, AND AS A RESULT SOME OF
17 THE TRAVEL THAT HE HAD PUT ON HIS PLAN DID NOT
18 MATERIALIZE. AND WE ALSO REVISED OUR TRAVEL
19 POLICIES. AND SO IN THOSE INSTANCES WHERE WE COULD
20 ENCOURAGE PEOPLE TO PURCHASE NONREFUNDABLE TICKETS,
21 WE DID SO OVER THE STATE RATE BECAUSE IT WAS
22 ACTUALLY LOWER TO BUY NONREFUNDABLE TICKETS. SO IN
23 THOSE INSTANCES WHERE IT MAKES SENSE, WE MOVED
24 TOWARDS THAT. AND THAT RESULTED IN SAVINGS IN THAT
25 AREA.

BARRISTERS' REPORTING SERVICE

1 AND THEN SOME OF OUR OTHER OUT-OF-STATE,
2 OUT-OF-COUNTRY TRIPS DID NOT MATERIALIZE. WE PUT
3 TOGETHER A PLAN EVERY YEAR, AND WE ANTICIPATE WHAT
4 TRAVEL WE THINK MAY HAPPEN, BUT SOMETIMES THAT
5 TRAVEL DOES NOT MATERIALIZE. AND IF IT'S NOT
6 MISSION CRITICAL, WE'RE NOT GOING TO HOLD IT EVEN
7 THOUGH IT'S IN OUR PLAN. SO WE HAD SAVINGS FROM
8 THAT.

9 SO NOW LOOKING AT THE NEXT CHART, WHICH
10 COMPARES OUR OPERATING EXPENDITURES FOR THE '12-'13
11 FISCAL YEAR AGAINST THE '11-'12. SO LOOKING AT
12 THIS, AS YOU CAN SEE, THE AREA WHERE WE HAD THE
13 LARGEST INCREASE WAS IN OUR EMPLOYEE EXPENSES. AND
14 THERE ARE REALLY SEVERAL FACTORS IMPACTING THIS.

15 FIRST OF ALL, DURING '11-'12 FISCAL YEAR,
16 WE HAD SEVERAL VACANCIES. A LOT OF THEM WERE HIGH
17 LEVEL VACANCIES. WE HAD A MEDICAL OFFICER THAT WAS
18 VACANT MUCH OF THE YEAR. SIMILARLY, OUR DIRECTOR OF
19 PUBLIC COMMUNICATIONS AND OUR I.T, DIRECTORS WERE
20 VACANT, AND THOSE DIDN'T GET FILLED TILL, I BELIEVE,
21 MAY OF 2012. SO WE HAD LOTS OF SAVINGS FROM THOSE
22 POSITIONS IN '11-'12, AND THEY WERE ACTUALLY FILLED
23 DURING THE '12-'13 FISCAL YEAR, THEREFORE, THE
24 INCREASED COST.

25 WE ALSO HAD SEVERAL STAFF, APPROXIMATELY

BARRISTERS' REPORTING SERVICE

1 FIVE STAFF, THAT MOVED FROM THE STATE'S ALTERNATE
2 RETIREMENT PROGRAM TO THE TRADITIONAL RETIREMENT
3 PROGRAM. SO JUST A LITTLE BIT OF BACKGROUND ON
4 THAT.

5 SO BEFORE PENSION REFORM THAT BEGAN IN
6 JANUARY 2013, WHEN EMPLOYEES WERE NEWLY HIRED INTO
7 STATE SERVICE, THEY HAD TO PARTICIPATE IN WHAT WAS
8 CALLED THE ALTERNATE RETIREMENT PROGRAM FOR 24
9 MONTHS. AND SO WHEN EMPLOYEES -- AND THIS PROGRAM
10 IS ADMINISTERED BY DPA OR CALHR NOW. AND SO WHAT
11 HAPPENED WAS STATE AGENCIES ACTUALLY DID NOT
12 CONTRIBUTE TO THEIR RETIREMENT COST FOR THE FIRST 24
13 MONTHS OF THEIR EMPLOYMENT. BUT ON THE 25TH MONTH
14 THE STATE AGENCIES HAVE TO START CONTRIBUTING. SO
15 DURING THE '12-'13 FISCAL YEAR, WE HAD FIVE
16 ADDITIONAL STAFF THAT MOVED FROM THE ARP PROGRAM
17 INTO THE TRADITIONAL STATE RETIREMENT PROGRAM WHERE
18 WE HAD TO START PAYING RETIREMENT COSTS. AND THAT
19 YEAR ALONE THE RETIREMENT COSTS IN '12-'13 WERE AT
20 20.5 PERCENT. SO A PRETTY HEFTY COST FOR
21 RETIREMENT, BUT THAT IS A RATE THAT'S PAID.

22 ADDITIONALLY, WE HAD BENEFIT AND
23 RETIREMENT COSTS THAT WE HAVE NO CONTROL OVER.
24 THESE ARE NEGOTIATED AT THE STATE LEVEL. FOR
25 EXAMPLE, OUR HEALTH BENEFITS INCREASED BY 6 PERCENT

BARRISTERS' REPORTING SERVICE

1 FROM THE '11-'12 FISCAL YEAR TO THE '12-'13 FISCAL
2 YEAR AS DID OUR RETIREMENT BENEFITS.

3 AND THEN WE DID IMPLEMENT A MERIT SALARY
4 ADJUSTMENT IN THE '12-'13 FISCAL YEAR BEGINNING IN
5 NOVEMBER. SO THAT REALLY ACCOUNTS FOR THE INCREASE
6 OF \$1.5 MILLION.

7 NOW, OUR EXTERNAL SERVICES COSTS ACTUALLY
8 WENT DOWN IN THE '12-'13 FISCAL YEAR. AND THAT
9 REALLY IS BECAUSE REALLY -- SEVERAL FACTORS, BUT
10 REALLY THE BIGGEST ONE IS OUR I.T. PROGRAMMING. SO
11 WHEN WE FIRST BEGAN, WE REQUIRED RESOURCES TO
12 PROGRAM AND ESTABLISH OUR INFRASTRUCTURE. AND SO WE
13 HAD HIGHER EXPENSES IN PRIOR YEARS FOR I.T.
14 SERVICES. SO LAST YEAR IN THE '12-'13 FISCAL YEAR,
15 WE ACTUALLY BEGIN TO GO INTO MAINTENANCE MODE. SO
16 WE DIDN'T REQUIRE AS MUCH PROGRAMMING BECAUSE A LOT
17 OF THE PROGRAMMING HAD BEEN DONE IN PREVIOUS YEARS.
18 AND WE THEN ALSO DIRECTED -- HIRED TWO POSITIONS.
19 SO WE SAVED ABOUT \$400,000 FOR THAT SERVICE ALONE
20 BETWEEN FISCAL YEARS.

21 AND THEN, AS I HAD MENTIONED EARLIER, WE
22 REDIRECTED EXTERNAL SERVICES TO A POSITION. SO THAT
23 WAS FOR COLLABORATIVE FUNDING EFFORTS. AND SO THAT
24 WAS ABOUT \$300,000 SAVINGS IN EXTERNAL SERVICES.

25 AND THEN, AS YOU MAY RECALL, WE DID

BARRISTERS' REPORTING SERVICE

1 COMMISSION AN IOM REPORT DURING THE '11-'12 FISCAL
2 YEAR, AND WE PAID FOR THAT OVER FISCAL YEARS. AND
3 THE COST IN THE '12-'13 FISCAL YEAR WAS ACTUALLY
4 \$100,000 LESS THAN WHAT WE PAID IN THE '11-'12
5 FISCAL YEAR.

6 SO THEN LOOKING AT THE OTHER CATEGORY THAT
7 I WANTED TO POINT OUT WAS OUR REVIEWS MEETINGS AND
8 WORKSHOPS. SO WE HAD A SLIGHT INCREASE IN THAT
9 AREA, BUT THAT'S REALLY BECAUSE OVERALL WE HELD MORE
10 REVIEWS AND MEETINGS IN THE '12-'13 FISCAL YEAR OVER
11 '11-'12. WE HELD TWO MORE MEETINGS, TWO MORE REVIEW
12 MEETINGS THAN WE DID DURING THE '11-'12 FISCAL YEAR.

13 AND THEN IN OUR EQUIPMENT/SUPPLIES, WE
14 HAVE A SLIGHT INCREASE IN THAT BECAUSE WE WENT AND
15 DID SOME STABILIZATION TO OUR SERVERS.

16 SO THAT REALLY CONCLUDES THE REPORT FOR
17 THE '12-'13 FISCAL YEAR. ARE THERE ANY QUESTIONS
18 REGARDING THE EXPENDITURES?

19 MEMBER LIPSON: JUST A QUESTION. THE
20 EXTERNAL SERVICES THAT YOU MOVED IN-HOUSE, THAT WAS
21 GREAT. IS THERE ANY CHANCE OF MORE SAVINGS ON THOSE
22 LINES?

23 MS. SILVA-MARTIN: WE HAVE ALREADY HAD
24 SAVINGS ALONG THOSE LINES WITH OUR I.T. WHEN WE
25 MOVED OUR PROGRAMMERS IN, WE DID APPOINT A DIRECTOR

BARRISTERS' REPORTING SERVICE

1 OF INFORMATION TECHNOLOGY AND A PROGRAMMER, AND WE
2 HAD SIGNIFICANT SAVINGS BECAUSE OF THAT. WE ARE
3 DOING THAT. WE DID THAT WITH OUR COLLABORATIVE
4 FUNDING EFFORTS. AND I THINK THAT AS WE MOVE
5 FORWARD, WE WILL CONTINUALLY LOOK AT OUR OPERATIONS.
6 AND IF IT MAKES SENSE AND WE BELIEVE THAT THERE IS
7 SUFFICIENT WORK TO KEEP SOMEONE EMPLOYED VERSUS A
8 CONTRACT, WHICH MIGHT BE MORE SPORADIC, WE WILL
9 CONTINUE THOSE EFFORTS.

10 MEMBER LIPSON: ARE YOU STILL EMPLOYING
11 OUTSIDE LEGAL HELP?

12 MS. SILVA-MARTIN: YES, WE ARE, IN SOME
13 EFFORTS. WE ACTUALLY HAVE OUR OWN LEGAL STAFF, BUT
14 WE DO STILL -- OUR BOARD COUNSEL IS STILL EXTERNAL
15 SERVICES.

16 MEMBER LOTT: THANK YOU, MADAM CHAIR.
17 THIS IS -- I'M NOT GOING TO ASK THE QUESTION THAT I
18 WANT TO GET AN ANSWER TO BECAUSE IT'S AN UNFAIR
19 QUESTION TO POSE TO YOU AT THIS POINT. BUT GOING
20 FORWARD, BECAUSE OF WHERE WE ARE WITH CIRM AND WITH
21 PROP 71, I'D LIKE FOR FUTURE REPORTS TO INCLUDE AN
22 AGING, YOUR MEAN AGING, ON ACCOUNTS PAYABLE AND A
23 VARIANCE KIND OF NUMBER, MAYBE A STANDARD DEVIATION,
24 ON ALL OF YOUR ACCOUNTS PAYABLE UNTIL WE WIND DOWN.
25 CAN WE MAKE THAT HAPPEN?

BARRISTERS' REPORTING SERVICE

1 MS. SILVA-MARTIN: SURE. I JUST WOULD
2 LIKE A LITTLE BIT MORE CLARIFICATION. ARE YOU
3 TALKING ABOUT OUR ACCOUNTS PAYABLE AT YEAR-END?

4 MEMBER LOTT: ACCOUNTS PAYABLE AT
5 YEAR-END, YES, MA'AM.

6 MS. SILVA-MARTIN: ABSOLUTELY. WE CAN DO
7 THAT.

8 MEMBER LOTT: THANK YOU.

9 DEPUTY CONTROLLER HOLTON-HODSON: SO ONE
10 OF THE THINGS THAT -- TWO THINGS ACTUALLY. LAST
11 YEAR, I BELIEVE, IN THE EXTERNAL CONTRACTS WE HAD AN
12 ONLINE JOURNAL, AND I DIDN'T SEE THAT THIS YEAR.
13 WHAT'S BECOME OF YOUR -- THAT WAS THEN AN IDEA AND
14 YOU DECIDED NOT TO PURSUE THAT? WHAT'S BECOME OF
15 THAT?

16 MS. SILVA-MARTIN: I'M GOING TO ANSWER
17 THAT, BUT IF I'M INCORRECT, I'M SURE THAT DR. FEIGAL
18 OR DR. THOMAS WILL CORRECT ME, BUT MY UNDERSTANDING
19 IS WHEN WE FIRST IMPLEMENTED THE ONLINE JOURNAL, WE
20 AGREED TO PROVIDE SUPPORT OVER THREE FISCAL YEARS TO
21 ALLOW THEM TO REALLY BEGIN OPERATIONS. BUT IT WAS
22 THE INTENTION THAT WE WOULD PROVIDE BASICALLY THE
23 SEED FOR THEM TO BEGIN THE ONLINE JOURNAL, AND THEN
24 THEY WOULD THEN CONTINUE IT AFTER THE THIRD YEAR.

25 DEPUTY CONTROLLER HOLTON-HODSON: AND

BARRISTERS' REPORTING SERVICE

1 WHO' S THE THEY?

2 DR. FEIGAL: THE NAME OF THE JOURNAL IS
3 *STEM CELLS TRANSLATIONAL MEDICINE* AND IT' S ALIVE AND
4 WELL. WE JUST WERE THERE TO HELP THEM WITH THEIR
5 BIRTH. AND NOW THEY' RE A CHILD AND AN ADOLESCENT
6 AND GROWING WELL. SO THEY' RE THRIVING. THEY HAVE
7 ARTICLES THAT COME OUT ON A REGULAR BASIS, AND
8 THEY' RE A VERY NICE FORUM FOR STEM CELL ARTICLES.

9 DEPUTY CONTROLLER HOLTON-HODSON: AND SO
10 HOW MUCH TOTAL DID CIRM CONTRIBUTE?

11 MS. SILVA-MARTIN: 600,000, SO 200,000
12 OVER THREE FISCAL YEARS.

13 DEPUTY CONTROLLER HOLTON-HODSON: AND I
14 ALSO UNDERSTAND SAN FRANCISCO HAS BEEN GIVING YOU
15 FREE RENT AND THAT ENDS APPARENTLY OR AT LEAST THE
16 AGREEMENT THAT YOU' RE CURRENTLY UNDER ENDS IN 1215.
17 SO THAT IS GOING TO BE A SIGNIFICANT EXPENSE. WHAT
18 ARE YOUR PLANS AROUND RELOCATION AND IDENTIFYING
19 ANOTHER PROPERTY, OR IS SAN FRANCISCO GOING TO BE
20 GENEROUS AND CONTINUE SUPPORTING YOUR LOCATION?

21 CHAIRMAN THOMAS: SO WE ARE IN THE PROCESS
22 OF, THROUGH SENATOR TORRES' MANY CONTACTS IN THE
23 AREA UP THERE, IN THE PROCESS OF EXPLORING A VARIETY
24 OF OPTIONS, FULLY AWARE THAT SOMETHING NEEDS TO BE
25 DONE WITHIN THE NEXT YEAR AND A HALF. SO WE DON' T

BARRISTERS' REPORTING SERVICE

1 HAVE ANYTHING TO REPORT TO YOU OTHER THAN WE'RE
2 CONSIDERING A NUMBER OF DIFFERENT THINGS. AND I'M
3 SURE MORE WILL CROP UP IN THE COMING MONTHS AS WELL.

4 DEPUTY CONTROLLER HOLTON-HODSON: AS
5 YOU'RE THINKING ABOUT SORT OF FORECASTING THE BUDGET
6 AHEAD, HOW MUCH ARE YOU -- SORT OF WHAT IS YOUR BEST
7 GUESS ESTIMATE? YOU MUST SURELY BE PUTTING
8 SOMETHING IN THE BUDGET AS A PLACEHOLDER.

9 MS. SILVA-MARTIN: SO WE DO HAVE A BUDGET
10 PLAN THAT WILL TAKE US THROUGH THE '20-'21 FISCAL
11 YEAR ASSUMING THAT WE DO NOT GET ANY ADDITIONAL
12 FUNDING BEYOND THE \$3 BILLION. AND SO BEGINNING
13 WITH NOVEMBER 2015 FISCAL YEAR, WE HAVE BUDGETED FOR
14 RENT, ASSUMING THAT WE ARE NOT GOING TO GET ANYTHING
15 FOR FREE, BUT WE'RE HOPING HONESTLY THAT SENATOR
16 TORRES IS ABLE TO NEGOTIATE SOMETHING MORE
17 FAVORABLE. SO WE'VE TAKEN A VERY CONSERVATIVE
18 MEASURE AND ASSUMED THAT WE WILL BE PAYING FULL RENT
19 AT THE GOING PRICE IN THE BAY AREA AND WE BUDGETED
20 THAT INTO OUR FORECAST.

21 DEPUTY CONTROLLER HOLTON-HODSON: AND SO
22 HOW DIFFICULT IS IT? I KNOW YOU HAVE THE 6-PERCENT
23 CAP ON OPERATIONS. SO IT'S BEEN REALLY, I THINK, A
24 GIFT FROM THE CITY OF SAN FRANCISCO NOT TO HAVE SUCH
25 A HUGE EXPENSE FOR SO LONG. HOW IS THAT GOING TO,

BARRISTERS' REPORTING SERVICE

1 WITH THE 6-PERCENT CAP AND NOW HAVING TO, WORST-CASE
2 SCENARIO, THINK ABOUT RENT, HOW IS THAT GOING TO
3 AFFECT YOUR OPERATIONS BUDGET?

4 MS. SILVA-MARTIN: WE WORK WITH ALL OF THE
5 COST CENTER MANAGERS, AND I THINK THAT WE'VE PUT
6 TOGETHER A PLAN THAT WILL ALLOW US TO DO THAT AND
7 MAINTAIN THE STAFFING THAT'S NECESSARY TO MEET OUR
8 OPERATIONAL NEEDS. SO WE HAVE BEEN LUCKY BECAUSE WE
9 HAVEN'T HAD TO INCUR THOSE COSTS FOR THE FIRST TEN
10 YEARS OF OUR EXISTENCE.

11 DEPUTY CONTROLLER HOLTON-HODSON: GREAT.
12 THANK YOU. ANY FURTHER QUESTIONS ON THE BUDGET?

13 MS. SILVA-MARTIN: SO THE NEXT THING I WAS
14 GOING TO DO WAS THEN PRESENT OUR CURRENT YEAR
15 BUDGET, AND IT SHOULD BE IN YOUR BINDERS.

16 SO THIS FIRST PAGE REALLY GIVES YOU THE
17 ENTIRE BUDGET FOR ALL OF OUR COST CENTERS, AND THEN
18 THE SUBSEQUENT PAGES ARE JUST A LITTLE BIT MORE
19 DETAIL.

20 SO FOR THE CURRENT YEAR, THE BUDGET HAS
21 BEEN ESTABLISHED AT \$17.4 MILLION, WHICH IS
22 APPROXIMATELY \$500,000 LESS THAN WHAT WAS BUDGETED
23 LAST YEAR. WE CONTINUE TO MAINTAIN EIGHT COST
24 CENTERS. SO WE HAVE OUR SCIENCE OFFICE RESEARCH
25 COST CENTER THAT'S RESPONSIBLE FOR -- WHICH IS MADE

BARRISTERS' REPORTING SERVICE

1 UP MOSTLY OF SCIENTIFIC AND ADMINISTRATIVE STAFF.
2 AND THEY'RE THE ONES THAT ARE RESPONSIBLE FOR
3 PUTTING TOGETHER OUR RFA'S. THEY DO OUR -- WHEN
4 GRANTEES SUBMIT PROPOSALS, THEY'RE THE ONES THAT
5 HOLD THE MEETINGS FOR THE REVIEWS OF THESE PROPOSALS
6 AND THEN MAKE RECOMMENDATIONS TO THE BOARD BASED ON
7 THESE MEETINGS. AND THEN THEY ALSO MANAGE THE
8 VARIOUS PORTFOLIO. SO THEY DO PORTFOLIO MANAGEMENT,
9 BOTH SCIENTIFIC AND ADMINISTRATIVE PORTFOLIO
10 MANAGEMENT.

11 WE HAVE THE SCIENCE OFFICE DEVELOPMENT,
12 WHICH I MENTIONED EARLIER, AGAIN, MADE UP OF MOSTLY
13 SCIENTIFIC AND ONE ADMINISTRATIVE STAFF. AND
14 THEY'RE RESPONSIBLE FOR MANAGING OUR DISEASE TEAMS.
15 SO THEY HAVE A PORTFOLIO OF OUR VARIOUS DISEASE
16 TEAMS. THEY WORK UNDER DR. FEIGAL. AND THEY'RE THE
17 ONES WHO BRING TOGETHER THE DISEASE TEAMS, AND THEY
18 DO EVALUATIONS OF THE PROGRESS, LOOK AT THEIR
19 MILESTONES, AND MAKE GO/NO-GO DECISIONS.

20 THEN WE HAVE OUR EXECUTIVE LEADERSHIP,
21 WHICH IS MADE UP OF THE OFFICE OF THE PRESIDENT,
22 WHO'S RESPONSIBLE FOR OPERATIONS, AND THEN THE
23 OFFICE OF THE CHAIR THAT'S RESPONSIBLE FOR ICOC AND
24 OTHER FUNCTIONS.

25 AND THEN WE HAVE OUR LEGAL OFFICE THAT

BARRISTERS' REPORTING SERVICE

1 PROVIDES A VARIETY OF LEGAL SERVICES TO THE
2 ORGANIZATION. AND THEN WE HAVE THREE SUPPORT UNITS,
3 WHICH IS OUR PUBLIC COMMUNICATIONS OFFICE, AND
4 THEY'RE RESPONSIBLE FOR WORKING WITH THE PUBLIC AND
5 PATIENT ADVOCATES TO INFORM THE PUBLIC OF OUR
6 EFFORTS.

7 WE HAVE OUR I.T. COST CENTER THAT'S
8 RESPONSIBLE FOR ESTABLISHING AND MAINTAINING OUR
9 I.T. INFRASTRUCTURE AND THEN REALLY MANAGING --
10 ESTABLISHING AND MANAGING OUR VARIOUS GRANTS
11 SYSTEMS, OUR RFA PROCESSES, AUTOMATING THE VARIOUS
12 REPORTS THAT WE RECEIVE FROM OUR GRANTEES, AND SO
13 FORTH.

14 AND THEN WE HAVE OUR FINANCE AND
15 OPERATIONS THAT PROVIDES BUDGETING AND ACCOUNTING.
16 WE HAVE HR AND THEN WE HAVE A BUSINESS DEVELOPMENT
17 PERSON IN THAT UNIT.

18 SO I WASN'T REALLY GOING TO GO OVER ALL OF
19 THE INDIVIDUAL BUDGETS UNLESS YOU HAVE A SPECIFIC
20 QUESTION, I'D BE HAPPY TO ANSWER IT.

21 DEPUTY CONTROLLER HOLTON-HODSON: SO I
22 HAVE JUST ONE QUESTION. GIVEN THE 6 PERCENT THAT
23 YOU HAVE TO OPERATE ON, WHERE ARE YOU NOW IN TERMS
24 OF SORT OF USING THAT UP? AND HOW MUCH DO YOU HAVE
25 LEFT?

BARRISTERS' REPORTING SERVICE

1 MS. SILVA-MARTIN: SO THAT'S ACTUALLY MY
2 NEXT PRESENTATION. IF WE CAN JUST MOVE ON TO THAT
3 ONE, AND I'LL COVER THAT.

4 MEMBER LOTT: YES, PLEASE. AGAIN,
5 CONSIDERING WHERE WE ARE, TALK TO ME A LITTLE BIT
6 ABOUT BUSINESS DEVELOPMENT. WHAT ARE WE DOING IN
7 BUSINESS DEVELOPMENT AT THIS STAGE OF THE GAME?

8 MS. SILVA-MARTIN: I'M GOING TO HAVE DR.
9 FEIGAL RESPOND TO THAT.

10 DR. FEIGAL: WE HAVE A VERY ACTIVE GROUP.
11 WE'VE ACTUALLY BROUGHT IN TWO NEW PEOPLE INTO THE
12 SYSTEM TO ACTUALLY WORK ON A MORE ENHANCED EFFORT ON
13 THE BUSINESS DEVELOPMENT. I WAS GOING TO TALK ABOUT
14 THAT IN MY PRESENTATION.

15 MEMBER LOTT: LET'S HOLD OFF THEN.

16 MS. SILVA-MARTIN: SO THEN I'M JUST GOING
17 TO GO OVER OUR CURRENT OPERATIONS. SO I BELIEVE
18 THAT LAST YEAR WE REPORTED THAT, BEGINNING WITH THE
19 '12-'13 FISCAL YEAR, THE STATE TREASURER'S OFFICE
20 ACTUALLY BEGAN FUNDING US WITH COMMERCIAL PAPER.
21 AND THEY'VE CONTINUED TO DO THAT THROUGH THE '13-'14
22 FISCAL YEAR. SO OUR STAFF FROM THE OFFICE OF THE
23 CHAIR WORKS VERY CLOSELY WITH A NUMBER OF US
24 INTERNALLY TO PROVIDE FINANCIAL CASH NEEDS TO THE
25 STATE TREASURER'S OFFICE, AND THEY THEN GIVE US AN

BARRISTERS' REPORTING SERVICE

1 ALLOCATION EVERY MONTH TO ENSURE THAT WE CAN MEET
2 OUR FINANCIAL NEEDS.

3 SO FOR THE '12-'13 FISCAL YEAR, WE
4 RECEIVED A TOTAL OF \$229 MILLION IN COMMERCIAL
5 PAPER. AND IN THE CURRENT YEAR, FOR THE FIRST SIX
6 MONTHS, WE'VE RECEIVED A TOTAL OF \$107 MILLION. AND
7 THIS IS CASH THAT WE USE TO MAKE OUR GRANT
8 DISBURSEMENTS AND PAY CIRM'S OPERATIONAL COSTS.

9 SO LOOKING AT A HIGH LEVEL, SO FOR THE
10 FIRST SIX MONTHS OF THE YEAR, OUR GRANT
11 DISBURSEMENTS ARE ACTUALLY UP. THIS YEAR WE
12 DISBURSED A LITTLE BIT OVER \$102 MILLION AS COMPARED
13 TO WHAT WE DISBURSED DURING THE SAME PERIOD IN THE
14 '12-'13 FISCAL YEAR, WHICH WAS \$79 MILLION.

15 BECAUSE WE ARE RECEIVING MONTHLY CASH
16 DISBURSEMENTS, WE ARE ABLE TO MAINTAIN A VERY
17 HEALTHY CASH BALANCE. THAT RESERVE IS AVAILABLE FOR
18 US TO ENSURE THAT WE CAN COVER OUR OPERATIONAL
19 NEEDS. SO AS OF DECEMBER, WE HAD \$65.2 MILLION
20 AVAILABLE TO MEET OUR OPERATIONAL NEEDS.

21 SO NOW I WANTED TO KIND OF LOOK AT THE
22 EXPENDITURES THAT WE REPORTED FOR THE FIRST SIX
23 MONTHS OF THE FISCAL YEAR AS COMPARED TO WHAT WE
24 RECORDED DURING THE SAME PERIOD LAST YEAR. SO
25 OVERALL, AS YOU CAN SEE, OUR EXPENDITURES ARE UP

BARRISTERS' REPORTING SERVICE

1 ABOUT 5 PERCENT, ABOUT \$500,000, OVER LAST FISCAL
2 YEAR.

3 LOOKING AT SOME OF THE DETAILS, OUR
4 EMPLOYEE EXPENSES ARE UP. AND THAT'S REALLY DUE TO
5 A VARIETY OF FACTORS. FIRST OF ALL, THE STATE'S
6 SHARE OF RETIREMENT CONTRIBUTIONS CONTINUES TO GO
7 UP. SO THIS YEAR IT WENT UP FROM 20.5 THAT WE WERE
8 PAYING LAST YEAR. WE'RE NOW PAYING 21.3 PERCENT OF
9 AN EMPLOYEE'S SALARY. ADDITIONALLY OUR HEALTH
10 BENEFITS HAVE GONE UP. THEY'VE GONE UP ABOUT 3
11 PERCENT. AND I DID TALK ABOUT THE FACT THAT WE'VE
12 CONVERTED SOME OF THE EXTERNAL SERVICES TO POSITIONS
13 AND SO, THEREFORE, OUR COSTS ARE HIGHER IN THAT
14 AREA. BUT IT REALLY WAS DONE BECAUSE IT HELPED TO
15 MEET OUR OPERATIONAL NEEDS BETTER. AND THEN WE DID
16 IMPLEMENT A MERIT SALARY ADJUSTMENT IN NOVEMBER OF
17 THIS PAST YEAR, AND THAT WAS ABOUT A 3-PERCENT
18 AVERAGE.

19 OUR EXTERNAL SERVICES, AS YOU CAN SEE, IS
20 DOWN QUITE A BIT, AND THAT IS REALLY ATTRIBUTABLE TO
21 OUR I.T. SO LAST YEAR IN THE '11-'12 BUDGET, WE HAD
22 BUDGETED \$500,000, AND WE SPENT PRETTY MUCH CLOSE TO
23 \$500,000. THIS YEAR WE CONTINUED TO GO INTO
24 MAINTENANCE MODE AND PRETTY MUCH NOW ARE IN
25 MAINTENANCE MODE WITH THE TWO STAFF WE HAVE DOING

BARRISTERS' REPORTING SERVICE

1 ALL THE PROGRAMMING AND INFRASTRUCTURE SUPPORT THAT
2 WE NEED. AND WE BUDGETED \$75,000 AS COMPARED TO
3 \$500,000 LAST YEAR. WE'VE ACTUALLY ONLY SPENT
4 \$2,000 OF THAT. SO THE SAVINGS THAT YOU'RE SEEING
5 IN THIS CATEGORY IS REALLY ATTRIBUTABLE TO THAT AND
6 THE FACT THAT WE MOVED THAT ONE POSITION UP, THE ONE
7 SERVICE UP TO PERSONAL SERVICES.

8 SO THE OTHER CATEGORIES ARE REVIEWS
9 MEETINGS AND WORKSHOPS. ALTHOUGH WE'VE HELD MORE
10 MEETINGS DURING THE FIRST SIX MONTHS OF THIS FISCAL
11 YEAR OVER WHAT WE DID LAST YEAR, OUR COSTS HAVE GONE
12 DOWN. AND THAT'S REALLY BECAUSE THE STAFF THAT ARE
13 RESPONSIBLE FOR PUTTING THESE MEETINGS TOGETHER HAVE
14 REALLY BEEN WORKING HARD TO NEGOTIATE FOR LOWER
15 RATES FOR FACILITIES WHENEVER FEASIBLE. WE HAVE
16 BEEN WORKING WITH OUR TRAVEL AGENCY TO USE LOWER
17 COST AIRFARE TICKETS. SO WHENEVER WE CAN, WE TRY TO
18 HAVE PEOPLE USE NONREFUNDABLE TICKETS OVER THE STATE
19 RATE BECAUSE IT DOES SAVE US SOME MONEY. AND THEN
20 WHENEVER POSSIBLE, WE'VE TRIED TO BRING THE MEETINGS
21 IN-HOUSE. SOMETIMES IT'S DIFFICULT TO DO BECAUSE OF
22 THE SIZE OF THE MEETINGS; BUT WHEN WE HAVE SMALLER
23 MEETINGS, WE ARE ABLE TO ACCOMMODATE THAT. AND DR.
24 FEIGAL ACTUALLY BEGAN DOING THAT THIS YEAR. SO FOR
25 ALL OF THOSE REASONS, THE OVERALL COST FOR OUR

BARRISTERS' REPORTING SERVICE

1 MEETINGS HAS GONE DOWN.

2 OUR TRAVEL HAS GONE UP, BUT WE'RE VERY
3 MUCH WELL WITHIN OUR BUDGET. WE HAVE ALLOCATED
4 THERE \$500,000, AND WE REPORTED EXPENDITURES OF
5 \$146,000. AND REALLY TRAVEL HAS GONE UP BECAUSE
6 WE'VE HAD TO DO MORE TRAVEL. WE HAVE COLLABORATIVE
7 FUNDING PARTNERS THAT WE HAVE TO GO OUT AND MEET
8 WITH AND REVIEW AS WE BEGIN -- AS OUR GRANTS GO
9 THROUGH THE RESEARCH PIPELINE, WE HAVE TO HAVE MORE
10 INTERACTION WITH FDA. SO THAT RESULTS IN INCREASED
11 TRAVEL COSTS.

12 AND THEN THE OTHER AREA WHERE WE'VE HAD AN
13 INCREASE IN COST IS IN OUR EQUIPMENT. AND PART OF
14 IT IS, I DON'T KNOW, YOU MAY RECALL, AS PART OF THE
15 PERFORMANCE AUDIT, ONE OF THE RECOMMENDATIONS THAT
16 THEY MADE WAS THAT WE IMPLEMENT SOME KIND OF A
17 FINANCIAL MANAGEMENT SYSTEM BECAUSE WE HAVE A LOT OF
18 MANUAL PROCESSES. WELL, WE DID THAT. WE
19 IMPLEMENTED AN ACCOUNTING SYSTEM THAT IS RUNNING
20 REALLY WELL, BUT WE'VE HAD INCREASED COST BECAUSE OF
21 THAT BECAUSE WE'RE PAYING FOR THAT SYSTEM, BUT IT'S
22 WORKING REALLY WELL. WE'RE ABLE TO OBTAIN DATA FROM
23 THAT SYSTEM, AND WE'RE ABLE TO USE THAT DATA TO
24 RECONCILE BACK TO THE STATE'S ACCOUNTING SYSTEM. SO
25 IT'S WORKING REALLY WELL.

BARRISTERS' REPORTING SERVICE

1 ALSO, OFTENTIMES WE WAIT TO PURCHASE SOME
2 OF OUR COMPUTERS TILL THE VERY END OF THE FISCAL
3 YEAR. AND THIS YEAR WE ACTUALLY MADE SOME PURCHASES
4 EARLIER IN THE FISCAL YEAR, SO THAT IS RESULTING IN
5 SOME OF THE COST REPORTING EARLIER DURING THE FISCAL
6 YEAR.

7 AND THEN THE OTHER THING THAT I WANTED TO
8 COVER IS RUTH'S QUESTION. SO WHAT HAVE WE SPENT SO
9 FAR OF THE 6 PERCENT AND WHAT'S LEFT? SO AS OF JUNE
10 2013, WE HAD SPENT \$75 MILLION. OUR BUDGET FOR THE
11 CURRENT YEAR FOR GENERAL AND GRANT ADMINISTRATION IS
12 JUST UNDER \$50 MILLION, WHICH WILL BRING US RIGHT AT
13 THE HALF MARK. WE WILL BE RIGHT UNDER \$90 MILLION.
14 AND THAT REALLY LEAVES \$90 MILLION FOR THE '14-'15
15 FISCAL YEAR AND BEYOND.

16 DEPUTY CONTROLLER HOLTON-HODSON: WHEN IS
17 THAT?

18 MS. SILVA-MARTIN: BEYOND AT THIS POINT,
19 BASED ON OUR CURRENT RFA SCHEDULE, IS 2021.

20 AND THAT REALLY CONCLUDES THE FINANCE
21 PRESENTATION. ARE THERE ANY QUESTIONS?

22 MEMBER LIPSON: ARE THERE ANY OUTSTANDING
23 LOANS OR GRANTS THAT WILL COME IN AS FAR AS PAYBACK
24 OR HOPEFULLY DISCOVERY OF NEW TECHNOLOGIES AND
25 PATENTS THAT WE'RE AWARE OF RIGHT NOW?

BARRISTERS' REPORTING SERVICE

1 MS. SILVA-MARTIN: I BELIEVE WE'RE GOING
2 TO HAVE A PRESENTATION ON THE LOAN; IS THAT CORRECT?

3 MR. HARRISON: IT'S NOT A SEPARATE
4 PRESENTATION.

5 MS. SILVA-MARTIN: SO JAMES HAS SOME
6 INFORMATION FOR YOU ON THAT.

7 MR. HARRISON: MARIA IS PROVIDING YOU
8 UPDATED INFORMATION ABOUT OUR LOANS, OUR OUTSTANDING
9 LOANS. AS YOU MAY RECALL, WE HAD MADE A LOAN TO
10 GERON WHICH DECIDED TO DISCONTINUE ITS STEM CELL
11 BUSINESS. IT REPAID THE LOAN DISBURSEMENTS IN FULL
12 WITH INTEREST.

13 THERE WAS A SECOND LOAN THAT WE DISCUSSED
14 WITH YOU LAST YEAR TO A COMPANY CALLED IPERIAN.
15 UNFORTUNATELY THE RESEARCH IN WHICH IT WAS ENGAGED
16 DID NOT PAN OUT. SO THE PROJECT WAS DISCONTINUED
17 AND THE LOAN WAS FORGIVEN.

18 THAT LEAVES THREE OUTSTANDING LOANS, WHICH
19 YOU WILL SEE ONE TO VIACYTE, WHICH IS A COMPANY
20 BASED IN SAN DIEGO, THAT IS ACTUALLY ONE OF CIRM'S
21 VERY PROMISING COMPANIES. CIRM HAS BEEN INVOLVED
22 WITH VIACYTE FROM THE EARLY DAYS. AND DR. FEIGAL
23 WILL DESCRIBE SOME OF THE WORK LATER.

24 ANOTHER IS TO A COMPANY CALLED CAPRICOR,
25 WHICH IS ENGAGED IN CLINICAL TRIALS INVOLVING

BARRISTERS' REPORTING SERVICE

1 CARDIAC DISEASE.

2 AND THE FINAL LOAN IS TO STEM CELLS,
3 INC. FOR RESEARCH INVOLVING ALZHEIMER'S.

4 THESE LOANS HAVE, AS YOU CAN SEE, VARIOUS
5 TERMS. WE DON'T EXPECT REPAYMENT OF ANY OF THESE
6 LOANS UNTIL SUCH TIME AS THE COMPANY SUCCEEDS IN
7 COMMERCIALIZING THE PRODUCT AND RECEIVES COMMERCIAL
8 REVENUE. AT THAT POINT IN TIME, THEY HAVE AN
9 OBLIGATION TO REPAY WITH INTEREST.

10 IN ADDITION, IN THE CASE OF CAPRICOR AND
11 STEM CELLS, INC., THEY'D BE OBLIGATED TO PAY A RISK
12 PREMIUM BASED UPON COMMERCIAL REVENUES OVER A
13 CERTAIN DOLLAR THRESHOLD.

14 MEMBER LIPSON: WHAT ABOUT USE OF THE
15 PRODUCTS THAT COME THROUGH FORWARD?

16 MR. HARRISON: SO PART OF CIRM'S
17 INTELLECTUAL PROPERTY POLICIES REQUIRE LOAN
18 RECIPIENTS AS WELL AS GRANTEES TO PROVIDE ACCESS
19 PLANS TO ENSURE THAT CALIFORNIANS WHO DON'T
20 OTHERWISE HAVE THE ABILITY TO OBTAIN THESE DRUGS OR
21 SERVICES TO ENSURE THAT THEY DO HAVE THE OPPORTUNITY
22 TO BENEFIT FROM THEM. AND ALSO PREFERRED PRICING
23 FOR PUBLICLY FUNDED PROGRAMS IN CALIFORNIA.

24 MEMBER LIPSON: DO WE HAVE ANY PLANS OF
25 HOW TO DO THESE ACCESS?

BARRISTERS' REPORTING SERVICE

1 MR. HARRISON: THE ACCESS PLAN REGULATIONS
2 PROVIDE THAT THE COMPANY HAS TO SUBMIT AN ACCESS
3 PLAN TO CIRM AFTER FINAL FDA APPROVAL. IT HAS TO BE
4 CONSISTENT WITH INDUSTRY STANDARDS FOR ACCESS PLANS
5 AT THE TIME, AND IT'S SUBJECT TO APPROVAL BY CIRM.

6 MEMBER LIPSON: AND YOU FORGAVE THE
7 IPERIAN, IS THAT RIGHT, LOAN?

8 MR. HARRISON: THAT'S CORRECT.

9 MEMBER LIPSON: WHY?

10 MR. HARRISON: THE RESEARCH THAT CIRM
11 FUNDED DID NOT GO IN THE DIRECTION THE COMPANY AND
12 CIRM HAD HOPED. SO THE PROJECT WAS NOT SUCCESSFUL.
13 AND UNDER OUR LOAN POLICY, IT WAS FORGIVEN.

14 MEMBER LIPSON: SO BASICALLY THAT WENT
15 DOWN THE TUBES?

16 MR. HARRISON: CORRECT. BUT OBVIOUSLY ANY
17 TIME THAT YOU CONDUCT RESEARCH, EVEN WHEN IT'S NOT
18 SUCCESSFUL, YOU LEARN SOMETHING FROM IT, AND YOU
19 KNOW THERE ARE DIFFERENT PATHS YOU MIGHT NEED TO
20 TAKE. BUT, YES, IT'S CORRECT THAT THE RESEARCH DID
21 NOT LEAD TO ANY COMMERCIAL PRODUCT.

22 DEPUTY CONTROLLER HOLTON-HODSON: ARE
23 THERE ANY QUESTIONS? SO ONE QUESTION, I THINK, THAT
24 ALL OF THESE LOANS RAISE AND PROBABLY EVEN THE
25 GRANTS, WHICH YOU MAY ADDRESS LATER, IS WHAT HAPPENS

BARRISTERS' REPORTING SERVICE

1 WHEN, PARTICULARLY STEM CELL, INC. HERE, IT'S A
2 TEN-YEAR TERM AND CIRM MAY NOT EXIST. WHERE IN THE
3 STATE AGENCY? ARE WE THINKING ABOUT HOW ARE WE
4 GOING TO MAKE SURE THAT THESE COMPANIES ARE AT LEAST
5 REMINDED AND THAT THEIR INTELLECTUAL PROPERTY
6 AGREEMENTS ARE IN FORCE AND IN FACT THAT THE LOANS
7 ARE PAID BACK, AND PAID BACK TO WHOM IF YOU DON'T
8 EXIST?

9 MR. HARRISON: WE HAVE HAD, AS WE
10 DISCUSSED LAST YEAR, SOME CONVERSATIONS WITH THE
11 CHIEF COUNSEL IN THE CONTROLLER'S OFFICE AND THE
12 CHIEF COUNSEL IN THE TREASURER'S OFFICE ABOUT THOSE
13 VERY ISSUES. OBVIOUSLY CIRM HAS A NUMBER OF
14 POLICIES THAT WILL REMAIN IN PLACE AND WILL GOVERN
15 GRANTEES AND LOAN RECIPIENTS AMONG OTHERS EVEN AFTER
16 CIRM IS NO LONGER IN EXISTENCE. THE STATE HAS HAD
17 EXPERIENCE WITH OTHER AGENCIES THAT HAVE SUNSETTED
18 AND THAT HAVE ONGOING RESPONSIBILITIES. AND WE
19 THINK THAT LEGISLATION WILL LIKELY BE NECESSARY TO
20 ENSURE THAT THOSE RESPONSIBILITIES ARE TRANSFERRED
21 TO AN APPROPRIATE BODY.

22 OBVIOUSLY CIRM'S GRANTS MANAGEMENT
23 DATABASE WILL CONTINUE TO BE AVAILABLE AND WILL BE A
24 RESOURCE FOR WHICHEVER AGENCY ENDS UP HANDLING THOSE
25 RESPONSIBILITIES.

BARRISTERS' REPORTING SERVICE

1 UNDER OUR POLICIES CURRENTLY WHEN THERE IS
2 REVENUE THAT'S DUE TO THE STATE, IT IS DIRECTED TO
3 BE PAID TO THE STATE TREASURER'S OFFICE. SO THAT IS
4 A REQUIREMENT THAT'S IMPOSED ON GRANTEES UNDER
5 EXISTING LAW. BUT BASED AT LEAST ON OUR INITIAL
6 RESEARCH, WE THINK WE WILL HAVE TO PURSUE
7 LEGISLATION TO ENSURE A SMOOTH TRANSITION FOR ALL OF
8 THOSE RESPONSIBILITIES.

9 MEMBER LOTT: JUST A FOOTNOTE OR
10 FOLLOW-UP, MADAM CHAIR, ON YOUR QUESTION AND THE
11 ANSWER THAT YOU GAVE. WHEN WOULD YOUR BOARD AND THE
12 PUBLIC HAVE A PLAN, A WORK PLAN, FOR WINDING DOWN
13 AND SUCCESSION IN MANAGING THE ONGOING
14 RESPONSIBILITIES FROM THE BALLOT PROPOSITION? WHEN
15 WILL THAT BE AVAILABLE? YOU ARE TALKING ABOUT IT,
16 BUT WHEN WILL WE SEE A WRITTEN PLAN?

17 MR. HARRISON: SO WE DID SUBMIT A
18 TRANSITION PLAN TO THE LEGISLATURE AND THE GOVERNOR
19 AND TO THE CONTROLLER'S OFFICE ABOUT TWO YEARS AGO
20 NOW THAT OUTLINED HOW WE PROPOSE TO HANDLE THE
21 TRANSITION, BUT IT WAS, ADMITTEDLY, SHORT ON DETAIL.

22 MEMBER LOTT: YEAH, IT WAS. I REMEMBER
23 THAT. I DID SEE THAT.

24 MR. HARRISON: AS CHILA DESCRIBED, CIRM
25 HAS PLANS TO HAVE ITS OWN STAFF ON HAND TO MANAGE

BARRISTERS' REPORTING SERVICE

1 THESE GRANTS.

2 MEMBER LOTT: HANG ON A SECOND. I'M NOT
3 ASKING YOU TO ANSWER. I REALLY DON'T WANT YOU TO
4 TRY TO ANSWER IT HERE. QUESTION IS WHEN WILL YOU
5 HAVE ONE. I KNOW YOU DON'T HAVE ONE. IF YOU HAD
6 ONE, WE'D BE SEEING IT. SO WHEN WILL YOU HAVE A
7 DETAILED PLAN THAT THE PUBLIC AND YOUR BOARD CAN
8 SEE?

9 MR. HARRISON: I'D DEFER TO OUR CHAIR, BUT
10 I WOULD IMAGINE WE'D LOOK TO 2017-2018 FISCAL YEAR
11 TO DELIVER A WRITTEN PLAN.

12 MEMBER LOTT: BEFORE YOU WOULD SEE A PLAN?

13 MR. HARRISON: TO DELIVER A WRITTEN PLAN
14 THAT'S DETAILED AS YOU DESCRIBED.

15 MEMBER LOTT: I'M SORRY. THIS IS MY
16 OPINION. THAT'S UNACCEPTABLE. THAT'S UNACCEPTABLE.
17 2017 BEFORE WE SEE A PLAN?

18 CHAIRMAN THOMAS: REMEMBER, AGAIN, THAT
19 THE MONEY, IF WE'RE NOT SUCCESSFUL IN RAISING
20 ADDITIONAL FUNDS, THE MONEY WILL ACTUALLY RUN OUT IN
21 2021, SO WITH THE LAST AWARDS LIKELY TO BE IN 2017.
22 SO THAT ACTUALLY WOULD BE FAIRLY TIMELY AND
23 SIGNIFICANTLY IN ADVANCE OF WHEN THE MONEY WOULD
24 ACTUALLY RUN OUT.

25 BUT HAVING SAID THAT, WE ARE VERY AWARE

BARRISTERS' REPORTING SERVICE

1 THAT WE HAVE TO PLAN FOR A CONTINGENCY. SO WE'RE IN
2 THE PROCESS OF DEVELOPING THAT PLAN. BUT IT'S
3 CERTAINLY OPEN TO SUGGESTION; BUT, AGAIN, WERE IT TO
4 COME IN '17, FOR EXAMPLE, YOU'RE STILL FOUR YEARS
5 OUT FROM THE END OF THE MONEY.

6 MEMBER LOTT: WE'RE GOING TO HAVE TO AGREE
7 TO DISAGREE.

8 DEPUTY CONTROLLER HOLTON-HODSON: OKAY.
9 ANY FURTHER QUESTIONS ON THAT? ALL RIGHT.

10 DR. FEIGAL: OKAY. THANK YOU VERY MUCH.
11 MY NAME IS ELLEN FEIGAL. I'M SENIOR VICE PRESIDENT
12 OF RESEARCH AND DEVELOPMENT AT CIRM. AND WHAT I'D
13 LIKE TO DO IS GIVE YOU A CONCISE OVERVIEW OF OUR
14 SCIENTIFIC PROGRAMS. AND THEN AFTER THAT, I ALSO
15 HAVE A SECOND DECK TALKING A LITTLE BIT ABOUT THE
16 QUESTIONS THAT THE CONTROLLER RAISED REGARDING
17 INDUSTRY ENGAGEMENT AND SOME OF THE UPDATES ON THAT.
18 AND I'D BE HAPPY TO ANSWER QUESTIONS AT ANY POINT
19 ALONG THE WAY.

20 THE FIRST THING IS JUST TO GO BACK TO OUR
21 VISION AND STRATEGY. WE WERE PUT INTO PLACE, AS WE
22 ALL KNOW, TO ADVANCE THE STEM CELL-BASED SCIENCE TO
23 ACTUALLY DELIVER POTENTIAL THERAPIES AND CURES THAT
24 COULD BE DISEASE MODIFYING AND MAKE A SIGNIFICANT
25 IMPACT ON PATIENTS WHO HAVE CHRONIC DISEASES,

BARRISTERS' REPORTING SERVICE

1 SIGNIFICANT DISEASES, LIFE THREATENING OR SERIOUS,
2 AND CAUSE SEVERE DISABILITY.

3 IN THE FIRST FIVE YEARS OF CIRM, WE
4 ACTUALLY SPENT QUITE A BIT OF TIME BRINGING IN THE
5 INTELLECTUAL CAPITAL, BRINGING IN THE PHYSICAL
6 INFRASTRUCTURE, AND REALLY PLANTING THE FIELD TO LET
7 THE SCIENCE GROW AND HELP MAKE DECISIONS ABOUT WHICH
8 DIRECTIONS WE SHOULD MOVE IN.

9 IN THIS CURRENT PERIOD, WHICH WE'RE
10 CALLING THE FOCUS PHASE, WHICH IS WE'RE RIGHT IN THE
11 MIDST OF A FIVE-YEAR PERIOD WHERE WE'RE TRYING TO
12 PRIORITIZE OUR PROJECTS AND INVESTMENTS, WE HAVE A
13 STRATEGIC PLAN TO DRIVE THE CLINICAL TRIALS FOR
14 PATIENTS TO GENERATE THAT PRELIMINARY EVIDENCE OF
15 THERAPEUTIC BENEFIT, AND WE'RE WORKING TO DEVELOP
16 THOSE PARTNERSHIPS, THOSE PARTNERSHIPS WITH PATIENTS
17 AND PATIENT GROUPS, THOSE PARTNERSHIPS WITH
18 INDUSTRY, SO THAT WE CAN HAVE SOME VERY TANGIBLE
19 BUSINESS DEVELOPMENT ISSUES TAKING PLACE. AND ALSO
20 THOSE PARTNERSHIPS WITH DIFFERENT TYPES OF
21 DISCIPLINES AND COMPANIES SO THAT BY THE TIME WE
22 REACH 2016, WE WILL HAVE FACILITATED THE
23 COMMERCIALIZATION OF THOSE THERAPIES. WE WILL HAVE
24 ADVANCED THOSE THERAPIES TO PATIENTS AT LEAST IN THE
25 CONTEXT OF CLINICAL TRIALS, AND THAT WE WILL HAVE

BARRISTERS' REPORTING SERVICE

1 THOUGHT ABOUT WHAT THE BUSINESS MODEL NEEDS TO LOOK
2 LIKE FOR THOSE STEM CELL-BASED THERAPIES BECAUSE WE
3 KNOW IT WILL BE DIFFERENT THAN THE TYPE OF BUSINESS
4 MODEL FOR SMALL MOLECULES OR FOR BIOLOGICS.

5 THE NEXT SLIDE TELLS WHERE OUR MONEY HAS
6 BEEN COMMITTED TO DATE. AS YOU CAN SEE FROM THE
7 CHEVRON, WE FUND EVERYTHING FROM BASIC RESEARCH
8 THROUGH DISCOVERY RESEARCH THROUGH THE PRECLINICAL
9 RESEARCH AND IND-ENABLING WORK THROUGH EARLY PHASE
10 CLINICAL TRIAL. SOME OF THE TANGIBLE END POINTS OF
11 INTEREST FOR THE PRECLINICAL RESEARCH WOULD BE
12 IDENTIFYING PRECLINICAL WHAT WE CALL PROOF OF
13 CONCEPT, ESTABLISHING THE MECHANISM OF ACTION, AND
14 IDENTIFYING THERAPEUTIC CANDIDATES THAT COULD GO
15 DOWN AN IND-ENABLING PATH.

16 ONE OF THE KEY MILESTONES FOR PRECLINICAL
17 DEVELOPMENT IS FILING THAT IND TO ENTER
18 FIRST-IN-HUMAN CLINICAL TRIALS. ONE OF THE MAJOR
19 GOALS FOR THE EARLY PHASE CLINICAL TRIALS IS TO MAKE
20 SURE IT'S SAFE AND ALSO TO SEE IF WE HAVE
21 PRELIMINARY EVIDENCE THAT IT ACTUALLY WORKS. WHAT
22 WE DON'T HAVE IS MONEY, AND WE MADE A STRATEGIC
23 DECISION ABOUT THIS, IS TO DO THE REGISTRATIONAL
24 PIVOTAL TRIALS THAT COULD TAKE IT ALL THE WAY TO
25 COMMERCIALIZATION. THAT'S WHAT WE'RE DOING AS A

BARRISTERS' REPORTING SERVICE

1 STATE AGENCY IS TRYING TO DEVELOP THE RESEARCH AND
2 DEVELOP AND OBTAIN THE DATA TO MITIGATE THE RISK SO
3 THAT INVESTIGATORS, PHARMA, BIOTECH WILL WANT TO
4 COME IN AND THEN INVEST AT THAT POINT BECAUSE WE
5 WILL HAVE LESSENERED THE RISK FOR THEM TO GET
6 INVOLVED.

7 SO YOU CAN SEE THE COMMITMENTS THERE FOR
8 INFRASTRUCTURE, FOR INTELLECTUAL CAPITAL, FOR
9 FACILITIES AND CORE RESOURCES, FOR THE FOUNDATIONAL
10 RESEARCH. EACH OF THOSE IS APPROXIMATELY 20 PERCENT
11 OF THE TOTAL OF WHAT WE'VE SPENT TO DATE, WHICH IS
12 ABOUT 1.9 BILLION THAT'S BEEN COMMITTED. AND THEN
13 FOR THE TRANSLATIONAL RESEARCH, THAT'S BOTH THE
14 EARLY AS WELL AS WHAT WE CALL THE DEVELOPMENT PHASE,
15 THAT REPRESENTS ABOUT 40 PERCENT OF OUR BUDGET TO
16 DATE.

17 THESE ARE THE DIFFERENT PROGRAMS THAT HELP
18 US MOVE TOWARDS OUR GOALS. SO WE HAVE A CAREER
19 TRAINING BOTH AT THE VERY HIGH LEVEL FOR THE
20 RESEARCH LEADER WHERE WE'VE BROUGHT IN RESEARCH
21 LEADERS INTO THE STATE OF CALIFORNIA TO REALLY BE
22 RAINMAKERS TO BRING IN ADDITIONAL RESEARCHERS AND
23 SCIENTISTS. IN ADDITION, WE'VE BROUGHT IN ABOUT 130
24 SCIENTISTS OF A VARIETY, ALL OF HIGH CALIBER, BUT AT
25 DIFFERENT STAGES OF THEIR DEVELOPMENT. AND IN

BARRISTERS' REPORTING SERVICE

1 ADDITION, WE'RE REALLY TRAINING THE INTELLECTUAL
2 CAPITAL WITHIN THE STATE OF CALIFORNIA SO THAT WE
3 ARE REALLY BUILDING THE INFRASTRUCTURE, THE
4 INTELLECTUAL INFRASTRUCTURE, SO THAT THIS STEM CELL
5 TECHNOLOGY CAN CONTINUE TO THRIVE.

6 IN ADDITION, YOU SEE THE DIFFERENT
7 INITIATIVES. BASIC RESEARCH, WHICH IS REALLY
8 LOOKING AT SOME OF THE FUNDAMENTAL ISSUES THAT WE'RE
9 CONTINUING TO DISCOVER AND DEVELOP WITH THESE STEM
10 CELL-BASED TECHNOLOGIES. IT'S A UNIDIRECTIONAL
11 CHEVRON; BUT I THINK, AS WE ALL KNOW, SCIENTIFIC
12 ADVANCEMENT IS ITERATIVE. AND SOMETIMES YOU GET
13 INTO THE CLINIC AND THEN YOU HAVE TO GO BACK TO THE
14 LAB. SO THE BASIC FUNDAMENTAL RESEARCH IS GOING TO
15 CONTINUE. IT DOESN'T STOP ONCE WE GET INTO THE
16 CLINIC.

17 THE TOOLS AND TECHNOLOGIES INITIATIVES ARE
18 REALLY WORKING ON THE OBSTACLES OR THE CHALLENGES TO
19 TRANSLATE FROM THE LAB INTO THE CLINIC. SO WE'RE
20 LOOKING AT SOME OF THE UNIQUE ISSUES WITH STEM CELL
21 TECHNOLOGY. WHAT'S THEIR SURVIVAL? HOW DO THEY
22 ENGRAFT? HOW DO YOU MAKE SURE THEY DIFFERENTIATE
23 INTO THE CELL THAT YOU WANT AND NOT INTO A CELL THAT
24 YOU DON'T WANT, SUCH AS TUMOR? WHAT ARE THE
25 DIFFERENT TYPES OF DELIVERY DEVICES THAT YOU NEED TO

BARRISTERS' REPORTING SERVICE

1 PUT INTO PLACE? THESE ARE LIVING CELLS FOR MANY OF
2 THESE TYPES OF TECHNOLOGIES, AND THEY NEED TO GO TO
3 A SPECIFIC ANATOMIC LOCATION IN THE BRAIN.

4 SOMETIMES THESE CELLS KNOW WHERE TO HOME BECAUSE OF
5 THE PARTICULAR RECEPTORS OR CUES OR SIGNALS THAT
6 THEY SEE. OTHER TIMES YOU HAVE TO ANATOMICALLY
7 INJECT THEM INTO THE RIGHT PLACE, AND WE NEED TO
8 DEVELOP SPECIAL DELIVERY DEVICES TO GET THEM TO
9 WHERE THEY NEED TO GO.

10 FOR EXAMPLE, IN THE BRAIN, WE'RE DOING
11 SOME WORK WHERE WE'RE ACTUALLY DEVELOPING A CANNULA
12 SO THAT YOU CAN TAKE ONE INCISION IN THE SKULL, BUT
13 HAVE IT BE INSERTED INTO VERY PRECISE ANATOMIC
14 LOCATIONS IN THE BRAIN. THIS IS NEW. WE HAVEN'T
15 HAD THAT BEFORE. SO PEOPLE ARE BEING PIONEERING IN
16 THIS ASPECT.

17 IN ADDITION, THERE'S VERY NOVEL
18 MANUFACTURING THAT NEEDS TO BE PUT INTO PLACE
19 BECAUSE ONE OF THE CHALLENGES TO MAKING THIS A
20 BUSINESS IS DECREASING THE COST OF GOODS FOR
21 MANUFACTURING. SO WE'RE WORKING EARLY ON
22 BIOPROCESSING TO MAKE THIS A MORE EFFICIENT PROCESS
23 SO THAT THE COST OF GOODS CAN BE REASONABLE SO THAT
24 ACTUALLY THIS CAN BE A BUSINESS.

25 FOR THE EARLY TRANSLATIONAL RESEARCH, AS I

BARRISTERS' REPORTING SERVICE

1 NOTED, WE'RE TRYING TO LOOK AT PRECLINICAL PROOF OF
2 CONCEPT AND SELECTING A DEVELOPMENT CANDIDATE THAT
3 MIGHT BE POSSIBLE TO GO DOWN AN IND-ENABLING STATE.

4 AND THEN WE HAVE WHAT'S CALLED DISEASE
5 TEAMS AND STRATEGIC PARTNERSHIPS. THE DISEASE TEAMS
6 AND STRATEGIC PARTNERSHIPS, ACTUALLY COMPANIES CAN
7 COME INTO ANY OF THESE INITIATIVES, BUT THIS IS
8 PARTICULARLY --

9 DEPUTY CONTROLLER HOLTON-HODSON: LET ME
10 JUST INTERRUPT YOU FOR A QUICK TRANSLATION SINCE
11 WE'RE NOT SCIENTISTS HERE. IND?

12 DR. FEIGAL: I AM SO SORRY. IND IS AN
13 INVESTIGATIONAL NEW DRUG. AND IT IS ACTUALLY A
14 PACKET OF INFORMATION THAT'S PRESENTED TO, IN THIS
15 COUNTRY, THE U.S. FOOD AND DRUG ADMINISTRATION,
16 WHICH IS THE AGENCY RESPONSIBLE IN THIS COUNTRY FOR
17 APPROVING DRUGS. THEY'RE ALSO THE AGENCY
18 RESPONSIBLE FOR APPROVING WHETHER OR NOT AN
19 INVESTIGATIONAL THERAPEUTIC AGENT CAN GO INTO HUMAN
20 BEINGS. AND IT'S NOT JUST A FORM YOU FILL OUT.
21 IT'S ACTUALLY A WHOLE BODY OF STUDIES AND DATA THAT
22 HAS TO BE PRESENTED TO THE AGENCY WHICH THEY REVIEW
23 AND MAKE DECISIONS ABOUT WHETHER OR NOT A THERAPY
24 CAN GO FORWARD.

25 DEPUTY CONTROLLER HOLTON-HODSON: THANK

BARRISTERS' REPORTING SERVICE

1 YOU.

2 MEMBER LIPSON: IND ALSO MEANS INCISION
3 AND DRAINAGE.

4 DR. FEIGAL: MANY DIFFERENT WAYS WE CAN
5 USE THE SAME ABBREVIATION. THIS IS THE INTENT FOR
6 THIS PRESENTATION.

7 SO THE DISEASE TEAMS AND STRATEGIC
8 PARTNERSHIPS ARE ACTUALLY THE MULTIDISCIPLINARY
9 TEAMS. THEY HAVE CLINICAL EXPERTISE, THEY HAVE
10 PEOPLE WITH EXPERTISE IN PRECLINICAL ANIMAL MODELS
11 AND MANUFACTURING. THOSE ARE THE TEAMS THAT ARE
12 TAKING THESE GREAT IDEAS AND THERAPEUTIC CANDIDATES,
13 AND THIS IS WHERE THE RUBBER MEETS THE ROAD.
14 THEY'RE GOING DOWN A VERY REGULATED ENVIRONMENT.
15 AND BY REGULATED, I MEAN A LOT OF SCRUTINY BY THE
16 FDA, THE FEDERAL AGENCY, A LOT OF SCRUTINY BY WHAT'S
17 CALLED INSTITUTIONAL REVIEW BOARDS TO LOOK AT
18 PROTOCOLS BEFORE THEY GO INTO HUMANS.

19 A LOT OF COMMITTEES LOOK AT THIS WORK TO
20 MAKE SURE THAT IT'S DONE IN A HIGH QUALITY AND
21 ROBUST WAY BEFORE IT CAN ENTER INTO HUMANS. AND I
22 COULD SAY OTHER COUNTRIES HAVE SIMILAR TYPE
23 PROCESSES FOR EVALUATING THOSE TYPES OF THERAPEUTICS
24 BEFORE THEY GET INTO HUMANS. IN THIS COUNTRY
25 THERE'S A PARTICULAR OFFICE AT THE FDA CALLED THE

BARRISTERS' REPORTING SERVICE

1 OFFICE OF CELL, TISSUE, AND GENE THERAPY WHICH
2 REVIEWS ALL THE STEM CELL-BASED APPROACHES.

3 TO DATE WE'VE AWARDED APPROXIMATELY 600
4 AWARDS TO OVER SIXTY INSTITUTIONS AND ORGANIZATIONS
5 ACROSS TRAINING, BASIC SCIENCE, TOOLS AND
6 TECHNOLOGIES, AND ALL THE TRANSLATIONAL AND
7 DEVELOPMENT WORK. WE HAVE HUNDREDS OF
8 COLLABORATIONS BETWEEN ACADEMIC RESEARCHERS ACROSS
9 THE STATE, ACROSS THE UNITED STATES, AND
10 INTERNATIONALLY. WE HAVE CO-FUNDING WITH ABOUT 21
11 DIFFERENT COUNTRIES, STATES, FOUNDATIONS, AND THE
12 NATIONAL INSTITUTES OF HEALTH. WE HAVE PRODUCTIVE
13 INTERACTIONS WITH REGULATORY AGENCIES, WITH A
14 PROFESSIONAL AND LOBBYING ORGANIZATION CALLED THE
15 ALLIANCE FOR REGENERATIVE MEDICINE, WHICH HAS A
16 LARGE UMBRELLA ORGANIZATION WHICH WORKS WITH PEOPLE
17 IN THE FEDERAL GOVERNMENT TO STRESS THE IMPORTANCE
18 OF REGENERATIVE MEDICINE AND WHY IT NEEDS TO
19 CONTINUE TO BE SUSTAINED AND FUNDED. AND ALSO WE
20 HAVE STRONG COLLABORATIONS AND INTERACTIONS WITH A
21 VARIETY OF PROFESSIONAL SOCIETIES SO THAT WE'RE WELL
22 CONNECTED. WE'RE NOT WORKING IN ISOLATION.
23 ALTHOUGH OUR MONEY NEEDS TO STAY IN CALIFORNIA,
24 WE'RE VERY WELL CONNECTED WITH WHAT'S GOING ON
25 GLOBALLY.

BARRISTERS' REPORTING SERVICE

1 WE HAVE MORE THAN 80 PROGRAMS THAT ARE
2 MOVING TOWARDS OR IN THE CLINIC. WE HAVE
3 COLLABORATIONS AND LEVERAGING EXPERTISE AS WELL AS
4 DOLLARS WITH COMPANIES. SO WE'RE TRYING TO TAKE NOT
5 JUST COMPANY MONEY, BUT WE'RE ALSO TRYING TO UTILIZE
6 THE REGULATORY AND BUSINESS EXPERTISE TO HELP SHAPE
7 HOW WE MOVE THESE PROGRAMS FORWARD.

8 WE HAVE 25 DEVELOPMENT TEAMS. SEVEN OF
9 THEM HAVE COLLABORATIVE FUNDING PARTNERS. ONE HAS
10 COLLABORATION WITH A DISEASE FOUNDATION. SEVEN
11 ACTUALLY HAVE COMPANIES AS THE PRINCIPAL
12 INVESTIGATOR OR THE CO-PRINCIPAL INVESTIGATOR. AND
13 THAT JUST MEANS THAT'S THE LEADER OF THE PROJECT.
14 WE HAVE THREE FOUNDED COMPANIES THAT HAVE SPUN OUT
15 FROM OUR RESEARCH, AND WE HAVE TWO LICENSING
16 PARTNERSHIPS WITH LARGE BIOPHARMA.

17 THIS IS JUST A GRAPHIC OF THE TRAJECTORY
18 OF SPENDING AND THE DIFFERENT CATEGORIES OF
19 INVESTMENTS THAT HAVE BEEN MADE ACROSS BASIC, CORE
20 RESOURCES, EARLY TRANSLATION, TOOLS AND
21 TECHNOLOGIES, AND CLINICAL DEVELOPMENT.

22 THIS IS JUST A SNAPSHOT OF THE AWARDS AND
23 THE FUNDS THAT HAVE BEEN APPROVED BY OUR OVERSIGHT
24 BOARD. THIS IS FOR TRAINING AND BRIDGES. WHAT
25 THESE PROGRAMS DO IS ACTUALLY TO TRAIN PRE, POST,

BARRISTERS' REPORTING SERVICE

1 AND CLINICAL FELLOWS. IT PROVIDES MENTORED
2 LABORATORY STEM CELL RESEARCH. THE COURSE WORK
3 INCLUDES STEM CELL BIOLOGY AND ITS APPLICATION TO
4 HEALTH AND DISEASE. IT ALSO REVIEWS AND HELPS TEACH
5 SOME OF THE ETHICAL, LEGAL, AND SOCIAL ASPECTS OF
6 STEM CELL RESEARCH.

7 TO DATE WE'VE TRAINED OVER 751 CIRM
8 SCHOLARS AT 17 INSTITUTIONS AND OVER 400 LABS. A
9 SURVEY THAT WAS CONDUCTED LAST YEAR, OF THE 430
10 SCHOLARS WHO PARTICIPATED IN THE SURVEY, 37 PERCENT
11 OF THEM HAVE ADVANCED TO ADDITIONAL TRAINING OR
12 ANOTHER DEGREE. OVER HALF, 56 PERCENT, HAVE
13 POSITIONS AS EITHER ACADEMIC RESEARCH FACULTY OR AS
14 POSITIONS IN BIOTECH OR IN PHARMA OR THEY HAVE
15 TEACHING POSITIONS, MEDICAL PRACTICE, OR THEY HAVE
16 POSITIONS IN FOUNDATIONS OR IN GOVERNMENT WORK. SO
17 OVER 50 PERCENT ACTUALLY GOT POSITIONS, AND OVER A
18 THIRD OF THEM ACTUALLY HAVE GONE ON TO ADVANCED
19 TRAINING.

20 IN TERMS OF THE BRIDGES PROGRAM, THIS IS
21 WHERE UNDERGRADUATE OR MASTER'S DEGREE CANDIDATES,
22 THESE ARE ESPECIALLY FOR COMMUNITY COLLEGES AND
23 STATE UNIVERSITIES, OVER 500 MENTORED INTERNSHIPS,
24 STEM CELL RESEARCH IN OVER 300 DIFFERENT
25 LABORATORIES IN RESEARCH-INTENSE UNIVERSITIES AND

BARRISTERS' REPORTING SERVICE

1 BIOTECH COMPANIES.

2 THIS IS BUILDING THE NEXT GENERATION OF
3 INTELLECTUAL CAPITAL. SO THIS IS A VERY PROACTIVE
4 THING THAT THE AGENCY TOOK AS A STRATEGIC DECISION
5 THAT IT WAS VERY IMPORTANT FOR THEM TO DO. SO WE'VE
6 HAD TWO ROUNDS OF THIS TRAINING. WE PLAN A
7 COMPETITIVE ROUND OF TRAINING AND ONE MORE
8 COMPETITIVE ROUND OF TRAINING AND BRIDGES.

9 THESE ARE JUST VIGNETTES OF A PERSON WHO
10 WENT THROUGH THE CIRM SCHOLARSHIP. SHE WAS A
11 CLINICAL FELLOW IN THE CIRM UC DAVIS STEM CELL
12 TRAINING PROGRAM. SHE COMPLETED HER PHARMACY
13 PRACTICE IN ONCOLOGY PHARMACY SPECIALTY. SHE DOES
14 RESEARCH IN NEUROBLASTOMA. THIS IS ONE OF THE MOST
15 COMMON SOLID TUMORS OCCURRING IN CHILDREN OUTSIDE OF
16 BRAIN CANCER. AND SHE'S WORKING ON DEVELOPING MORE
17 EFFECTIVE, LESS TOXIC TREATMENTS. SHE RECEIVED A
18 PEDIATRIC CANCER RESEARCH YOUNG SCHOLAR AWARD AS A
19 RESULT OF HER WORK THAT WAS SUPPORTED BY THIS UC
20 DAVIS-CIRM SUPPORTED STEM CELL PROGRAM. CURRENTLY
21 SHE'S ON THE FACULTY. SHE'S AN ASSISTANT PROFESSOR
22 IN THE DIVISION OF HEM/ONC IN THE DEPARTMENT OF
23 INTERNAL MEDICINE AT UC DAVIS.

24 ANOTHER VIGNETTE IS SARAH GEORGE. SHE DID
25 AN INTERNSHIP PROGRAM AT SAN LUIS OBISPO. SHE DID A

BARRISTERS' REPORTING SERVICE

1 TRAINING PROGRAM IN THE LABORATORY AT UC SAN DIEGO
2 WITH DR. CARL WILLERT. SHE'S ACTUALLY INTERESTED IN
3 BIOMEDICAL ENGINEERING, AND SHE'S USING THAT
4 KNOWLEDGE AND HER EXPERIENCE TO OBTAIN -- SHE
5 OBTAINED A POSITION AS A RESEARCH ASSOCIATE AT A
6 CALIFORNIA COMPANY, NEUROGENERATION. SHE'S WORKING
7 ON THE DEVELOPMENT AND APPLICATION OF NEURAL STEM
8 CELLS FOR THERAPEUTIC USE IN TREATING
9 NEURODEGENERATIVE DISEASES.

10 I HAVE MANY MORE VIGNETTES, BUT WE DON'T
11 HAVE TIME.

12 MEMBER LOTT: I'M SORRY. I ENJOYED THE
13 VIGNETTES AND I DID LOOK AT THIS PART OF YOUR REPORT
14 BECAUSE I HAVE A PERSONAL INTEREST IN IT. I'M GOING
15 TO POINT THAT BIAS OUT RIGHT UP FRONT. BUT I THINK
16 THERE WERE A LOT OF EXPECTATIONS ON THE PART OF THE
17 PUBLIC WHEN THEY VOTED FOR THE PROPOSITION THAT SET
18 THIS UP THAT THERE WOULD BE SOME RESULTS. I SEE A
19 LOT OF GOOD WORK THAT HAS BEEN DONE, AND I SEE WHERE
20 ADVANCES ARE BEING MADE. I SEE WHERE THIS HAS BEEN
21 AN IMPORTANT CONTRIBUTION. I'VE WRITTEN ABOUT CIRM.
22 I'M A BIG SUPPORTER OF THE ORGANIZATION.

23 BUT IT STILL IS ABOUT RESULTS. AND
24 RESULTS ARE VIEWED BY THE PUBLIC AS SOMETHING VERY
25 PRACTICAL. I THINK WHEN MANY VOTED FOR THIS, THEY

BARRISTERS' REPORTING SERVICE

1 THOUGHT THERE WERE GOING TO BE SOME CURES COMING OUT
2 OF THIS EFFORT. AND MY BIAS IS I HAVE A 13-YEAR-OLD
3 DAUGHTER WHO HAS A SPINAL CORD INJURY, PARTIAL
4 BREAK. I'D LIKE TO GO HOME AND TELL MY WIFE THAT
5 THIS DID SOMETHING TO ADVANCE THE MEDICAL THERAPY
6 THAT WILL ULTIMATELY PROVIDE HER WITH THE
7 OPPORTUNITY TO WALK AGAIN.

8 WHAT CAN YOU TELL ME THAT WE'VE DONE
9 THAT'S GOING TO GET MY DAUGHTER OUT OF HER
10 WHEELCHAIR SOONER THAN LATER AFTER ALL THIS MONEY
11 HAS BEEN SPENT?

12 DR. FEIGAL: WHAT I CAN TELL YOU IS THAT
13 WE'VE BEEN WORKING ON SPINAL CORD INJURY. THAT
14 WE'RE WORKING -- ACTUALLY OUR VERY FIRST CLINICAL
15 TRIAL, AS YOU MAY RECALL, WAS WITH A COMPANY NAMED
16 GERON. FOR BUSINESS REASONS THEY DECIDED NOT TO
17 PURSUE THAT INDICATION. BUT THEY ACTUALLY DO HAVE
18 FIVE PATIENTS WITH THEIR THERAPEUTIC CANDIDATE,
19 OPC1. THOSE PATIENTS WERE ALL TREATED. THEY'RE ALL
20 BEING FOLLOWED. WE ACTUALLY ARE STARTING TO SEE THE
21 DATA COMING IN FROM THOSE FIVE PATIENTS. SO WE HAVE
22 INFORMATION ABOUT THEM.

23 AS YOU MAY OR MAY NOT KNOW, THEY ACTUALLY
24 TOOK THAT PRODUCT, IT'S CHANGED HANDS SEVERAL TIMES.
25 IT WENT TO BIOTIME, THEN IT WENT TO A CURRENT

BARRISTERS' REPORTING SERVICE

1 COMPANY CALLED ASTERIAS, BUT ACTUALLY THAT RESEARCH
2 WORK IS CONTINUING ON. WE CONTINUE TO WORK WITH
3 THOSE GROUPS PARTICULARLY IN THE AREA OF SPINAL CORD
4 INJURY. SO THAT'S A GROUP THAT ACTUALLY HAS
5 CONDUCTED CLINICAL TRIALS, AND THAT IS A COMPANY
6 THAT IS STILL DEDICATED TO LOOKING AT THEIR
7 THERAPEUTIC APPROACH IN SPINAL CORD INJURY.

8 WE ALSO WORK WITH ANOTHER COMPANY --

9 MEMBER LOTT: IF YOU HAD TO -- I'M LOOKING
10 AT THE PROPOSITION, THE MONEY THAT WE'VE SPENT.
11 THIS IS WHAT I'M GETTING AT. I KNOW IT'S AN UNFAIR
12 QUESTION, AND I DON'T WANT TO DEAL WITH THAT ONE
13 PARTICULAR PROBLEM THAT'S PERSONAL. BUT FOR ANY
14 DISEASES OUT THERE, WHAT CAN WE SAY WE'VE DONE TO
15 ADVANCE TO A CURE OR TO CURES? IT'S FINE THAT WE'VE
16 GOT ALL -- WE'VE CONTRIBUTED TO ALL. WHAT CAN YOU
17 SAY THAT WE'VE ACTUALLY DONE? WE DON'T REALLY HAVE
18 ANY -- I'M GOING TO JUST SAY THIS BECAUSE IT'S A
19 BIAS AND I KNOW IT'S A BIAS. WE DON'T HAVE ANY
20 TANGIBLE SPECIFIC AND MEASURABLE RESULTS THAT I CAN
21 POINT TO.

22 DR. FEIGAL: ACTUALLY --

23 MEMBER LOTT: TELL ME IF I'M WRONG AND
24 DEMONSTRATE IT TO ME. I WANT TO UNDERSTAND WHERE
25 THE RESULTS ARE.

BARRISTERS' REPORTING SERVICE

1 DR. FEIGAL: SO I'M HAPPY TO TELL YOU THE
2 RESULTS, BUT I GUESS THE ISSUE IS THE EXPECTATIONS.
3 AND WHEN THIS WAS FUNDED, IT PROBABLY WAS AN
4 EXPECTATION THAT I GIVE THEM MONEY AND WITHIN A
5 VERY, VERY, VERY SHORT PERIOD OF TIME, AND FRANKLY
6 TEN YEARS IS A RELATIVELY SHORT PERIOD OF TIME, AND
7 AS YOU MAY NOT KNOW, THE FUNDING DIDN'T START TILL
8 2006, BUT IF YOU TRY -- WE'RE TRYING TO DO THINGS IN
9 A VERY ACCELERATED WAY. THE FUNDING ACTUALLY FOR
10 THE DISEASE TEAMS AND STRATEGIC PARTNERSHIPS JUST
11 STARTED THREE YEARS AGO. PART OF IT IS ADVANCING
12 THE SCIENCE TO GET TO THE POINT THAT IT COULD GO
13 INTO HUMANS. AND THAT WAS ALL ESSENTIAL RESEARCH
14 THAT HAD TO TAKE PLACE THAT WASN'T HAPPENING
15 ANYPLACE ELSE.

16 SO WHAT CIRM HAS DONE IS ACTUALLY, AND
17 IT'S NOT -- IT'S A NECESSARY ESSENTIAL STEP. YOU
18 HAVE TO UNDERSTAND THE APPROPRIATE WAY TO USE IT SO
19 THAT YOU CAN ACTUALLY GET INTO HUMANS BECAUSE
20 GETTING INTO HUMANS IS ACTUALLY A VERY REGULATED
21 SPACE. SO IN TERMS OF TANGIBLE THINGS, ON THE WAY
22 TO GET A PRODUCT APPROVED AND THEN INTO THE
23 MARKETPLACE, WE'RE TRYING TO ACCELERATE THIS AS MUCH
24 AS POSSIBLE.

25 WITHIN THREE YEARS OF THE FIRST FUNDING OF

BARRISTERS' REPORTING SERVICE

1 THE DISEASE TEAMS, OVER 50 PERCENT OF THE FIRST 14
2 TEAMS HAVE BEEN ABLE TO FILE WHAT WE SAID WAS THE
3 IND AND TO ACTUALLY -- I MEAN ARE ON A TRACK TO FILE
4 THEIR IND WITHIN -- ONE HAS ALREADY FILED IT IN 2012
5 AND IS IN CLINICAL TRIALS. ONE FILED IN 2013 AND IS
6 IN CLINICAL TRIALS. ONE IS AN HIV CLINICAL TRIAL.
7 ONE IS A CLINICAL TRIAL IN CONGESTIVE HEART FAILURE.
8 A THIRD WAS FILED IN 2013. THIS WAS ONLY WITHIN THE
9 FIRST COUPLE OF YEARS OF EVEN FUNDING IT BECAUSE WE
10 VERY ACTIVELY SAID WE WANT TO DO THINGS DIFFERENTLY.
11 WE DON'T WANT IT TO TAKE TEN TO 14 YEARS TO GO FROM
12 STEP ONE TO STEP THREE. WE ACTUALLY WANT TO FIGURE
13 OUT HOW TO ACCELERATE IT.

14 AND AS PART OF MY PRESENTATION, I CAN TELL
15 YOU SOME OF THE THINGS WE'RE TRYING TO ACCELERATE.
16 BUT THIS YEAR WE EXPECT SIX MORE TO ENTER CLINICAL
17 TRIALS THIS YEAR. THE CLINICAL TRIALS, THERE'S NO
18 SHORTCUT TO TRYING TO GET CLINICAL TRIALS INTO
19 HUMANS. YOU CAN'T SHORTCUT TRYING TO FIND OUT IF
20 IT'S SAFE OR DOING THIS IN PATIENTS RIGHT AWAY.
21 WE'RE NOT GOING THROUGH THE NORMAL VOLUNTEER ROUTE,
22 WHICH SOME OTHER INDICATIONS AND MOLECULES DO. SO
23 WE'RE ACTUALLY GOING RIGHT AWAY INTO HUMANS, INTO
24 PEOPLE THAT HAVE THOSE DISEASES AND HAVE THOSE
25 INJURIES.

BARRISTERS' REPORTING SERVICE

1 TWO ARE ALREADY IN THE CLINIC, ENROLLING
2 PATIENTS. SO FAR THE SAFETY PROFILE LOOKS GOOD. WE
3 STILL NEED TO GET MORE INFORMATION TO FIND OUT DOES
4 IT WORK. ANOTHER SIX ARE GOING INTO THE CLINIC, WE
5 ANTICIPATE, THIS YEAR. THEY HAVE FUNDING TO DO SO.

6 WE'RE PUTTING TOGETHER A CLINICAL
7 INFRASTRUCTURE SOMETIME THIS YEAR SO THAT WE CAN
8 BRING CLINICAL TRIALS TO CALIFORNIA SO THAT PATIENTS
9 WILL HAVE ACCESS. AND WE'RE DOING IT IN A
10 CENTRALIZED WAY SO THAT WE CAN DO THINGS FASTER,
11 THAT WE CAN ACTUALLY GET TO THE END POINT THAT THE
12 CITIZENS OF CALIFORNIA WANT TO SEE FASTER.

13 SO ACTUALLY BACK AT THE -- I'M JUMPING
14 AHEAD WITH THE PRESENTATION BECAUSE YOU HAVE A
15 HANDOUT. I DON'T NEED TO GO THROUGH EACH SLIDE.
16 BUT IF YOU'RE MOST INTERESTED IN WHAT WE'RE TRYING
17 TO DO TO ACCELERATE THINGS --

18 MEMBER LOTT: LET ME DO THAT BECAUSE I'M
19 NOT A SCIENTIST. YOU GUYS DO THIS STUFF. I KNOW
20 YOU DO IT WELL. I'M A BUSINESSMAN. I WANT TO KNOW
21 WHAT ROI IS ON ALL THAT WE'VE DONE. WHAT'S THE
22 RETURN ON INVESTMENT? CAN YOU DO THAT FOR ME?

23 CHAIRMAN THOMAS: SO I WANT -- YES, I'LL
24 GET TO THAT IN ONE SECOND. I JUST WANTED TO ADD A
25 LITTLE BIT TO WHAT ELLEN SAID. THIS, AS YOU KNOW,

BARRISTERS' REPORTING SERVICE

1 IS A VERY NEW FIELD. THE FIRST HUMAN EMBRYONIC STEM
2 CELLS WERE ISOLATED IN 1998. SO EVERYTHING HAS
3 FOLLOWED FROM THAT. AND IF YOU SORT OF LOOK AT THE
4 PROGRESS THAT HAS BEEN MADE AND YOU COMPARE IT TO
5 THE PROGRESS IN OTHER PARTS OF MEDICAL RESEARCH,
6 DRUG DEVELOPMENT OR WHAT THEY CALL BIOLOGICS,
7 MONOCLONAL ANTIBODIES, ETC., THERE ARE NOW
8 ESTABLISHED TOOLS TO TREAT VARIOUS CONDITIONS.

9 THIS HAS ACTUALLY BEEN MOVING ALONG AT A
10 VERY ACCELERATED PACE. WHEN YOU ASK SORT OF WHAT
11 THE RESULTS ARE, DO WE HAVE ANY CURES? NO, WE DON'T
12 HAVE ANY CURES, BUT THE RESULTS ARE MANY. THEY'RE
13 INCREMENTAL, BUT THEY ARE ALL MOVING ALONG A
14 RESEARCH CONTINUUM THAT ANY SORT OF DRUG THERAPY
15 WOULD FOLLOW EXCEPT NOW WE'RE DEALING IN AN ENTIRELY
16 NEW SPACE, WHICH IS CELLULAR THERAPY.

17 SO WE CAN SHARE WITH YOU WHEN ELLEN SAYS
18 THIS PROJECT OR THAT PROJECT IS GOING INTO CLINICAL
19 TRIALS, I THINK YOU'D FIND QUITE INTERESTING SOME OF
20 THE DETAILS AND WHERE THESE PROJECTS ARE AT ALONG
21 THEIR CONTINUUM. AND ALL I CAN SAY IS WHEN YOU HEAR
22 THE STORIES, THEY ARE INCREDIBLE. NOW, WHETHER THEY
23 ULTIMATELY PAN OUT, THIS IS SCIENCE, YOU DON'T KNOW,
24 BUT WE, I THINK, COLLECTIVELY FIRMLY BELIEVE THAT A
25 NUMBER OF THE PROJECTS THAT NOT JUST WE'RE FUNDING,

BARRISTERS' REPORTING SERVICE

1 BUT THAT ARE IN PROCESS NATIONALLY AND
2 INTERNATIONALLY, WILL ULTIMATELY PAN OUT. AND EVERY
3 SINGLE ONE THAT WE ARE FUNDING AND ARE BEING FUNDED
4 ELSEWHERE ARE COMPLETE GAME CHANGERS, WHETHER IT'S
5 FOR SPINAL CORD OR IT'S FOR DIABETES OR IT'S FOR
6 CANCER OR WHATEVER.

7 SO REMEMBER THAT IF YOU LOOK BACK AT SORT
8 OF THE MODEL THAT'S ALWAYS CLASSICALLY CITED, 1938
9 MARCH OF DIMES STARTS RAISING MONEY FOR POLIO
10 RESEARCH. NOT TILL 1955, BUT SALK PRODUCES THE
11 VACCINE. THAT'S A 17-YEAR PERIOD. THEY DIDN'T HAVE
12 A LOT OF FUNDING IN THOSE DAYS. WE, THROUGH THE
13 WISDOM OF THE VOTERS OF CALIFORNIA, HAVE A VERY
14 CONSIDERABLE POT OF FUNDING AND HAVE BEEN ABLE TO
15 ESTABLISH RESEARCH NETWORKING COLLABORATION
16 ACCELERATION THAT WE BELIEVE WILL LEAD TO --

17 MEMBER LOTT: I WANT TO GO BACK.

18 CHAIRMAN THOMAS: CAN I GET TO YOUR RETURN
19 ON INVESTMENT QUESTION?

20 MEMBER LOTT: HERE'S MY PROBLEM. AS YOU
21 SAID EARLIER, AND I AGREE WITH IT COMPLETELY, I
22 THINK IT'S A QUESTION OF EXPECTATIONS. I KNOW WHEN
23 I VOTED FOR THIS, AND I DID VOTE FOR IT, I HAD SOME
24 EXPECTATIONS. AND MY EXPECTATIONS WERE WE WERE
25 GOING TO SEE SOMETHING IN TERMS OF CURES AT THE END

BARRISTERS' REPORTING SERVICE

1 OF THE RAINBOW AFTER WE SPEND \$3 BILLION, WHATEVER
2 IT IS THAT WE'RE SPENDING HERE.

3 SO WHEN I ASKED FOR AN ROI -- AND I DO
4 UNDERSTAND WHAT YOU ARE TRYING TO TELL US. I DO GET
5 IT, BUT IT'S NOT TRANSLATABLE. IT DOESN'T TRANSLATE
6 TO THE EXPECTATIONS THAT MANY OF US VOTERS HAD. I
7 GUESS MAYBE I'M JUST PREACHING TOO MUCH AND I OUGHT
8 TO STOP. ANOTHER WAY OF LOOKING AT THIS PERHAPS IS
9 WHERE WOULD WE BE HAD WE NOT SPENT THIS MONEY?

10 DR. FEIGAL: I THINK WE'D BE WAY BACK AT
11 THE BEGINNING.

12 MEMBER LOTT: I THINK THAT'S A GOOD STORY
13 TO TELL. WHERE WOULD WE BE IF WE DIDN'T DO THIS?

14 DR. FEIGAL: THERE WAS ACTUALLY A BAN, AS
15 YOU MAY KNOW, ON THIS KIND OF RESEARCH AND NOTHING
16 WAS HAPPENING. THE SAFE SANCTUARIES WERE PUT
17 TOGETHER. I DIDN'T GO THROUGH THE GENESIS OF CIRM,
18 BUT BASICALLY THIS WASN'T GETTING DONE AT ALL
19 ANYWHERE, TO MAKE THAT CLEAR.

20 MEMBER LOTT: I KNOW BUSH HAD THE BAN AND
21 ALL THAT KIND OF STUFF. I REMEMBER ALL THAT, BUT
22 THAT'S IRRELEVANT TO THIS POINT. IT REALLY IS. THE
23 POINT IS IF WE DID SPEND ALL THIS MONEY, WHAT DID WE
24 GET FOR IT?

25 DR. FEIGAL: WHAT I'D LIKE TO TELL YOU IS

BARRISTERS' REPORTING SERVICE

1 I THINK PART OF IT IS AN EXPECTATION ISSUE.

2 MEMBER LOTT: BY THE WAY, I'M GOING TO
3 STOP. I REALLY AM. I'M DOMINATING TOO MUCH AND
4 WE'RE TAKING UP TOO MUCH TIME. SO I REALLY AM GOING
5 TO STOP. I THINK THIS IS PROBABLY --

6 DR. FEIGAL: I WANT TO SHOW YOU SOMETHING
7 REAL. WE'RE WORKING ON AN UNMET MEDICAL NEED WHERE
8 THERE ARE NO THERAPEUTIC OPTIONS. LOOK AT THIS
9 PATIENT UP HERE. THIS IS A PATIENT WITH RETINITIS
10 PIGMENTOSA WHO BASICALLY SEES A PINHOLE OF VISION
11 AND NOTHING PERIPHERALLY. THIS INVESTIGATOR -- THIS
12 IS WHAT THEY SEE WHEN YOU HAVE RETINITIS PIGMENTOSA,
13 AND IT AFFECTS YOUNG PEOPLE AND IT'S A GENETIC
14 DEFECT AND THERE ARE NO OPTIONS.

15 SO WE HAVE A GROUP WORKING ON THIS IN
16 ADDITION TO SOME OTHERS THAT WENT IN ONE YEAR FROM
17 IDENTIFYING THAT CANDIDATE TO BEING SUCCESSFUL AND
18 NOW WORKING ON THAT PATHWAY TO GET THIS TO A
19 CLINICAL TRIAL TO WORK IN PATIENTS WITH RETINITIS
20 PIGMENTOSA. WE HAVE -- I'M GOING TO FORGET THIS
21 STUFF BECAUSE I KNOW --

22 MEMBER LOTT: WAIT. WAIT. STAY WITH THAT
23 ONE. SO WHAT'S GOING TO HAPPEN AS A RESULT OF WHAT
24 WE DID?

25 DR. FEIGAL: THEY'RE ON A TRAJECTORY. ONE

BARRISTERS' REPORTING SERVICE

1 OF THE THINGS THAT I'D LIKE -- FORGET THE SLIDES FOR
2 RIGHT NOW. WHAT I WANTED TO GET THROUGH IN TERMS OF
3 THIS IS I THINK THERE IS AN ISSUE WITH EXPECTATIONS,
4 AND I THINK I CAN SAY PERHAPS EXPECTING A CURE IN
5 TEN YEARS WAS SOMETHING THAT I KNOW IS SOMETHING
6 THAT EVERYBODY WOULD LOVE TO SEE, BUT USUALLY
7 TECHNOLOGY ADVANCES AND IT CAN ADVANCE RAPIDLY, BUT
8 PROBABLY NOT THAT RAPIDLY. AND WHAT WE'RE TRYING TO
9 DO IS ADVANCE AS RAPIDLY AS WE CAN.

10 WE DON'T HAVE ENOUGH MONEY TO TAKE IT ALL
11 THE WAY TO -- IT'S VERY EXPENSIVE TO TAKE A NEW
12 TECHNOLOGY ALL THE WAY THROUGH ALL THESE CLINICAL
13 TRIALS WHICH ARE REQUIRED BY AN AGENCY TO GET INTO
14 HUMANS. AND THEN, OF COURSE, YOU NEED TO DO IT IN A
15 WAY WHERE YOU HAVE THE RIGHT MANUFACTURING, YOU HAVE
16 THE RIGHT BUSINESS MODEL. CIRM IS NOT A COMPANY.
17 CIRM IS GOING TO HAVE TO FIND THE COMMERCIAL
18 SPONSORS TO TAKE IT TO THE NEXT STEP.

19 SOME OF THESE SLIDES IN THE NEXT DECK TALK
20 ABOUT HOW THAT'S GOING TO HAPPEN. SO WHAT I'M
21 SAYING IS THIS IS REALLY ON A VERY FAST TRAJECTORY
22 TO GET TO PATIENTS WHO HAVE THAT UNMET MEDICAL NEED.

23 IF YOU WANT TO TALK ABOUT RETURN ON
24 INVESTMENT --

25 MEMBER LOTT: PLEASE DON'T. I WANT TO

BARRISTERS' REPORTING SERVICE

1 STOP. YOU NEED TO MOVE THE AGENDA. I DIDN'T MEAN
2 TO WAX ON ABOUT THAT.

3 DR. FEIGAL: I THINK THESE ARE GOOD
4 QUESTIONS. I THINK WE JUST DON'T HAVE TIME FOR A
5 DISCUSSION. BUT I THINK THE OTHER THING THAT WE
6 COULD SHARE WITH YOU IS THE ALLIANCE FOR
7 REGENERATIVE MEDICINE, WHICH I MENTIONED TO YOU
8 EARLIER, THEY'VE DONE A LOT OF STUDIES ON WHAT THE
9 RETURN ON INVESTMENT WOULD BE. IF YOU ACTUALLY
10 COULD HAVE A SIGNIFICANT IMPACT MEDICAL DISEASE AND
11 TURN A CHRONIC DISEASE THAT REQUIRES VERY EXPENSIVE
12 THERAPY OR LOT OF CARETAKER WORK INTO A THERAPY THAT
13 REQUIRED ONCE OR INFREQUENT TREATMENT, YOU COULD
14 SAVE THE COUNTRY A TRILLION DOLLARS. AND WE HAVE
15 THAT DATA, AND WE CAN SHARE THAT WITH YOU. AND IT
16 GOES THROUGH ABOUT TEN DIFFERENT DISEASES IN WHICH,
17 IF YOU MAKE AN IMPACT, WHAT THE RETURN ON INVESTMENT
18 COULD BE FOR THAT.

19 I KNOW YOU DON'T WANT TO DISCUSS THAT
20 RIGHT NOW BECAUSE WE DON'T HAVE TIME, BUT WE DO HAVE
21 BUSINESS ISSUES THAT WE'RE DEALING WITH. WE'RE
22 FOCUSING ON THE MEDICAL OPPORTUNITY AND UNMET NEED,
23 BUT WE ARE NOT LIVING IN A FANTASY WORLD. WE KNOW
24 THAT CIRM DOESN'T HAVE ENOUGH MONEY TO MAKE THIS GO
25 ALL THE WAY THROUGH APPROVAL. AND SO THAT'S WHY

BARRISTERS' REPORTING SERVICE

1 WE'RE TRYING TO THINK ABOUT THE BUSINESS ISSUES AS
2 WELL AND HOW TO MAKE SURE WE'RE SHAPING OUR PROGRAMS
3 SO THAT, NOT ONLY DOES IT HELP THOSE PEOPLE WHO HAVE
4 MEDICAL NEEDS, BUT THAT ACTUALLY IT CAN BE SOMETHING
5 THAT'S SUSTAINABLE AS A BUSINESS.

6 CHAIRMAN THOMAS: CAN I JUST ADD 30
7 SECONDS? YOU RECALL THAT WHEN WE MAKE GRANTS, THAT
8 WE REQUIRE THAT A CERTAIN PERCENTAGE OF ANY REVENUES
9 THAT MAY COME OF THAT, WHATEVER IT IS WE'RE FUNDING,
10 REVERTS BACK TO THE STATE TO HELP COVER DEBT
11 SERVICE, WHICH GETS TO THE ROI QUESTION. AND
12 DEPENDING ON THE SUCCESS OF A PARTICULAR INDICATION
13 THAT WE'VE FUNDED, YOU MAY HAVE SOMETHING THAT
14 DOESN'T PAN OUT AT ALL, WHICH OBVIOUSLY IS A ZERO
15 ROI, OR SOMETHING THAT GENERATES MODEST ROYALTIES OR
16 LICENSING FEES, OR YOU MAY HIT THE JACKPOT AND HIT A
17 CURE, IN WHICH CASE IT WOULD BE AN ENORMOUS RETURN
18 TO THE STATE.

19 SO IT'S SOMETHING, AS WE SIT HERE TODAY,
20 WE REALLY CAN'T ANSWER, BUT WE HAVE IN PLACE THE
21 FUNDING MECHANISMS THAT WILL ULTIMATELY YEARS DOWN
22 THE ROAD AND YOU'RE LOOKING BACK IN RETROSPECT WILL
23 ANSWER YOUR QUESTION. AS I SAY, WE BELIEVE THAT A
24 NUMBER OF THESE THINGS ARE GOING TO HIT IN VARYING
25 DEGREES AND COULD BE SUBSTANTIAL FOR THE STATE.

BARRISTERS' REPORTING SERVICE

1 DR. FEIGAL: THE OTHER THING I WANT TO ADD
2 TO THAT IS SOMETIMES IT DOESN'T TAKE A LARGE TRIAL
3 IF YOU HAVE A LARGE IMPACT. SOMETIMES YOU CAN TELL
4 THINGS VERY EARLY BECAUSE THERE'S A LAB TEST. YOU
5 DON'T HAVE TO WAIT TILL SOMEBODY DIES OR SOMEBODY
6 HAS SOME CLINICAL EVENT.

7 LET'S TAKE DIABETES. WE'RE WORKING IN THE
8 AREA OF DIABETES WHERE THERE'S A LAB TEST CALLED
9 HEMOGLOBIN A1C, WHICH IS A COMMON LAB ASSESSMENT FOR
10 DIABETES. THIS APPROACH, WHICH IS USING HUMAN
11 EMBRYONIC STEM CELLS THAT PRODUCE INSULIN IN
12 RESPONSE TO THE GLUCOSE LEVEL IN THE BODY, IT'S PUT
13 IN A DEVICE THE SIZE OF A CREDIT CARD, AND IT WILL
14 PROTECT THE HOST, THE DEFENSE MECHANISMS OF THE
15 BODY, FROM ATTACKING THE CELLS.

16 THIS IS GOING INTO CLINICAL TRIALS THIS
17 YEAR. IT'S POSSIBLE, IF THIS APPROACH WORKS, THAT
18 BY MONITORING HEMOGLOBIN A1C, A SIMPLE LAB TEST, WE
19 CAN SEE WHETHER OR NOT IT'S HAVING AN IMPACT. AND
20 IF IT HAS AN IMPACT, THE IMPACT IS HUGE. CAN PEOPLE
21 GIVE UP THEIR INSULIN? CAN PEOPLE NOT HAVE THESE
22 DAILY INJECTIONS?

23 ANOTHER ONE -- I'M SO SORRY. I HAD THE
24 WRONG SLIDE UP. THIS SLIDE THAT'S UP IS ABOUT A
25 VERY COMMON CAUSE OF BLINDNESS CALLED MACULAR

BARRISTERS' REPORTING SERVICE

1 DEGENERATION, AND IT PARTICULARLY AFFECTS PEOPLE
2 THAT ARE OVER AGE SIXTY AS OPPOSED TO THAT OTHER
3 SLIDE I SHOWED YOU WHERE PEOPLE HAVE TUNNEL VISION.
4 IN THIS ONE, YOU CAN'T SEE PEOPLE'S FACES. YOU'RE
5 LOOKING AT THEM, BUT ALL YOU SEE IS THE PERIPHERY.
6 YOU LOSE YOUR CENTRAL VISION. YOU CAN'T READ. YOU
7 CAN'T SEE FACES. AND IT'S A TERRIBLE CONDITION TO
8 HAVE. AND SO THIS TEAM IS HEADED ALSO INTO THE
9 CLINIC THIS YEAR WHERE THEY'RE USING HUMAN
10 EMBRYONIC-DERIVED STEM CELLS THAT ARE PRODUCING THE
11 CELL THAT'S LOST IN PEOPLE WHO HAVE THIS DISEASE.
12 AND THIS IS GOING INTO THE CLINIC THIS YEAR.

13 AND GUESS WHAT. THE MEASUREMENT FOR
14 VISION LOSS IS WHAT'S CALLED THE EYE CHART. IT'S
15 NOT AN EXPENSIVE TEST. YOU CAN SEE WHETHER OR NOT
16 PEOPLE ARE NOW ABLE TO SEE MORE LINES ON THAT
17 SNELLEN EYE CHART THAN THEY COULD BEFORE. AND IF
18 THEY INJECT IN ONE EYE, THEY CAN USE THE OTHER EYE
19 THAT'S NOT INJECTED WITH THIS INVESTIGATIONAL AGENT
20 AS THE CONTROL. IT'S NOT A COMPLICATED CLINICAL
21 TRIAL DESIGN. SO IT'S POSSIBLE WE CAN GET ANSWERS
22 EARLY.

23 WE HAVE AS OUR FIVE-YEAR GOAL, WHICH WILL
24 BE IN 2017, TO SEE CLINICAL PROOF OF CONCEPT IN AT
25 LEAST ONE. AND I THINK THAT WOULD BE A VERY

BARRISTERS' REPORTING SERVICE

1 TANGIBLE RETURN TO WHAT THE CITIZENS OF CALIFORNIA
2 ASKED THIS AGENCY TO DO. AND WE HAVE THAT FRONT AND
3 CENTER IN THE MIDDLE OF OUR RADAR SCREEN AS A GOAL.

4 THE OTHER ONES, WE DON'T HAVE TIME TO GO
5 THROUGH PROBABLY, BUT WE'RE ALREADY IN THE CLINIC IN
6 HIV. AND GUESS WHAT. WE CAN MEASURE VIRAL LOAD.
7 WE HAVE A SIMPLE ALREADY VALIDATED TEST TO ASSESS
8 WHETHER OR NOT WE'RE MAKING AN IMPACT HERE.

9 SO WE'RE USING STEM CELL-BASED
10 TECHNOLOGIES TO BLOCK THE ENTRY OF THE HIV VIRUS
11 INTO THE PATIENT'S CELLS. AND THE FIRST COHORT OF
12 PATIENTS, THE FIRST FEW PATIENTS HAVE ALREADY
13 RECEIVED THIS TREATMENT. AND SO FAR, IT'S SAFE.
14 BUT WE HAVE THE ABILITY WITH A SIMPLE LABORATORY
15 TEST TO SEE WHETHER OR NOT IT'S WORKING.

16 SO I GUESS WHAT I'M SAYING IS I THINK,
17 ALTHOUGH IT'S NOT A CURE, I THINK WE ARE BRINGING
18 SOME VERY TANGIBLE RESULTS BACK TO THE CITIZENS OF
19 CALIFORNIA WHO VOTED FOR THIS INITIATIVE. AND THAT
20 IS SOMETHING WE ARE ALL COMMITTED TO SHOWING. WE
21 THINK THAT SHOWING THIS, NOT JUST IN MICE, NOT JUST
22 IN PIGS, BUT SHOWING THIS IN THE PEOPLE WHO HAVE THE
23 DISEASE IS VERY, VERY IMPORTANT. AND WE THINK WE'RE
24 ON TRAJECTORY IF WE CONTINUE WITH DRIVING IT WITH
25 THE SAME MOMENTUM AND ENERGY THAT WE HAVE BEEN TO

BARRISTERS' REPORTING SERVICE

1 GET THOSE RESULTS TO YOU IN 2017 OR SOONER.

2 CHAIRMAN THOMAS: I JUST WANT TO GIVE ONE
3 OTHER EXAMPLE BECAUSE I THINK IT'S SUCH AN EXCITING
4 POTENTIAL THING, WHICH IS IT TURNS OUT THAT THERE'S
5 A CONCEPT CALLED CANCER STEM CELLS, WHICH THE BELIEF
6 IS IS THAT CANCER PROLIFERATES FROM THESE STEM CELLS
7 WHICH TRIGGER THE DEVELOPMENT OF THE CANCEROUS TUMOR
8 CELLS. AND ON THE SURFACE OF THESE CANCER STEM
9 CELLS AND THE CANCER CELLS THAT RESULT FROM THEM IS
10 A GENE THAT CODES FOR A PROTEIN THAT CREATES AN
11 INVISIBILITY SHIELD OVER THE TUMOR AND, IT IS
12 BELIEVED, BLOCKS THE IMMUNE SYSTEM FROM SEEING THE
13 TUMORS AND GOING IN AND DESTROYING THEM LIKE THEY
14 ORDINARILY WOULD.

15 RESEARCHERS UP AT STANFORD HAVE DEVELOPED
16 SOMETHING CALLED A MONOCLONAL ANTIBODY, WHICH IS A
17 TYPE OF ANTIBODY THAT TARGETS SPECIFIC THINGS IN THE
18 BODY, AND THEY HAVE DEVELOPED ONE THAT SPECIFICALLY
19 GOES IN AND DEACTIVATES THIS PROTEIN. AND IN THE
20 CLINICAL TRIALS IN MICE, PRECLINICAL TRIALS IN MICE,
21 HAS RESULTED IN EITHER GREATLY DIMINISHING THE SIZE
22 OF A TUMOR OR ELIMINATING IT ALTOGETHER. AND THIS
23 PROCEDURE ORIGINALLY FOCUSED ON BREAST CANCER, BUT
24 THE GENE NOW HAS BEEN DETERMINED TO BE COMMON TO AT
25 LEAST EIGHT DIFFERENT KINDS OF CANCERS THAT YOU'RE

BARRISTERS' REPORTING SERVICE

1 NOW SEEING ELIMINATED IN MICE. THAT'S GOING INTO
2 HUMAN CLINICAL TRIALS THIS YEAR AS WELL.

3 NOW, WE ALWAYS SAY THE WORLD IS FULL OF
4 CURED MICE AND YOU DON'T KNOW IF IT'S GOING TO
5 TRANSLATE OR NOT, BUT WHAT IF IT DOES? THAT'S LIKE
6 SERIOUSLY ATTACKING EIGHT DIFFERENT TYPES OF CANCER,
7 ETC. SO THE POINT OF ALL THIS IS DO WE HAVE CURES?
8 NO. HAVE WE MADE SIGNIFICANT PROGRESS ON THE WAY
9 AND GOTTEN VERY EXCITING RESULTS WHICH WE BELIEVE
10 ARE TEEING UP FURTHER DEVELOPMENTS THAT WILL
11 ULTIMATELY LEAD TO THERAPIES OR CURES? ABSOLUTELY.

12 DR. FEIGAL: JUST TO COMMENT ON THE REASON
13 WHY WE'RE ABLE TO ACCELERATE IS WE DON'T ACT LIKE A
14 REGULAR FUNDING AGENCY. WE ACTUALLY VIGOROUSLY WORK
15 WITH THE TEAMS BECAUSE ACTUALLY WE ALL WANT TO
16 DEVELOP MORE IMPACTFUL THERAPIES. SO WE ACTUALLY
17 HAVE MILESTONES IN PLACE. AND SOMETIMES THE PROJECT
18 DOESN'T WORK AND WE TERMINATE IT. SOMETIMES THE
19 PROJECT HAS SOMETHING INTERESTING, BUT WE REFINE
20 THEIR GOAL. AND GOD BLESS THEM IF THEY'RE ON TRACK.

21 WE DO EVERYTHING WE CAN TO HELP MOVE IT
22 FORWARD AS QUICKLY AS POSSIBLE. WE DON'T JUST WORK
23 WITH THE TEAMS. WE WORK WITH THE FDA. THIS IS NEW
24 TECHNOLOGY TO THEM. AGENCIES WHEN SOMETHING NEW
25 COMES IN GET RISK AVERSE. SO WHAT WE TRY TO DO IS

BARRISTERS' REPORTING SERVICE

1 WORK WITH THEM BECAUSE WE DON'T REALLY CARE WHICH
2 HORSE WINS. WE JUST WANT THE BEST ONE TO WIN. AND
3 THEY TRUST US BECAUSE WE'RE NOT A COMPANY, BECAUSE
4 WE ARE A NEUTRAL PARTY IN THIS. AND WE'VE HAD
5 TREMENDOUS INTERACTIONS WITH THE FDA TO TRY AND
6 EDUCATE THEM ABOUT THIS NEW TECHNOLOGY. WE HAVE
7 MEETINGS, WE HAVE WORKSHOPS, WE HAVE WEBINARS WHICH
8 HAVE HELPED OUR INVESTIGATORS. AND SO MAKING THE
9 REGULATORY PATH MORE CERTAIN IS GOING TO SPEED THE
10 DEVELOPMENT AND ALSO ATTRACT INVESTORS BECAUSE ONE
11 THING INVESTORS DON'T LIKE IS RISK. SO WE'RE DOING
12 EVERYTHING WE CAN TO DERISK THE SCIENCE, TO DERISK
13 THE TECHNOLOGY, AND TO DERISK THAT REGULATORY
14 PATHWAY. AND WE'RE WORKING ON ALL THREE IN
15 PARALLEL.

16 WE WORK INTERNATIONALLY. SO WE CARE ABOUT
17 CALIFORNIA BECAUSE THAT'S WHERE THE MONEY CAME FROM,
18 BUT WE'RE WORKING INTERNATIONALLY. THIS IS JUST AN
19 INTERNATIONAL REGULATORY WORKSHOP. WE DREW IN
20 REGULATORY AUTHORITIES FROM ALL OVER THE WORLD, FROM
21 JAPAN, FROM EUROPE, FROM THE UK, WHICH IS PART OF
22 EUROPE, OF COURSE, FROM CANADA, AND FROM THE UNITED
23 STATES TO TALK ABOUT WHAT DO WE NEED TO DO TO GET
24 THESE REGULATORY PATHWAYS CLEARER SO THAT
25 INVESTIGATORS CAN MOVE DOWN THERE IN A MORE CERTAIN

BARRISTERS' REPORTING SERVICE

1 PATHWAY AND GET TO PATIENTS MORE QUICKLY.

2 THEY TALKED ABOUT THEIR EXPEDITED PATHWAYS
3 OF ACCELERATING THROUGH A BIG AGENCY. THERE'S A
4 BREAKTHROUGH THERAPY DESIGNATION. THERE'S EXPEDITED
5 PATHWAYS. AND WE SPECIFICALLY HAVE CHALLENGED THEM
6 TO MAKE SURE THAT THE STEM CELL-BASED THERAPIES ARE
7 HIGH ON THEIR PRIORITY LIST OF THINGS THAT CAN GO
8 DOWN AN EXPEDITED PATHWAY.

9 IN ADDITION, WE BRING IN EXTERNAL EXPERTS.
10 WE DON'T PRETEND TO BE THE WORLD'S EXPERTS IN
11 EVERYTHING. AND SOMETIMES WHEN YOU'RE DEALING WITH
12 SOMETHING TOO MUCH, YOU GET ENAMORED WITH IT. SO WE
13 WANT A FRESH LOOK. SO WE BRING IN EXTERNAL EXPERTS
14 WHO AREN'T PART OF THE AGENCY TO HELP PROVIDE ADVICE
15 ON THESE PROGRAMS.

16 AND AT FIRST THE TEAMS WERE LIKE DEER IN
17 THE HEADLIGHT. THEY WERE AFRAID TO SHARE WHERE THEY
18 HAD VULNERABILITIES OR WHERE THEY HAD PROBLEMS, BUT
19 THEY LEARNED. WE SHOWED THEM WE'RE ACTUALLY TRYING
20 TO HELP THEM. AND SO THESE WHAT WE CALL CLINICAL
21 DEVELOPMENT ADVISORY PANELS HAVE BEEN VERY, VERY
22 HELPFUL TO HELP KEEP THESE DISEASE TEAMS ON TRACK,
23 ON TIME, AND IN BUDGET.

24 IN ADDITION, THIS IS JUST AN EXAMPLE OF
25 COMPANIES COMING TO THE TABLE. THIS IS THE

BARRISTERS' REPORTING SERVICE

1 CONGESTIVE HEART FAILURE PROJECT THAT WE FUND WITH
2 CAPRICOR. IT GOT A MAJOR DEAL WITH JANSSEN, WHICH
3 IS PART OF J & J PHARMACEUTICALS, TO COMMIT TO
4 FOLLOW-ON COMMITMENT TO THIS RESEARCH IF CERTAIN
5 MILESTONES ARE MET.

6 THIS IS ANOTHER COMMITMENT BETWEEN A VERY
7 LARGE BIOPHARMA, BIOGEN IDEC, WITH A VERY SMALL
8 BIOTECH SANGAMO WHO'S WORKING WITH OUR INVESTIGATORS
9 AT THE CITY OF HOPE. IT'S BASED ON A CERTAIN KIND
10 OF TECHNOLOGY CALLED ZINC FINGER NUCLEASE WHICH CAN
11 EDIT GENES TO EITHER MAKE THEM MORE PROMINENT OR
12 DELETE THEM. AND BIOGEN IDEC JUST DID A MAJOR DEAL
13 WITH THEM TO GIVE THEM A FOLLOW-ON COMMITMENT FOR
14 THE BLOOD DISORDER SICKLE CELL ANEMIA AND BETA
15 THALASSEMIA. SO THESE ARE ORPHAN DISEASES. SO CHF,
16 CONGESTIVE HEART FAILURE, MAJOR COMMON DISEASE. WE
17 ALSO MAKE SURE WE WORK ON OTHER THINGS OF UNMET
18 MEDICAL NEED WITH THESE BLOOD DISORDERS.

19 A SUMMARY, AS I SAID, OVER 50 PERCENT OF
20 THE DEVELOPMENT TEAMS ARE ON TRACK TO DO THEIR
21 FILINGS, TO GET INTO HUMAN CLINICAL TRIALS. WE
22 EXPECT SIX NEW CLINICAL TRIALS THIS YEAR. WE
23 ALREADY HAVE TWO. WE'RE PUTTING TOGETHER A CLINICAL
24 INFRASTRUCTURE THAT WILL BRING CLINICAL TRIALS FROM
25 ALL OVER, NOT JUST WITHIN CALIFORNIA, BUT WILL BRING

BARRISTERS' REPORTING SERVICE

1 THEM TO CALIFORNIA SO THAT WE CAN MORE QUICKLY
2 ASSESS, ONE, IF THEY'RE SAFE, BUT, TWO, DO THEY
3 WORK. SO IT'S NOT JUST WHAT WE FUND. WE'RE
4 BRINGING IN CLINICAL TRIALS FROM ALL OVER WITH THAT
5 TYPE OF CENTRAL INFRASTRUCTURE.

6 IN ADDITION, I JUST PRESENTED TO OUR BOARD
7 LAST MONTH A PATHWAY CALLED THE ACCELERATED PATHWAY
8 WHICH WOULD TRY AND GIVE THESE TEAMS THAT ARE ON
9 TRACK AND MOVING FORWARD THE CHANCE TO HAVE
10 UNHINDERED PROGRESS AND HELP TO GET THEM TO THAT
11 CLINICAL PROOF OF CONCEPT. AND WE'RE GOING TO GIVE
12 AN UPDATE, I BELIEVE, TO THE BOARD LATER THIS MONTH,
13 AND THEN WE PLAN TO REVIEW THOSE PROPOSALS THIS YEAR
14 IN JUNE TO GET THEM STARTED ON THEIR WAY.

15 SO WE PROBABLY DON'T HAVE TIME TO GO
16 THROUGH THAT. DO YOU WANT ME TO DO ANY OF THE
17 INDUSTRY UPDATE?

18 DEPUTY CONTROLLER HOLTON-HODSON: NO. I
19 THINK WHAT WE CAN DO, JUST QUICKLY ONE QUESTION
20 WOULD BE I KNOW THERE'S A LOT OF DISCUSSION ON THE
21 BOARD ABOUT WITH THE DOLLARS THAT YOU HAVE LEFT
22 OVER, HOW DO YOU GO ABOUT SORT OF FIGURING OUT HOW
23 DO YOU BET ON THE BEST HORSE. SO I THINK IT WOULD
24 BE -- IF YOU COULD TALK A LITTLE BIT ABOUT HOW ARE
25 YOU GOING TO DO THAT. AND THEN JUST A LITTLE BIT

BARRISTERS' REPORTING SERVICE

1 ABOUT THE INDUSTRY PARTNERSHIPS JUST IN THE INTEREST
2 OF TIME. IS THERE ANYTHING IN PARTICULAR ABOUT THE
3 GRANT MAKING OR ANYTHING ELSE THAT YOU WOULD LIKE
4 DR. FEIGAL TO GO INTO?

5 MEMBER LIPSON: YES. SPECIFICALLY THE
6 QUESTION OF CONFLICT OF INTEREST. YOU HAVE X AMOUNT
7 OF MONEY TO ENDOW OR TO START THINGS, AND THE
8 QUESTION OF PERPETUATING THE CIRM PROGRAM AND
9 POTENTIALLY BY NOT FUNDING AS MANY OR AS QUICKLY AND
10 THEREBY ALLOWING THE INFRASTRUCTURE TO STAY LONGER
11 THAN IT'S MANDATED. SO THE QUESTION, I GUESS, IS
12 ARE WE CERTAIN WE'RE GOING TO BE ON TRACK TO FUND
13 THE PROGRAMS IN A TIMELY FASHION?

14 DR. FEIGAL: WELL, EACH PROGRAM THAT --
15 WELL, THERE ARE TWO DIFFERENT QUESTIONS. YOU JUST
16 TELL ME WHICH ONE YOU WANT ME TO ANSWER FIRST.

17 MEMBER LIPSON: EITHER ONE.

18 DR. FEIGAL: THERE WAS A QUESTION ABOUT
19 HOW WE EVALUATE, AND THEN THERE WAS A QUESTION ABOUT
20 THE TIMING. DO YOU HAVE A PREFERENCE?

21 DEPUTY CONTROLLER HOLTON-HODSON: WHY
22 DON'T YOU GO AHEAD. HOW WE EVALUATE WOULD BE -- HOW
23 ARE YOU GOING TO EVALUATE -- WHAT IS YOUR PROCESS, I
24 GUESS, WHEN YOU THINK -- WHAT IS YOUR SORT OF
25 TIMELINE BECAUSE YOU'RE NOT GOING TO DO IT RIGHT

BARRISTERS' REPORTING SERVICE

1 AWAY, BUT WHAT IS YOUR SORT OF TIMELINE IN
2 DETERMINING WHAT'S THE BEST USAGE OF YOUR LAST
3 RESOURCES? AND THEN TO GET TO DR. LIPSON'S
4 QUESTION.

5 CHAIRMAN THOMAS: ELLEN, BEFORE YOU START.
6 ELLEN IS GOING TO ANSWER THE BULK OF IT, BUT I
7 WANTED TO SORT OF SET THE TABLE JUST TO SAY THAT
8 VERY QUESTION WAS THE SUBJECT MATTER OF A BOARD
9 WORKSHOP IN DECEMBER WHERE WE LITERALLY SPENT THE
10 ENTIRE DAY ADDRESSING THE ISSUE OF HOW DO WE
11 PRIORITIZE NOW THAT WE HAVE 600 PLUS MILLION LEFT
12 ASSUMING NO ADDITIONAL FUNDING. SO IT'S VERY
13 SQUARELY IN THE MIND OF THE BOARD, AND WE CAME TO A
14 NUMBER OF CONCLUSIONS, ONE OF WHICH ELLEN JUST
15 REFERENCED, BUT IS GOING TO GO INTO MORE DETAIL ON,
16 WHICH IS SOMETHING THAT WAS RECOMMENDED BY OUR
17 SCIENTIFIC ADVISORY BOARD, WHICH IS THE
18 PRIORITIZATION OF OUR SIX TO EIGHT BEST-GUESS HORSES
19 GOING FORWARD TO ACCELERATE THEM, TO TRY TO GET THEM
20 AS MUCH AS POSSIBLE THROUGH TO THE END OF PHASE II
21 AND THE DEVELOPMENT OF PROOF OF CONCEPT.

22 SO THE BOARD ADOPTED THAT AS A VIABLE
23 STRATEGY. AND ELLEN, I THINK, IS ABOUT TO TALK
24 ABOUT WHAT THE TIMELINE AND THE PROCESS IS. BUT I
25 JUST WANTED TO LET YOU ALL KNOW THAT THIS ISSUE OF

BARRISTERS' REPORTING SERVICE

1 PRIORITIZATION IS VERY MUCH FRONT AND CENTER AND WAS
2 THE SUBJECT OF ABOUT EIGHT HOURS OF RIGOROUS
3 CONVERSATION.

4 DR. FEIGAL: AS YOU KNOW, IT'S A VERY
5 HIGHLY DISCUSSED TOPIC. AND AS YOU NOTED, THE
6 OVERSIGHT BOARD DISCUSSED IT. WE HAD A SEPARATE
7 SCIENTIFIC ADVISORY BOARD THAT ALIGNED ON WHAT THE
8 PRIORITY ISSUES FOR CIRM SHOULD BE. AND IT VERY
9 CLEARLY WAS THE PATIENT-CENTERED FOCUS OF BRINGING
10 CLINICAL PROOF OF CONCEPT IN IMPORTANT THERAPEUTIC
11 AREAS TO THE PATIENT. THAT IS FRONT AND CENTER. WE
12 HAVE OTHER THINGS THAT UNDERPIN, BUT THAT'S THE MAIN
13 GOAL.

14 AND WE HAVE A PRIORITIZATION PROCESS
15 THAT'S GOING TO TAKE PLACE IN APRIL OF THIS YEAR,
16 AND WE'LL HAVE -- THE APPLICATIONS ARE GOING TO COME
17 IN. WE'RE GOING TO HAVE THE ACTUAL REVIEW IN JUNE
18 OF THIS YEAR, AND THEN THAT WILL BE BROUGHT TO THE
19 OVERSIGHT BOARD. AND THEY'RE GOING TO SEE THE
20 DENOMINATOR OF ALL OUR PROJECTS THAT HAVE THE
21 POTENTIAL OF REACHING CLINICAL PROOF OF CONCEPT, AND
22 WE'RE GOING TO PRIORITIZE WHICH ONES SHOULD WE
23 REALLY EXPEND OUR TIME, ENERGY, AND MORE INVESTMENT
24 IN. AND THAT DECISION IS GOING TO BE MADE IN JUNE.

25 WE'RE GOING TO CONTINUE, AS YOU KNOW, THE

BARRISTERS' REPORTING SERVICE

1 AGENCY IS STILL ALIVE, WE'RE GOING TO HAVE A POROUS
2 WINDOW SHOULD OTHER UNIQUE OPPORTUNITIES COME IN
3 THAT COULD SHOW CLINICAL PROOF OF CONCEPT AND LOOK
4 VERY COMPELLING. THEY'RE GOING TO BE ABLE TO ENTER
5 INTO THAT PATHWAY AS WELL. SO WE'RE GOING TO GET
6 THE TOP PEOPLE WHO HAVE BUSINESS EXPERTISE, WHO HAVE
7 MEDICAL EXPERTISE, WHO HAVE OPERATIONAL EXPERTISE.
8 SO IT'S NOT JUST ABOUT THE SCIENCE. IT'S ALSO ABOUT
9 CAN YOU EXECUTE ON A PLAN.

10 MEMBER LOTT: LET ME ASK A RELATED
11 QUESTION. I WANT TO GET BACK TO THE DOCTOR'S
12 QUESTION HERE TOO. HE NEEDS TO HAVE HIS ANSWERED.
13 BUT I WANT TO ADD TO HIS LIST, ALSO ASKING YOU TO
14 EXPLAIN TO US HOW THE REVOLVING DOOR LAW FOR STATE
15 EMPLOYEES APPLIES OR DOES NOT APPLY TO YOUR STAFF.
16 LET'S GET TO HIS QUESTIONS FIRST, PUT I'D LIKE TO
17 PUT THAT ONE ON THE LIST TOO.

18 CHAIRMAN THOMAS: I'D LIKE TO TAKE A SHOT
19 AT DR. LIPSON'S QUESTION ON THE ISSUE OF CONFLICT OF
20 INTEREST. SO THE PROCESS IS WE'RE TRYING TO
21 IDENTIFY OUR SIX TO EIGHT PRIORITY PROJECTS. ALL OF
22 OUR DISEASE TEAMS THAT HAVE BEEN RUNNING FOR A
23 WHILE, WE BELIEVE, WILL WANT TO SUBMIT AN
24 APPLICATION TO BE CONSIDERED AS A PRIORITIZED
25 PROJECT. THAT'S GOING TO GO, AS ANY OTHER GRANT

BARRISTERS' REPORTING SERVICE

1 ROUND GOES, TO OUR PEER REVIEW GROUP, THE GRANTS
2 WORKING GROUP, WHICH IS DRAWN FROM A POOL OF 150
3 PLUS STEM CELL EXPERTS FROM AROUND THE COUNTRY, ALL
4 OF WHICH ARE OUTSIDE OF CALIFORNIA SPECIFICALLY TO
5 AVOID CONFLICT OF INTEREST ISSUES.

6 THEY WILL EVALUATE, JUST LIKE THEY
7 EVALUATE ANY OTHER ROUND, AND THEY'LL MAKE
8 RECOMMENDATIONS BACK TO OUR BOARD AS TO WHICH
9 PROJECTS SHOULD FIT THE BILL FOR THAT ASK.

10 NOW, ON THE CONFLICTS AT THE BOARD, YOU
11 MAY RECALL WHEN WE MET A YEAR AGO, WE HAD JUST HAD
12 THE INSTITUTE OF MEDICINE REPORT WHICH IDENTIFIED
13 SPECIFICALLY POTENTIAL OR PERCEIVED CONFLICTS WITH
14 MEMBERS OF OUR BOARD WHO ARE FROM INSTITUTIONS THAT
15 WERE ELIGIBLE TO RECEIVE GRANT FUNDING. AS I
16 REPORTED TO THIS BODY A YEAR AGO, OUR RESPONSE TO
17 THAT WAS TO MAKE IT SO THAT THE 13 OUT OF 29 MEMBERS
18 OF OUR BOARD WHO ARE FROM THOSE INSTITUTIONS COULD
19 NOT VOTE GOING FORWARD ON ANY GRANTS SO THAT YOU
20 AVOIDED EITHER THE CONFLICT POTENTIALLY OF THEM
21 VOTING ON THEIR OWN, WHICH THEY COULDN'T ALREADY
22 BECAUSE WE ALREADY HAD PRETTY STRICT PROCESS IN
23 PLACE, OR VOTING ON SOMEBODY ELSE'S TO TRADE FAVORS.

24 SO THAT PROCESS WAS INSTITUTED IN RESPONSE
25 TO THE IOM, WAS APPROVED FORMALLY BY OUR BOARD IN

BARRISTERS' REPORTING SERVICE

1 MARCH, AND WE NOW HAVE HAD THE BENEFIT OF SEVERAL
2 ROUNDS OF FUNDING GO THROUGH AND SEE HOW THE PROCESS
3 WORKED WITH RESPECT TO THAT AND VARIOUS OTHER
4 ISSUES. I'M HAPPY TO REPORT THAT IT HAS WORKED
5 SWIMMINGLY, AND WE HAVE NOT HAD ANY CONFLICT
6 PROBLEMS ARISE. I DO WANT TO SAY FOR THE RECORD WE
7 NEVER HAD ANY CONFLICT ISSUES ARISE PRIOR TO THAT,
8 BUT THERE WAS A PERCEPTION, AND WE'VE NOW ELIMINATED
9 THAT PERCEPTION ON TOP OF WHAT ACTUALLY HAPPENED.

10 SO I BELIEVE THAT, IN ANSWER TO YOUR
11 CONFLICTS QUESTION, WE'RE IN VERY GOOD HANDS HERE
12 WITH OUR PROTOCOLS. AND GOING FORWARD THIS WILL BE
13 EVALUATED USING THIS PROCESS, AND WE BELIEVE, AS HAS
14 BEEN THE CASE THE LAST YEAR, THAT IT WILL GO WITHOUT
15 INCIDENT. SO THAT'S THE CONFLICTS QUESTION.

16 DOES THAT ADDRESS THAT ISSUE?

17 MEMBER LIPSON: NOT ENTIRELY.

18 DR. FEIGAL: ACTUALLY YOU'RE ASKING THE
19 REVOLVING DOOR QUESTION.

20 CHAIRMAN THOMAS: WELL, NO. WE HAVEN'T
21 GOTTEN TO THAT YET. THAT'S A QUESTION FOR JAMES.

22 MR. HARRISON: I'LL TAKE A TRY AT
23 ANSWERING WHAT I UNDERSTOOD TO BE YOUR QUESTION, AT
24 LEAST IN PART. IF I UNDERSTAND YOUR CONCERN
25 CORRECTLY, IT'S THAT THERE COULD BE SOME

BARRISTERS' REPORTING SERVICE

1 SELF-INTEREST IN PERPETUATING CIRM BY SLOWING DOWN
2 THE PROCESS OF AWARDING GRANTS SO THAT THE AGENCY
3 WOULD REMAIN IN EXISTENCE FOR A LONGER PERIOD OF
4 TIME.

5 MEMBER LIPSON: THAT'S EXACTLY CORRECT.

6 MR. HARRISON: SO THE ANSWER TO THAT
7 QUESTION AS TO WHY THAT WON'T HAPPEN IS TWOFOLD.
8 ONE, THE AGENCY OPERATES ACCORDING TO A STRATEGIC
9 PLAN THAT HAS SPECIFIC DELIVERABLES, BOTH YEARLY
10 GOALS AND FIVE- AND TEN-YEAR GOALS. SO OUR MISSION
11 AND THE METRICS BY WHICH WE MEASURE OUR SUCCESS ARE
12 BASED ON THOSE VERY DETAILED STRATEGIC PLAN GOALS.

13 DELAYING OR SLOWING DOWN THE PROCESS BY
14 WHICH GRANTS ARE AWARDED WOULD RUN COMPLETELY
15 COUNTER TOWARDS THOSE GOALS BECAUSE, AS ELLEN HAS
16 DESCRIBED IN SOME DETAIL, IT'S VERY MISSION FOCUSED
17 TRYING TO GET THERAPIES TO PATIENTS AS QUICKLY AS
18 POSSIBLE.

19 SECOND, AS WE'VE DISCUSSED AS WELL, WE DO
20 OPERATE UNDER A VERY STRICT ADMINISTRATIVE CAP OF 6
21 PERCENT. AND THOUGH WE HAVE BEEN VERY CAREFUL IN
22 PLANNING TO ENSURE THAT THERE ARE SUFFICIENT FUNDS
23 AVAILABLE TO MAINTAIN CIRM STAFF UNTIL THE LIGHTS
24 ARE TURNED OFF, IT'S SOMETHING THAT WE HAVE TO WATCH
25 VERY CAREFULLY. WE COULD NOT BE IN A POSITION OF

BARRISTERS' REPORTING SERVICE

1 OUR OFFICIALLY EXTENDING THE LIFE OF THE AGENCY
2 BECAUSE, FRANKLY, WE'D RUN OUT OF ADMINISTRATIVE
3 FUNDS TO DO SO.

4 SO THE STRATEGIC PLAN AND THE
5 ADMINISTRATIVE CAP, I THINK YOU WILL SEE, KEEP CIRM
6 VERY MUCH ON TASK.

7 WITH RESPECT TO THE REVOLVING DOOR LAWS,
8 THEY DO APPLY AS THEY DO APPLY TO ALL STATE
9 OFFICIALS. SO THERE'S BOTH A PERMANENT BAN THAT
10 WOULD PROHIBIT SOMEONE WHO WAS WORKING AT CIRM, FOR
11 EXAMPLE, WHO PARTICIPATED IN DEVELOPING A REQUEST
12 FOR APPLICATIONS, THAT EMPLOYEE COULDN'T THEN LEAVE
13 CIRM AND GO TO WORK FOR A COMPANY THAT WANTS TO
14 APPLY FOR FUNDS. LIKEWISE, THERE'S A ONE-YEAR
15 PROHIBITION THAT APPLIES THAT WOULD PROHIBIT SOMEONE
16 FROM LEAVING CIRM AND THEN FOR COMPENSATION LOBBYING
17 THE AGENCY FOR SOME SPECIFIC ACTION.

18 SO THOSE RULES ARE IN EXISTENCE. AND, IN
19 FACT, WHEN MEMBERS OF THE BOARD LEAVE TO GO ON TO
20 OTHER THINGS, WE PROVIDE THEM A DETAILED MEMORANDUM
21 THAT SETS FORTH THE RULES THAT THEY HAVE TO ABIDE BY
22 EVEN AFTER THEY LEAVE STATE SERVICE.

23 DEPUTY CONTROLLER HOLTON-HODSON: LET ME
24 JUST SORT OF BUILD ON ALL THESE ETHICS QUESTIONS.
25 THE QUESTION ABOUT FILING STATEMENTS OF ECONOMIC

BARRISTERS' REPORTING SERVICE

1 INTEREST, ELLEN MENTIONED WORKING WITH A LOT OF
2 CONSULTANTS. AND PARTICULARLY WHEN YOU ARE TALKING
3 WITH INDUSTRY CONSULTANTS, WORKING WITH THAT,
4 BUSINESS DEVELOPMENT PLANS, ARE THOSE CONSULTANTS
5 THAT YOU ARE WORKING WITH REQUIRED TO FILE ANY KIND
6 OF STATEMENT OF ECONOMIC INTEREST? MAYBE NOT
7 PUBLICLY, BUT DOES CIRM HAVE ANY POLICY TO MAKE SURE
8 THAT THOSE CONSULTANTS DON'T HAVE POTENTIAL
9 CONFLICTS?

10 MR. HARRISON: SO THERE ARE TWO ANSWERS TO
11 YOUR QUESTION. ONE, WITH RESPECT TO PEOPLE WHO
12 PARTICIPATE IN THE REVIEW OF APPLICATIONS, AND THAT
13 INCLUDES OUR GRANTS WORKING GROUP MEMBERS AS WELL AS
14 CDAP MEMBERS, THEY ALL GO THROUGH A RIGOROUS
15 CONFLICT OF INTEREST PROCEDURE. WITH RESPECT TO
16 OTHERS WHO CONTRACT WITH THE AGENCY, IT'S EVALUATED
17 ON A CASE-BY-CASE BASIS AS IT IS WITH ANY AGENCY. I
18 OBVIOUSLY AM AN OUTSIDE CONTRACTOR TO CIRM, BUT I DO
19 FILE A FORM 700. SO DEPENDING UPON THE NATURE OF
20 THE FUNCTION THAT THE CONSULTANT CARRIES OUT, WE
21 APPLY THE TEST THAT FPPC SETS FORTH FOR DETERMINING
22 WHETHER OR NOT SOMEONE HAS TO FILE FORM 700 OR NOT.

23 MEMBER LIPSON: WHAT PLANS DO YOU HAVE TO
24 KEEP SOMEONE WHO'S ON THE SCIENTIFIC COMMITTEE FROM
25 WITHIN THE YEAR OF THE GRANT BEING FUNDED BECOME A

BARRISTERS' REPORTING SERVICE

1 CO-INVESTIGATOR?

2 MR. HARRISON: WELL, AS DR. THOMAS SAID,
3 ALL THE MEMBERS OF OUR GRANTS WORKING GROUP ARE FROM
4 OUTSIDE THE STATE OF CALIFORNIA. SO THEY'RE NOT
5 ELIGIBLE TO RECEIVE ANY CIRM FUNDING AT ALL.

6 MEMBER LIPSON: UNLESS THEY MOVE.

7 MR. HARRISON: I SUPPOSE THEORETICALLY
8 SOMEONE COULD MOVE, BUT TO BE ADDED AS A CO-PI WOULD
9 REQUIRE A CHANGE THAT WOULD HAVE TO BE SUBMITTED TO
10 CIRM FOR ITS APPROVAL. SO CIRM WOULD HAVE THE
11 OPPORTUNITY TO EVALUATE THAT AT THAT POINT IN TIME.

12 DEPUTY CONTROLLER HOLTON-HODSON: ARE
13 THERE ANY OTHER QUESTIONS ON THE GRANTS AND
14 PROGRESS? LET'S SEE, SO LOOKING AT THE TIME, DO YOU
15 WANT TO SPEAK JUST QUICKLY, JUST A SHORT SUMMARY,
16 ABOUT BUILDING RELATIONSHIPS WITH INDUSTRY AND THEN
17 QUICKLY ABOUT YOUR DEVELOPMENT OF SOME TRANSITION
18 PLANS. AND I THINK THAT THAT WOULD SUFFICE.

19 DR. FEIGAL: I HAVE A SHORT DECK JUST TO
20 TALK ABOUT OUR INDUSTRY RELATIONS, AND THEN DR.
21 THOMAS WILL TALK ABOUT SUSTAINABILITY AND THOSE
22 OTHER ISSUES IN THE TRANSITION.

23 SO THE INDUSTRY INTERACTIONS, IF YOU JUST
24 GO TO THE NEXT SLIDE. WE HAVE IN TERMS OF INDUSTRY
25 FUNDING, WE'VE HAD ABOUT 138 DIFFERENT COMPANIES

BARRISTERS' REPORTING SERVICE

1 APPLY FOR FUNDING. TWENTY-NINE HAVE RECEIVED
2 AWARDS. THE TOTAL AMOUNT OF THOSE AWARDS TO
3 FOR-PROFITS HAS BEEN 187 MILLION, SO THAT'S A 21- TO
4 25-PERCENT SUCCESS RATE FOR THOSE COMPANIES THAT ARE
5 COMING IN DIRECTLY FOR THE FUNDING.

6 SO THESE ARE SOME OF THE DIFFERENT TYPES
7 OF DEALS THAT ARE OUT THERE BETWEEN THE DIFFERENT
8 COMPANIES. I'VE ALREADY SPOKEN ABOUT SOME OF THEM,
9 THE BIOGEN IDEC AND SANGAMO OVER THAT CERTAIN TYPE
10 OF TECHNOLOGY THAT'S IMPORTANT, AND CERTAIN TYPES OF
11 BLOOD DISEASES BETWEEN JANSSEN AND CAPRICOR. FOR
12 CONGESTIVE HEART FAILURE, THERE WAS BETWEEN VIACYTE,
13 THE COMPANY IN SAN DIEGO, THAT'S WORKING ON
14 DEVELOPING A VERY NOVEL INNOVATIVE THERAPEUTIC FOR
15 DIABETES HAS GOT FUNDING FROM JOHNSON & JOHNSON AND
16 ALSO FROM SANDERLING VENTURES. I'M GIVING YOU
17 EXAMPLES HERE, NOT EVERYTHING THAT WE DO. STANFORD
18 UNIVERSITY HAS TECHNOLOGY ON HOW TO TREAT HEARING
19 LOSS, AND THEY HAVE BOTH COMPANIES THAT THEY'RE
20 WORKING WITH, ROCHE AND VERSANT VENTURES. SO
21 THERE'S ACTUALLY VERY SUBSTANTIVE -- THOSE ARE JUST
22 SOME SUBSTANTIVE EXAMPLES OF OUR FUNDED TECHNOLOGY
23 ATTRACTING VERY ACTIVE INDUSTRY ENGAGEMENT AND ALSO
24 VENTURE.

25 THIS IS JUST A PICTURE OF THE 187 IN CIRM

BARRISTERS' REPORTING SERVICE

1 FUNDING AND APPROXIMATELY 3.6 TIMES LEVERAGE WITH
2 THE PRIVATE SECTOR TO ABOUT 668 MILLION.

3 THE NEXT SLIDE THAT I PUT IN THERE,
4 BECAUSE THE CONTROLLER ASKED THE QUESTION, WAS ABOUT
5 THE NUMBER OF INVENTION DISCLOSURES TO CIRM. AS OF
6 DECEMBER 26TH OF LAST YEAR, WE HAVE 235 INVENTION
7 DISCLOSURES. AS OF JULY OF THAT SAME YEAR WE HAD
8 ABOUT 201. SO THE NUMBER OF INVENTION DISCLOSURES
9 CONTINUES TO INCREASE.

10 RIGHT NOW THERE'S ACTIVE PROSECUTION ON 38
11 PERCENT OF THEM. THERE'S ABANDONED PROSECUTION ON
12 ABOUT 13 PERCENT, AND A LITTLE BIT LESS THAN HALF AT
13 THE CURRENT TIME HAVE NOT HAD ACTIVE PROSECUTION.
14 SO THAT'S ACTUALLY, TO GIVE -- THOSE WERE THE
15 SPECIFIC QUESTIONS ACTUALLY THAT THE CONTROLLER
16 ASKED ME TO ADDRESS.

17 IN TERMS OF OUR INTERACTIONS WITH
18 INDUSTRY, WE HAVE A HEAD OF BUSINESS DEVELOPMENT,
19 ELONA BAUM, THAT'S WORKING WITH HER TEAM, BOTH AN
20 INDIVIDUAL WITH EXPERTISE IN IP ISSUES AND AN
21 INDIVIDUAL WITH EXPERTISE ON THE GROUND WITH
22 BUSINESS DEVELOPMENT. HE COMES FROM THE MARKETING
23 SIDE OF THE HOUSE WITH INDUSTRY. THEY HAVE
24 EXTENSIVE INTERACTIONS WITH THE INDUSTRY WITH
25 PROVIDING VENUES IN WHICH OUR DISEASE TEAMS HAVE AN

BARRISTERS' REPORTING SERVICE

1 OPPORTUNITY TO DEMONSTRATE THE TYPES OF WORK THAT
2 THEY' RE DOING, SEE IF WE CAN HELP ARRANGE
3 INTERACTIONS.

4 IN ADDITION, WE HELP MOVE SOME OF THE MOST
5 PROMISING ONES FORWARD AND ALSO HELP AND DO WHAT WE
6 CAN TO MENTOR OUR TEAMS TO LEARN HOW TO PRESENT
7 INFORMATION IN A CONCISE AND CLEAR WAY IN ORDER TO
8 GET TO THE BOTTOM LINE QUICKLY AND HOPEFULLY ATTRACT
9 THAT FUTURE FUNDING BECAUSE WE KNOW CIRM FUNDING
10 WILL GO TO A CERTAIN EXTENT. WE NEED THAT
11 INTERACTION WITH BUSINESS DEVELOPMENT TO TAKE IT ALL
12 THE WAY THROUGH.

13 DEPUTY CONTROLLER HOLTON-HODSON: THANK
14 YOU.

15 CHAIRMAN THOMAS: SO THANK YOU, EVERYBODY.
16 I JUST WANT TO SPEAK A BIT TO THE ISSUE OF WHAT
17 LOOMS OUT THERE POST 2017 IF WE BOTH ARE
18 UNSUCCESSFUL AT GETTING MORE FUNDING OR IF WE ARE
19 SUCCESSFUL AT GETTING MORE FUNDING. THIS IS SORT OF
20 A QUESTION THAT LOOMS OUT THERE LARGE.

21 AS WE'VE DESCRIBED TO YOU, OUR MISSION IS
22 TO FUND RESEARCH FROM BASIC RESEARCH THROUGH THE END
23 OF PHASE II. AND IF WE ARE SUCCESSFUL GETTING TO
24 THE END OF PHASE II, WE ALL BELIEVE THAT INDUSTRY OR
25 VENTURE CAPITAL INDUSTRY IN THE FORM OF BIG PHARMA

BARRISTERS' REPORTING SERVICE

1 OR BIG BIOTECH OR VENTURE CAPITAL WILL STEP IN AND
2 TAKE THINGS FROM THERE TO GET THROUGH THE EXPENSE OF
3 PHASE III AND HOPEFULLY ONWARD TO COMMERCIALIZATION.

4 THE ISSUE IS THAT WE'VE GOT THE PROJECTS
5 WE DESCRIBED GOING INTO CLINICAL TRIALS, WHICH IS
6 GREAT AND REAL PROGRESS. WE HAVE RESEARCH GOING IN
7 38 INCURABLE DISEASES AND CONDITIONS, WHICH IS A
8 LARGE NUMBER. AND I CAN REPORT TO YOU, BY THE WAY,
9 AS YOU ALREADY KNOW, THAT, AGAIN, THROUGH THE WISDOM
10 OF THE VOTERS, WE ARE THE OVERWHELMING 800-POUND
11 GORILLA IN THE WORLD OF STEM CELL RESEARCH FUNDING.
12 SO THAT HAS TRANSFORMED CALIFORNIA REALLY INTO THE
13 EPICENTER OF STEM CELL RESEARCH. WE WERE
14 HIGHLIGHTED -- THE FIELD OF STEM CELL RESEARCH
15 HIGHLIGHTED, AS I COMMENTED TO RUTH EARLIER, BY THE
16 GOVERNOR THIS MORNING IN THE STATE OF THE STATE. WE
17 ARE THE ENVY OF RESEARCHERS EVERYWHERE BECAUSE OF
18 THIS FUNDING. OTHERS HAVE TRIED TO DUPLICATE AND
19 FOR VARIOUS REASONS HAVEN'T BEEN ABLE TO, SO WE HAVE
20 THIS WONDERFUL PROGRAM GOING.

21 BUT THE ISSUE IS THAT WE'RE GOING TO GET
22 THROUGH OUR FUNDING ALLOCATION IN 2017. AT LEAST 95
23 PERCENT, IF NOT 98 PERCENT OR WHATEVER OF OUR
24 PROJECTS AT THAT TIME WILL NOT HAVE HIT THE END OF
25 PHASE II. IT TAKES TIME TO WORK YOUR WAY THROUGH

BARRISTERS' REPORTING SERVICE

1 THIS PROCESS THAT'S BEEN DESCRIBED HERE TODAY.

2 THE SCIENTISTS ARE GETTING ANTSY. THEY'RE
3 SAYING WHAT ARE WE GOING TO DO BECAUSE IF WE DON'T
4 COME UP WITH ADDITIONAL FUNDING, WE'LL HAVE THIS
5 TERRIFIC STATEWIDE INFRASTRUCTURE PUT IN PLACE,
6 WE'LL HAVE HAD ALL THESE HIGHLY PROMISING PROJECTS
7 MIDSTREAM, AND IF THERE'S NO ADDITIONAL FUNDING,
8 THERE IS NOBODY ELSE TO STEP IN. THAT'S WHY WE WERE
9 CREATED TO FUND THIS TIME IN THE RESEARCH PROCESS.

10 NIH IS IN A WORLD OF HURT RIGHT NOW, AS
11 YOU KNOW. THEIR FUNDING HAS BEEN CUT THROUGH
12 SEQUESTRATION AND JUST A GENERAL DEEMPHASIS IN
13 BUDGETING. SO THEY'RE NOT ABLE TO FILL THE VOID.
14 SO IN ORDER FOR US TO GET THESE PROJECTS THROUGH TO
15 FRUITION AND TO MEET THE PROMISE, DOCTOR, YOU WERE
16 MENTIONING, WE SAY THE SHOW MUST GO ON. SO THE
17 QUESTION IS WHAT ARE WE GOING TO DO ABOUT THAT.

18 SO THE ISSUE OF SUSTAINABILITY IS NOT JUST
19 A TOP PRIORITY, IT REALLY IS SORT OF IN SOME SENSES
20 OUR NO. 1 PRIORITY. THERE HAVE BEEN A NUMBER OF
21 THINGS THAT YOU MAY HAVE BEEN HEARING RECENTLY. ONE
22 WAS, AND I WANT TO GET THIS OFF THE TABLE
23 IMMEDIATELY, A WEEK OR SO AGO A MEASURE WAS FILED
24 WITH THE STATE FOR A TOBACCO TAX THAT WOULD PUT A
25 DOLLAR SURCHARGE ON ALL PACKAGES SOLD IN THE STATE,

BARRISTERS' REPORTING SERVICE

1 AND THAT MONEY WAS TO GO TO MEDICAL RESEARCH THAT
2 HAD AN EMPHASIS ON BRAIN-RELATED CONDITIONS.

3 IN THE MEASURE IT WAS SPECIFIED THAT 30
4 PERCENT OF THAT WOULD GO TO CIRM. AND NOT JUST FOR
5 BRAIN-RELATED MEASURES, BUT TO GENERALLY SPEND WITH
6 AN EMPHASIS ON BRAIN, BUT BASICALLY ON ALL THE
7 PROJECTS IN THE PORTFOLIO. JUST TO GIVE YOU AN IDEA
8 OF MAGNITUDE, \$1 IS ESTIMATED TO TRANSLATE INTO 800
9 MILLION A YEAR FOR THE STATE OF CALIFORNIA FOR THIS
10 RESEARCH WHICH WOULD HAVE MEANT 240 MILLION GOING TO
11 CIRM.

12 HEARD THIS AND WE THOUGHT, GEE, BOY, THAT
13 SOUNDS GREAT. THAT WOULD BASICALLY BE IN PERPETUITY
14 AND WOULD MAKE SURE THAT THE FIELD WAS TAKEN CARE OF
15 IN CALIFORNIA FOR YEARS AND YEARS. SO WE TOOK THIS
16 VERY SERIOUSLY. WE STARTED THINKING ABOUT THIS. I
17 SPOKE TO A NUMBER OF POLITICAL CONSULTANTS, HAVE
18 SPOKEN TO POLLSTERS. IT TURNS OUT, NOT
19 SURPRISINGLY, IF YOU RECALL RECENT HISTORY, THAT
20 DEDICATED SURCHARGE TAXES LIKE THIS HAVE NOT FARED
21 WELL IN RECENT YEARS. INDEED, A TOBACCO TAX IN JUNE
22 OF 2012 THAT WOULD HAVE RAISED MONEY FOR CANCER
23 RESEARCH IN SCHOOLS WAS DEFEATED. IT STARTED OFF
24 POLLING ABOUT 70 PERCENT; AND THEN WHEN THE TOBACCO
25 INDUSTRY THREW \$50 MILLION AT IT, IT ULTIMATELY

BARRISTERS' REPORTING SERVICE

1 ENDED UP GOING DOWN. PREVIOUSLY ANOTHER TOBACCO TAX
2 MEASURE LIKEWISE FAILED.

3 YOU'VE SEEN A NUMBER OF SALES TAX MEASURES
4 FAIL AROUND THE STATE. AND SO YOU'RE IN AN
5 ENVIRONMENT WHERE, IN GENERAL, THERE IS A PREFERENCE
6 AGAINST SUCH TAXES BEING APPROVED. SO WE VIEWED
7 THIS IN LIGHT OF THAT AND THOUGHT THAT THE
8 LIKELIHOOD IS THAT THE TOBACCO INDUSTRY WOULD THROW
9 50 TO A HUNDRED MILLION AT THIS MEASURE AS THEY DID
10 THE LAST ONE. AND THAT WITH CIRM BEING INVOLVED IN
11 IT AND A PROMINENT RECIPIENT OF FUNDING, WE WOULD
12 BE, ALONG WITH OTHER THINGS, A NATURAL TARGET OF THE
13 TOBACCO INDUSTRY.

14 AND AS YOU KNOW, THESE GUYS, THEY PLAY FOR
15 KEEPS AND THEY SAY THINGS IN THEIR ADS THAT, IF
16 YOU'RE LISTENING TO IT, YOU MAY TAKE EXCEPTION TO.
17 THEY VIEW AS STATEMENTS THAT ARE MISLEADING OR
18 INACCURATE, BUT THERE'S NOTHING YOU CAN DO ABOUT IT.
19 SO WE FELT THAT THERE WOULD BE A VERY STRONG
20 LIKELIHOOD THAT THEY WOULD GO AFTER US VERY
21 VIGOROUSLY AND TAKE ON ALL SORT OF THEMES THAT WE
22 REALLY COULDN'T COUNTER OTHER THAN TO HAVE A
23 CAMPAIGN THAT WOULD SAY SMOKING IS BAD, WHICH, OF
24 COURSE, WE ALL BELIEVE IS TRUE, BUT WE WOULD BE
25 BASICALLY UNABLE TO REALLY STAND ALL THIS WITHERING

BARRISTERS' REPORTING SERVICE

1 ATTACK AND ENDLESS FUNDING AGAINST WHAT WOULD NOT BE
2 A VERY WELL-CAPITALIZED MEASURE ON THE PRO SIDE JUST
3 AS IT WASN'T WELL CAPITALIZED TWO YEARS AGO, AND OUR
4 FEELING WAS THAT THAT WOULD BE PAINTING A VERY
5 NEGATIVE AND UNNECESSARILY SO PICTURE OF STEM CELL
6 RESEARCH AND WOULD VERY LIKELY RESULT IN A MEASURE
7 THAT WOULD GO DOWN AND CREATE A CHILLING EFFECT ON
8 THE VIEW OF ALL THE GOOD WE'VE DONE, ETC.

9 SO, THOUGH RELUCTANTLY, HATE TO TURN AWAY
10 POTENTIAL FOR THAT FUNDING, WE DECIDED IT WAS IN THE
11 BEST INTEREST OF THE FIELD TO NOT GO WITH THAT.

12 IT'S OUR BELIEF THAT THEY ARE GOING TO PROCEED
13 NOTWITHSTANDING WITH A MEASURE THAT TAKES CIRM OUT
14 OF THE FUNDING SO THAT WE DON'T KNOW IF THEY'LL
15 QUALIFY FOR THE BALLOT. GOOD LUCK TO THEM FACING
16 THE TOBACCO INDUSTRY. I THINK THAT'S GOING TO BE A
17 VERY TOUGH FEW MONTHS. JUST WANTED TO GET THAT OFF
18 FOR STARTERS.

19 SO WE'RE LOOKING AT A NUMBER OF THINGS
20 RIGHT NOW. THEY INCLUDE A VARIETY OF STRUCTURES
21 THAT I'VE BEEN WORKING ON, TALKING TO A WHOLE HOST
22 OF FOLKS, WHETHER TO HIGH NET WORTH INDIVIDUALS,
23 WHETHER TO INVESTMENT BANKS, ABOUT POTENTIAL
24 INVESTMENT BANKING STRUCTURES THAT WE CAN PUT IN
25 PLACE HERE TO HAVE HYBRID STRUCTURES, CONTEMPLATING

BARRISTERS' REPORTING SERVICE

1 A PHILANTHROPIC ELEMENT AND A VENTURE ELEMENT,
2 PUBLIC/PRIVATE PARTNERSHIPS. YES, WE ARE
3 CONSIDERING POTENTIALLY ANOTHER BOND MEASURE AS ONE
4 OF THE OPTIONS. WE HAVEN'T SETTLED ON ANYTHING YET,
5 BUT WE ARE TALKING.

6 JUST RECENTLY WENT BACK TO NEW YORK, MET
7 WITH SENIOR PEOPLE FROM A NUMBER OF THE MAJOR
8 INVESTMENT BANKS TO TALK ABOUT A VARIETY OF
9 POTENTIAL STRUCTURES. NOTHING TO PUT ON THE TABLE
10 TODAY TO DISCUSS, BUT WE ARE EVALUATING, I THINK,
11 SOME VERY INTERESTING POSSIBILITIES HERE.

12 YOU SHOULD KNOW THAT IN THE HIGH NET WORTH
13 COMMUNITY THERE'S BEEN SUBSTANTIAL INTEREST IN THE
14 STEM CELL SPACE. YOU MAY RECALL THAT WHEN PROP 71
15 WAS PASSED ORIGINALLY, THAT BEYOND THE 3 BILLION
16 AUTHORIZED BY THE VOTERS FROM BOND MONEY, THAT
17 HUNDREDS OF MILLIONS OF DOLLARS CAME IN FROM HIGH
18 NET WORTH PEOPLE IN CALIFORNIA TO PRINCIPALLY
19 AUGMENT THE CONSTRUCTION OF WHAT IS NOW 12
20 STATE-OF-THE-ART STEM CELL RESEARCH FACILITIES
21 AROUND THE STATE, BUT ALSO FOR PROGRAMMATIC REASONS
22 YOU'RE CONTINUING TO SEE CONSIDERABLE MONEY COMING
23 INTO THE SPACE.

24 ONE OF OUR MAJOR PHILANTHROPISTS WHO
25 SUPPORTED STEM CELL RESEARCH, JUST AS AN EXAMPLE, A

BARRISTERS' REPORTING SERVICE

1 FELLOW NAMED DENNY SANFORD, WHO JEANNE KNOWS VERY
2 WELL, SORT OF A NATIVE SOUTH DAKOTAN
3 MULTIBILLIONAIRE, ADOPTED SAN DIEGO AS SORT OF A
4 SECOND HOME AND HAS PUT HUNDREDS OF MILLIONS OF
5 DOLLARS INTO MEDICAL AND STEM CELL RESEARCH DOWN IN
6 SAN DIEGO, MOST RECENTLY A \$100 MILLION JUST A
7 COUPLE MONTHS AGO TO UCSD FOR A STEM CELL CLINICAL
8 TRIAL FACILITY.

9 ELI BROAD IS ANOTHER EXAMPLE OF SOMEBODY
10 WHO PUT IN VERY GRACIOUSLY 75 MILLION EARLY ON IN
11 CIRM'S HISTORY. SO THERE ARE A NUMBER OF PEOPLE WHO
12 HAVE GREAT INTEREST, AND WE'RE ENGAGING THEM IN
13 DISCUSSION TO TALK ABOUT ALTERNATIVE FUNDING
14 MEASURES.

15 IF WE DECIDE TO GO BACK TO THE VOTERS
16 AGAIN, NO DECISION HAS BEEN MADE ON THAT, BUT IF WE
17 DO, WE DO FIRMLY BELIEVE THAT WE WILL BE ABLE TO
18 TELL A STORY THAT PAINTS VERY MATERIAL PROGRESS,
19 GETTING TO THIS WHOLE DISCUSSION THAT WE'VE HAD, AND
20 WILL BE ONE THAT, JUST AS THE GOVERNOR, I THINK, NOW
21 IS EXCITED ABOUT WHAT WE'RE DOING, I KNOW THE
22 CONTROLLER HAS BEEN, THE DEPUTY CONTROLLER HAS BEEN,
23 PEOPLE ARE STARTING TO HEAR STORIES. NBC DID A
24 GREAT STORY A COUPLE NIGHTS AGO ABOUT ONE OF OUR
25 CANCER PROJECTS AT UCLA. I GOT CALLS FROM A BUNCH

BARRISTERS' REPORTING SERVICE

1 OF PEOPLE SAYING, BOY, THAT'S REALLY INTERESTING.

2 THE MESSAGE IS GETTING OUT THERE. THE MOMENTUM IS
3 GENERATING.

4 SO IF WE DO GO BACK FOR A SUBSEQUENT BOND
5 MEASURE, I THINK WE WILL BE ABLE TO TELL A STORY
6 THAT WILL MAKE CALIFORNIA PROUD OF BEING ON THE
7 CUTTING EDGE AND HAVING FACILITATED THE ACCELERATION
8 OF THE RESEARCH, WHICH, AS ELLEN SAID --

9 MEMBER LOTT: NOT IF YOU DON'T GET BEYOND
10 THE MARKETING PROBLEM YOU GOT. I'M TELLING YOU,
11 PAL, I WOULD HAVE A HARD TIME VOTING FOR IT AGAIN.

12 CHAIRMAN THOMAS: THAT'S FAIR.

13 MEMBER LOTT: YOU GUYS -- MAYBE YA'LL --
14 THE BALLOT, THE INITIATIVE, THE ORIGINAL INITIATIVE
15 CALLED FOR A PAID CHAIRMAN ROLE AND PRESIDENT ROLE
16 WHICH I THINK GETS A LITTLE BIT DUPLICATIVE.
17 THERE'S NO REQUIREMENT THAT YOU HAVE A CHAIRMAN.
18 IT'S JUST AN AUTHORIZATION. I THINK AS LONG AS YOU
19 DON'T HAVE ONE, DON'T HIRE ONE. GET YOURSELF SOME
20 PEOPLE IN HERE WHO CAN TRANSLATE WHAT IT IS YOU ARE
21 DOING, WHICH IS GOOD WORK, INTO TERMS THAT LAY
22 PEOPLE CAN UNDERSTAND AND MARKET THE HELL OUT OF
23 THAT. BUT AS IT STANDS RIGHT NOW, I'M JUST GOING
24 BACK TO MY EARLIER DISCUSSION, YOU HAVE A HARD TIME
25 EVEN GETTING ME TO VOTE, AND I'M ONE OF YOUR BIGGEST

BARRISTERS' REPORTING SERVICE

1 PROPONENTS. I'M NOT SURE I WOULD VOTE ON
2 REAUTHORIZING THIS.

3 CHAIRMAN THOMAS: I'M NOT SURE WE'RE GOING
4 TO HAVE ANYTHING FOR YOU TO VOTE ON.

5 MEMBER LOTT: I KNOW. I'M JUST TELLING
6 YOU YOU'VE GOT A HARD SELL TO GET PEOPLE TO
7 UNDERSTAND THAT WHAT THEY APPROVED BACK THEN WAS
8 WORTH IT.

9 CHAIRMAN THOMAS: YES. I COMPLETELY AGREE
10 WITH YOU.

11 MEMBER LOTT: I'M SORRY.

12 CHAIRMAN THOMAS: I HEAR YOU. YOU'RE
13 ABSOLUTELY RIGHT. AND IT'S NOT AN EASY STORY TO
14 TELL. IT'S NOT STUFF THAT READILY TRANSLATES INTO
15 GOOD SOUND BITES.

16 MEMBER LOTT: I CAN BE TOLD THOUGH. I
17 KNOW PEOPLE OUT THERE WHO DO THIS FOR A LIVING AND
18 DO IT REALLY WELL. I DON'T UNDERSTAND WHY YOU GUYS
19 ARE NOT DOING IT. I DON'T UNDERSTAND WHY YOU WANT
20 TO GET OUT OF THAT INITIATIVE. YOU SHOULD STAY IN
21 THERE AND FIGHT. I DON'T KNOW WHY. BUT YOU'RE
22 RIGHT. YOU DON'T HAVE A GOOD DEFENSE. YOU DON'T
23 HAVE A GOOD MESSAGE. I THINK I SAID THIS THE LAST
24 MEETING I ATTENDED, WHICH WASN'T THE LAST THE
25 MEETING, BUT THE LAST MEETING BEFORE THE LAST

BARRISTERS' REPORTING SERVICE

1 MEETING. I RAISED THE SAME ISSUE. YOU GUYS ARE NOT
2 SPEAKING TO PEOPLE IN WAYS THAT THEY UNDERSTAND THE
3 VALUE OF WHAT YOU ARE DOING. AND THAT BOTHERS THE
4 HECK OUT OF ME.

5 CHAIRMAN THOMAS: WELL, I ACCEPT THAT AS
6 VERY VALID CRITICISM. WE NEED TO DO A BETTER JOB
7 AND WE PLAN TO FOR SURE. IT'S NOT GOING TO BE AS
8 SIMPLE AS WE DEVELOPED A CURE FOR SUCH-AND-SUCH.
9 IT'S GOING TO HAVE TO BE ABLE TO TELL A NUANCED
10 STORY THAT'S NOT --

11 MEMBER LOTT: MADISON AVENUE KNOWS HOW TO
12 DO THIS, MAN. YOU NEED TO GET SOME EXPERTS IN HERE
13 TO SHOW YOU HOW TO DO IT.

14 CHAIRMAN THOMAS: THAT'S FAIR ENOUGH.
15 GOOD CRITIQUE. I ACCEPT THAT, AND YOU'RE ABSOLUTELY
16 RIGHT. WE NEED TO DO A MUCH BETTER JOB IN
17 TRANSLATING BECAUSE THE STORY IS INTERESTING. DO
18 YOU THINK IT'S INTERESTING? HAS THIS BEEN
19 INTERESTING FOR YOU?

20 MEMBER LOTT: THIS HAS BEEN VERY HELPFUL
21 FOR ME.

22 CHAIRMAN THOMAS: WELL, THEN, WE GOT TO DO
23 A BETTER JOB MAKING IT HELPFUL FOR EVERYBODY ELSE
24 TOO. I AGREE WITH YOU.

25 ANYWAY, SO THE POINT OF WHAT I WAS GETTING

BARRISTERS' REPORTING SERVICE

1 AT IS WE'RE LOOKING AT A NUMBER OF DIFFERENT THINGS
2 RIGHT NOW, AND WE'LL BE ABLE TO REPORT BACK AT SUCH
3 TIME AS WE'VE BEEN ABLE TO SECURE SOMETHING, WHICH
4 I'M HOPEFUL THAT WE WILL, BECAUSE EVEN IF WE DO GO
5 AFTER ANOTHER BOND MEASURE, THERE'S, AS YOU SAID, NO
6 GUARANTEE WHATSOEVER THAT IT WOULD EVER PASS.

7 SO THE QUESTION THEN IS WHAT DO WE DO IF
8 THERE ARE NO ADDITIONAL FUNDS. SO THE LAST SLIDE
9 HERE GETS TO THAT. AND THIS SORT OF TAKES UP WHERE
10 ELLEN LEFT OFF, WHICH IS THE RIGOROUS BUSINESS
11 DEVELOPMENT RECRUITMENT TO TRY TO DEVELOP STRATEGIC
12 ALLIANCES BETWEEN PHARMA, FOR EXAMPLE, AND OUR
13 AWARDEES ON THE OTHER END.

14 SEVERAL YEARS AGO IT WAS A BLANKET
15 STATEMENT THAT PHARMA WOULD HAVE NO INTEREST IN
16 GETTING INVOLVED IN THE R&D STAGE BECAUSE THEY HAD
17 INTERNAL R&D THEY THROW BILLIONS OF DOLLARS AT, AND
18 WE WERE VIEWED AS TOO SPECULATIVE AND NOT READY FOR
19 PRIME TIME AS FAR AS THEY WERE CONCERNED. NOW,
20 INTERESTINGLY ENOUGH, THE LAST TWO OR THREE YEARS,
21 YOU'VE STARTED TO SEE A REALIZATION IN PHARMA THAT
22 THEY THREW A TON OF MONEY INTO R&D, AND OVER THE
23 LAST TEN YEARS HAVE VERY LITTLE TO SHOW FOR IT. SO
24 YOU'RE STARTING TO SEE A SHIFT INTO WHERE PHARMA
25 BELIEVES THAT IT MAKES SENSE POTENTIALLY TO START

BARRISTERS' REPORTING SERVICE

1 FORMING THESE ALLIANCES WITH THE SMALLER, MORE
2 NIMBLER, EARLIER GUYS. INSTEAD OF PHARMA FOCUSING
3 ON THE R&D, TRY TO FIND ALLIANCES WHO CAN DEVELOP
4 THE R AND LET PHARMA DO THE D DOWN THE ROAD.

5 AND YOU SEE THESE RELATIONSHIPS THAT ELLEN
6 WAS DISCUSSING ARE EXAMPLES OF THAT. WE THINK THAT
7 SORT OF THING IS GOING TO PICK UP STEAM AND IS A WAY
8 FOR US TO HELP OUR GRANTEES TRANSITION TOWARDS THE
9 PATH OF COMMERCIALIZATION. AND THAT IS SOMETHING,
10 THIS WHOLE NOTION OF GETTING THINGS MOVING ALONG
11 MORE QUICKLY IS IN KEEPING WITH ELLEN'S DESCRIPTION
12 OF THE ACCELERATED PATHWAY AND WHAT WE ARE TRYING TO
13 DO TO EVEN MORE MOVE THE BALL FORWARD, HAVING MOVED
14 THE BALL FORWARD A TREMENDOUS AMOUNT UP TO THIS
15 POINT.

16 THE AWARDS, AS WE SAID EARLIER, FINAL
17 AWARDS, IF WE HAVE NO FURTHER FUNDS, WILL BE DRAWN
18 DOWN ENDING IN 2021. IT'S REALLY A DIFFERENT TAKE,
19 I THINK, BECAUSE WE HAVE THESE NO-COST EXTENSIONS
20 WITH RESPECT TO CERTAIN PROJECTS THAT COULD PUT IT
21 OUT ONE MORE YEAR, WHATEVER. BUT IF IT LOOKS LIKE
22 WE WILL NOT HAVE ADDITIONAL FUNDING, GETTING TO THE
23 DOCTOR'S QUESTION EARLIER, WE WOULD BE DEVELOPING
24 THAT TRANSITION PLAN WITH SPECIFICS SO THAT YOU
25 COULD FIGURE OUT HOW JURISDICTION OVER THE PROGRAMS

BARRISTERS' REPORTING SERVICE

1 WOULD BE TRANSFERRED OVER AND TO WHOM.

2 DURING THAT PERIOD ALSO WE WOULD
3 ACCORDINGLY DOWNSIZE TO MEET THE NEEDS OF THE AGENCY
4 WHICH WOULD THEN BE REALLY JUST A GRANT MONITORING
5 OPERATION AS AUGMENTED BY THE REVIEWS OF ALL THE
6 PROJECTS TO MAKE SURE THEY WERE IN KEEPING WITH
7 MILESTONES AND ALL THAT SORT OF THING.

8 SO THAT'S A VERY QUICK RUN THROUGH THAT
9 QUESTION. THOSE ARE THE MAIN ISSUES I WANTED TO
10 TOUCH ON. ANY QUESTIONS?

11 THE LAST THING I WOULD LIKE, I GUESS, IN
12 CLOSING HERE, WHICH IS TO SAY SORRY THE CONTROLLER
13 IS NOT HERE BECAUSE I KNOW THIS IS SOMETHING HE'S
14 TAKING GREAT INTEREST IN AND HAS BEEN A GREAT
15 PARTNER. PERSONALLY I HAPPEN TO GO BACK WITH THE
16 CONTROLLER ABOUT 20 YEARS. IT WAS A PRIVILEGE FOR
17 ME TO BE ABLE TO WORK WITH HIM, NOT JUST IN THE
18 CONTEXT OF THESE MEETINGS, BUT TO BE ALLOWED TO SIT
19 DOWN WITH HIM PERIODICALLY AND GO OVER WHAT WE'RE
20 DOING TO GET HIS SUGGESTIONS AND INSIGHTS. SO
21 PLEASE PASS ALONG TO HIM HOW GRATEFUL WE ALL ARE FOR
22 HIS LEADERSHIP.

23 AND I WOULD LIKE TO SAY FOR THE CFAOC AS A
24 WHOLE THAT YOU PERFORM A TREMENDOUSLY VALUABLE
25 FUNCTION. AN AGENCY LIKE OURS NEEDS TO HAVE INPUT,

BARRISTERS' REPORTING SERVICE

1 EVALUATION, ANALYSIS, CRITIQUE, ETC., AND YOU'VE
2 PROVIDED THAT TO US OVER THE COURSE OF THESE NUMBER
3 OF YEARS HERE. I DON'T KNOW HOW MANY OF YOU WILL BE
4 ON THE CFAOC NEXT YEAR.

5 DEPUTY CONTROLLER HOLTON-HODSON: THEY'RE
6 ALL STAYING. WE'RE THE ONLY ONES LEAVING AT THIS
7 POINT.

8 CHAIRMAN THOMAS: WE CONTINUE TO LOOK
9 FORWARD TO YOUR INSIGHT GOING FORWARD.

10 LAST, BUT NOT LEAST, TO RUTH. WOULD LIKE
11 TO THANK YOU FOR NOT JUST YOUR GUIDANCE IN INFORMING
12 THE CONTROLLER, BUT IN YOUR WILLINGNESS TO WORK WITH
13 US ALMOST DAY-TO-DAY, IF NEEDED, ON A VARIETY OF
14 ISSUES THAT ARE OF GREAT IMPORT.

15 AND I WOULD LIKE TO SINGLE OUT MARIA ON
16 OUR HALF HERE AND THE RELATIONSHIP THE TWO OF YOU
17 HAVE THAT HAS REALLY MADE THIS A VERY GOOD WORKING
18 RELATIONSHIP. SO THANK YOU TO YOU BOTH. THANK YOU
19 TO ALL OF MY COLLEAGUES HERE FOR ALL THE HARD WORK
20 THAT WENT INTO THESE REPORTS AND TO OTHER COLLEAGUES
21 WHO ARE NOT HERE WHO HAD A HAND IN REPORTING TO YOU
22 OVER THE YEARS. SO THANK YOU. AND WITH THAT,
23 I WILL BRING MY STATEMENT TO A CLOSE.

24 DEPUTY CONTROLLER HOLTON-HODSON: THANK
25 YOU, J.T. AND I THINK WE DO HAVE A MEMBER OF THE

BARRISTERS' REPORTING SERVICE

1 PUBLIC HERE. THANK YOU FOR ATTENDING. WE SO RARELY
2 SEE A PUBLIC MEMBER. AND I BELIEVE YOU WANTED TO
3 MAKE A QUICK COMMENT.

4 DR. LORING: MY NAME IS JEANNE LORING.
5 I'M ONE OF THE SCIENTISTS WHO IS FUNDED BY CIRM.
6 AND I THINK I COULD PROBABLY GIVE YOU A DIFFERENT
7 PERSPECTIVE THAN THE GRANTORS AS A GRANTEE. BUT
8 THAT'S NOT REALLY WHAT I WANTED TO SAY. WHAT I
9 WANTED TO SAY WAS TO ADDRESS THE ISSUE OF THE PUBLIC
10 PERCEPTION. WE'RE THE ONES WHO ARE ON THE GROUND
11 DOING THE WORK. AND A LOT OF US ARE RELATIVELY
12 ARTICULATE. AND I WANT YOU TO TAKE ADVANTAGE OF US.
13 I WANT YOU TO ASK US TO EXPLAIN THINGS TO THE
14 PUBLIC.

15 ONE OF THE -- I HAVE A CONFLICT TODAY
16 BECAUSE I WAS SUPPOSED TO BE AT THE LOCAL TELEVISION
17 STATION AT 6:30 FOR A LIVE CALL-IN SHOW IN SAN
18 DIEGO. AND I HAD TO SEND MY SENIOR SCIENTIST
19 INSTEAD, WHO IS ACTUALLY MUCH BETTER LOOKING THAN I
20 AM. BUT THERE IS THAT KIND OF THING CERTAINLY ON A
21 LOCAL LEVEL, AND I THINK IT COULD BE EVEN MORE
22 BROADER IF YOU BRING MORE OF US INTO THIS PROCESS.
23 AS IT IS, I GET TO BE ON THE MORNING SHOW TOMORROW
24 MORNING AT 7:20 IN THE MORNING FOR THE CALL-IN.

25 DEPUTY CONTROLLER HOLTON-HODSON:

BARRISTERS' REPORTING SERVICE

1 TERRIFIC. THANK YOU, JEANNE.

2 AND BEFORE WE ADJOURN, TWO THINGS I'D LIKE
3 TO REMIND THE MEMBERS, THAT YOUR STATEMENT OF
4 ECONOMIC INTERESTS ARE DUE APRIL 2D. AND IF YOU
5 COULD PLEASE SEND A COPY TO OUR OFFICE AS WELL, OR
6 YOU COULD SEND YOUR ORIGINAL TO OUR OFFICE AND WE
7 CAN GET YOUR COPY TO THE FPPC IN A TIMELY MANNER, WE
8 WOULD MOST APPRECIATE IT.

9 AND ALSO ON BEHALF OF THE CONTROLLER,
10 AGAIN, THANK YOU. HE REALLY HAS ENJOYED SERVING
11 WITH ALL OF YOU AND DEEPLY REGRETS NOT BEING HERE.
12 AND THANK YOU ALSO TO THE VERY HARD WORK.

13 MEMBER LOTT: RUTH, I'M SURE I SPEAK ON
14 BEHALF OF ALL THE MEMBERS ON THIS. WE'VE BEEN WITH
15 THE CONTROLLER, AT LEAST DAN AND I -- I DON'T KNOW
16 IF YOU HAVE, DOC -- FROM THE BEGINNING. SO WE'VE
17 BEEN KIND OF ON THIS FROM THE BEGINNING WITH THE
18 CONTROLLER, AND HE HAS BEEN THE CHAMPION OF
19 TRANSPARENCY FOR THIS PROGRAM. HE'S REALLY LED US
20 IN WAYS THAT WE NEEDED AS THE OVERSIGHT COMMITTEE
21 FOR THIS PROGRAM. AND PLEASE EXPRESS TO HIM OUR
22 GRATITUDE FOR HIS LEADERSHIP. THAT'S PARAMOUNT AND
23 WAS ABSOLUTELY INSTRUMENTAL IN HELPING US DO OUR
24 JOB. I JUST WANTED TO PLEASE TELL HIM THAT WE
25 APPRECIATE IT VERY MUCH.

BARRISTERS' REPORTING SERVICE

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DEPUTY CONTROLLER HOLTON-HODSON:

ABSOLUTELY. WE' LL DO THAT.

AND WITH THAT, THANK YOU AND THIS MEETING
IS ADJOURNED.

(THE MEETING WAS THEN CONCLUDED AT
04: 52 P. M.)

BARRISTERS' REPORTING SERVICE

REPORTER' S CERTIFICATE

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

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
818 WEST 7TH STREET, 12TH FLOOR
LOS ANGELES, CALIFORNIA
ON
WEDNESDAY, JANUARY 22, 2014

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
BARRISTERS' REPORTING SERVICE
160 S. OLD SPRINGS ROAD
SUITE 270
ANAHEIM, CALIFORNIA
(714) 444-4100