

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

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

DATE: FEBRUARY 20, 2013  
10:30 A.M.

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

BRS NO.: 93994

## BARRISTERS' REPORTING SERVICE

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**BARRISTERS' REPORTING SERVICE**

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LOS ANGELES, CALIFORNIA;  
WEDNESDAY, FEBRUARY 20, 2013; 10:30 A.M.

CHAIRMAN CHIANG: GOOD MORNING. THE MEETING OF THE CITIZENS FINANCIAL OVERSIGHT COMMITTEE WILL CONVENE. LET ME INDICATE TO THE MEMBERS OF THE PUBLIC THAT YOU ARE INVITED TO PROVIDE TESTIMONY AFTER EACH ITEM. AND LET ME THANK SCAG FOR THEIR GENEROUS SUPPORT OF US HOLDING THIS MEETING HERE.

SECOND, IF YOU MAKE A PUBLIC COMMENT, YOU WILL BE LIMITED TO THREE MINUTES. AND NO. 3, I WOULD ASK ALL TO TURN OFF YOUR CELL PHONES.

SO ITEM NO. 1, LET US ALL STAND AND PLEDGE ALLEGIANCE TO OUR FLAG.

(THE PLEDGE OF ALLEGIANCE.)

CHAIRMAN CHIANG: ITEM NO. 2 IS CALL TO ORDER AND ROLL CALL.

MS. HOLTON-HODSON: JOHN CHIANG.

CHAIRMAN CHIANG: PRESENT.

MS. HOLTON-HODSON: DANIEL BRUNNER.

MEMBER BRUNNER: PRESENT.

MS. HOLTON-HODSON: DR. KOVACH.

MEMBER KOVACH: PRESENT.

## BARRISTERS' REPORTING SERVICE

1 MS. HOLTON-HODSON: DR. LIPSON.

2 MEMBER LIPSON: PRESENT.

3 MS. HOLTON-HODSON: JIM LOTT IS ABSENT.

4 AND DR. SADANA IS ABSENT, BUT IS PLANNING ON BEING  
5 HERE. SO I THINK WE HAVE A QUORUM.

6 CHAIRMAN CHIANG: OKAY. ITEM NO. 3. GOOD  
7 MORNING. I WANT TO THANK THE CITIZENS FINANCIAL  
8 ACCOUNTABILITY OVERSIGHT COMMITTEE FOR BEING WITH US  
9 THIS MORNING. I KNOW THESE MEETINGS TAKE TIME OUT  
10 OF YOUR BUSY SCHEDULE, AND I APPRECIATE YOUR  
11 INTEREST AND DEDICATION TO PROTECTING CALIFORNIA'S  
12 SIGNIFICANT AND CRITICAL INVESTMENT IN STEM CELL  
13 RESEARCH. I AM GRATEFUL TO YOU FOR YOUR  
14 PARTICIPATION. I BELIEVE THE ROLE OF THIS COMMITTEE  
15 HAS PLAYED IN PROVIDING THE NECESSARY OVERSIGHT ON  
16 THIS INVESTMENT IS EXTRAORDINARILY IMPORTANT.

17 I THINK IT IS ESSENTIAL AND CRITICAL THAT  
18 WE CONTINUE TO PUSH FOR TRANSPARENCY AND  
19 ACCOUNTABILITY SO THAT CALIFORNIANS HAVE A CLEAR  
20 UNDERSTANDING OF HOW THEIR \$6 BILLION OF PUBLIC  
21 FUNDS ARE BEING INVESTED IN WHAT WE HOPE WILL BE A  
22 HUGE AND SIGNIFICANT MEDICAL BREAKTHROUGH.

23 NOW WE MEET AGAIN TODAY MORE THAN EIGHT  
24 YEARS AFTER THE VOTERS' PASSAGE OF PROPOSITION 71  
25 AND WITH \$1.7 BILLION OF THE ORIGINAL \$3 BILLION IN

## BARRISTERS' REPORTING SERVICE

1 BOND FUNDS COMMITTED.

2 SINCE WE LAST MET, CIRM HAS HAD TWO MAJOR  
3 AUDITS, THE INSTITUTE OF MEDICINE AND THE FIRST  
4 PERFORMANCE AUDIT REQUIRED OF SB 1064. IN ADDITION,  
5 OUR STANDARD UPDATES FROM CIRM, I THINK IT WILL BE  
6 USEFUL TO HEAR FROM THE AUTHORS OF BOTH AUDITS AND  
7 THEIR RESPONSES TO CIRM'S ACTIONS ON THEIR  
8 RECOMMENDATIONS. I LOOK FORWARD TO THESE  
9 DISCUSSIONS.

10 AGAIN, THANK YOU ALL FOR BEING HERE, AND I  
11 WELCOME ANY INTRODUCTORY REMARKS BY MY COLLEAGUES.

12 NEXT ITEM IS THE ADOPTION OF THE  
13 TRANSCRIPT OF THE JANUARY 28, 2012, CFAOC MEETING.  
14 IS THERE A MOTION?

15 MEMBER LIPSON: I SO MOVE.

16 MEMBER BRUNNER: SECOND.

17 CHAIRMAN CHIANG: WITHOUT OBJECTION,  
18 UNANIMOUS APPROVAL.

19 NEXT ITEM IS ITEM 5. THAT IS THE 2011-12  
20 INDEPENDENT FINANCIAL AUDIT, CIRM'S AUDIT RESPONSE,  
21 AND THE STATE CONTROLLER'S OFFICE AUDIT REVIEW  
22 REPORT. MAY I ASK A REPRESENTATIVE FROM MACIAS TO  
23 PRESENT THEIR FINANCIAL AUDIT FINDINGS, PLEASE.

24 MS. WALKER-DAVEY: GOOD MORNING. MY NAME  
25 IS SHELLY WALKER-DAVEY. I AM THE ENGAGEMENT MANAGER

## BARRISTERS' REPORTING SERVICE

1 FOR MACIAS, GINI, O'CONNELL, AND I'M HERE TO PRESENT  
2 OUR OPINIONS ON THE CIRM'S 2012 FINANCIAL  
3 STATEMENTS.

4 WE HAVE AUDITED THE FINANCIAL STATEMENTS  
5 OF CIRM FOR THE YEAR ENDED JUNE 30, 2012. THESE  
6 FINANCIAL STATEMENTS ARE THE RESPONSIBILITY OF  
7 CIRM'S MANAGEMENT, AND OUR RESPONSIBILITY IS TO  
8 COLLECT SUFFICIENT AUDIT EVIDENCE TO RENDER AN  
9 OPINION ON THOSE FINANCIAL STATEMENTS.

10 OUR AUDIT WAS CONDUCTED IN ACCORDANCE TO  
11 THE AUDITING STANDARDS GENERALLY ACCEPTED BY THE  
12 UNITED STATES OF AMERICA AND STANDARDS APPLICABLE TO  
13 THE FINANCIAL AUDITS CONDUCTED UNDER THE  
14 GOVERNMENTAL AUDITING STANDARDS ISSUED BY THE  
15 COMPTROLLER GENERAL OF THE UNITED STATES.

16 IN ADDITION TO THE FINANCIAL STATEMENTS,  
17 CIRM'S MANAGEMENT IS ALSO RESPONSIBLE FOR THE  
18 ESTABLISHMENT AND MAINTAINING OF EFFECTIVE INTERNAL  
19 CONTROLS OVER FINANCIAL REPORTING. SO IN PLANNING  
20 AND PERFORMING OUR AUDIT, WE CONSIDERED CIRM'S  
21 INTERNAL CONTROLS OR THE FINANCIAL REPORTING AS A  
22 BASIS FOR DESIGNING OUR AUDIT PROCEDURES AND FOR THE  
23 PURPOSE OF EXPRESSING OPINION ON THOSE FINANCIAL  
24 STATEMENTS AND NOT FOR THE PURPOSE OF EXPRESSING AN  
25 OPINION ON THE EFFECTIVENESS OF THOSE INTERNAL

## BARRISTERS' REPORTING SERVICE

1 CONTROLS.

2 AS PART OF OUR AUDIT, WE ALSO PERFORMED  
3 TESTS OF ITS COMPLIANCE WITH CERTAIN PROVISIONS OF  
4 LAWS AND REGULATIONS WHICH COULD HAVE A DIRECT AND  
5 MATERIAL EFFECT ON THE FINANCIAL STATEMENTS AND THE  
6 AMOUNTS REPORTED ON THOSE FINANCIAL STATEMENTS.  
7 HOWEVER, IN PROVIDING AN OPINION FOR THE COMPLIANCE  
8 OF THOSE PROVISIONS, IT WAS NOT THE OBJECTIVE OF OUR  
9 AUDIT AND, ACCORDINGLY, WE DO NOT EXPRESS AN  
10 OPINION.

11 SO IN CONCLUSION, WE ARE PLEASED TO REPORT  
12 WE HAVE ISSUED AN UNQUALIFIED OPINION ON THE  
13 FINANCIAL STATEMENTS AS OF JUNE 30, 2012. WE NOTED  
14 NO FINDINGS AS A RESULT OF OUR AUDIT.

15 CHAIRMAN CHIANG: VERY GOOD. THANK YOU.  
16 THANK YOU FOR THAT REPORT. ARE THERE QUESTIONS FROM  
17 THE COMMITTEE? OKAY. ANY COMMENTS FROM THE CIRM  
18 STAFF? NO.

19 MS. WALKER-DAVEY: THANK YOU.

20 CHAIRMAN CHIANG: THANK YOU VERY KINDLY.  
21 LET ME INVITE DAVID SUPAN FROM MY OFFICE TO PRESENT  
22 THE REVIEW OF THE MACIAS FINANCIAL AUDIT.

23 MR. SUPAN: GOOD MORNING. I'M DAVID  
24 SUPAN, AN AUDIT MANAGER WITH THE STATE CONTROLLER'S  
25 OFFICE, FINANCIAL AUDITS BUREAU. I'M HERE TO

## BARRISTERS' REPORTING SERVICE

1 PRESENT THE RESULTS OF SCO'S QUALITY CONTROL OF  
2 MACIAS, GINI, & O'CONNELL'S AUDIT OF CIRM FOR THE  
3 FISCAL YEAR 2011-12.

4 HEALTH AND SAFETY CODE SECTION 12590.25(B)  
5 REQUIRES SCO TO CONDUCT A QUALITY CONTROL REVIEW OF  
6 CIRM'S ANNUAL AUDIT AND ISSUE A PUBLIC REPORT OF  
7 THAT REVIEW. WE COMPARED THE AUDIT WORK PERFORMED  
8 BY THE FIRM AS DOCUMENTED IN THEIR WORKING PAPERS  
9 WITH APPLICABLE AUDITING STANDARDS AND REQUIREMENTS,  
10 WHICH INCLUDE GOVERNMENT AUDITING STANDARDS,  
11 GENERALLY ACCEPTED AUDITING STANDARDS, AND  
12 CALIFORNIA BUSINESS AND PROFESSIONS CODE  
13 REQUIREMENTS.

14 WE DETERMINED THAT THE AUDIT WAS PERFORMED  
15 IN ACCORDANCE WITH ALL APPLICABLE AUDITING STANDARDS  
16 AND REQUIREMENTS. NO DEFICIENCIES WERE NOTED.

17 ANY QUESTIONS?

18 CHAIRMAN CHIANG: NO QUESTIONS FROM THE  
19 COMMITTEE. ANY COMMENTS FROM THE PUBLIC?

20 WELCOME, DR. SADANA. AND LET THE MINUTES  
21 REFLECT THAT.

22 THANK YOU, DAVID.

23 ITEM NO. 6, STATUS UPDATE OF CIRM'S  
24 FINANCIAL PERFORMANCE, UPDATE OF GRANTS AWARDED, AND  
25 GRANT PROCESS. I'D LIKE TO INVITE CIRM TO ADDRESS



## BARRISTERS' REPORTING SERVICE

1 THIS ITEM, PLEASE.

2 MS. SILVA-MARTIN: GOOD MORNING. MY NAME  
3 IS CHILA SILVA-MARTIN. I'M THE DIRECTOR OF FINANCE.  
4 I WAS APPOINTED TO THIS POSITION IN AUGUST OF 2012.  
5 PRIOR TO THAT I'VE BEEN WITH CIRM SINCE 2009 SERVING  
6 IN VARIOUS FINANCIAL CAPACITIES.

7 TODAY I WILL BE REPORTING ON THE FINAL  
8 EXPENDITURES FOR THE 2011-12 FISCAL YEAR AS WELL AS  
9 PROVIDING YOU A REPORT ON OUR CURRENT FINANCIAL  
10 STATUS AND OUR 2012-13 EXPENDITURES THROUGH DECEMBER  
11 2012.

12 SO IN YOUR BINDER UNDER TAB 6 YOU WILL  
13 FIND OUR FINAL EXPENDITURE REPORT FOR THE 2011-12  
14 FISCAL YEAR.

15 SO LOOKING AT THE FIRST CHART, IT'S THE  
16 VERY HIGH LEVEL OF OUR EXPENDITURES. AND SO IN THE  
17 FIRST SET OF BARS, THAT REPRESENTS OUR SALARIES AND  
18 WAGES, OUR EMPLOYEE EXPENSES. WE WERE ALLOCATED A  
19 TOTAL OF \$10.3 MILLION AND WE SPENT \$9.3 MILLION, SO  
20 WE HAD A SAVINGS OF ABOUT A MILLION DOLLARS IN THAT  
21 CATEGORY.

22 FOR ALL OF OUR OTHER OPERATING EXPENSES,  
23 WE WERE ALLOCATED A TOTAL OF \$8.2 MILLION AND SPENT  
24 6.2 MILLION, A SAVINGS OF ABOUT \$2 MILLION. SO  
25 OVERALL, THE DEPARTMENT EXPERIENCED A SAVINGS FOR

## BARRISTERS' REPORTING SERVICE

1 THE 11-12 FISCAL YEAR OF ABOUT \$3.1 MILLION.

2 SO MOVING ON TO THE NEXT SHEET, IT GIVES  
3 US A COMPARISON OF THE FINAL EXPENDITURES AGAINST  
4 THE BUDGET. SO I'M GOING TO JUST LOOK AT A COUPLE  
5 OF THE VARIANCES THAT WE HAD PRETTY SIGNIFICANT  
6 SAVINGS. THE FIRST ONE IN IS OUR EMPLOYEE EXPENSES.  
7 AND THE REASON THAT WE HAD A MILLION DOLLAR SAVINGS  
8 THERE IS THAT WE HAD VARIOUS POSITIONS VACANT,  
9 SEVERAL OF THEM HIGH LEVEL POSITIONS THAT WERE  
10 VACANT FOR A SIGNIFICANT PART OF THE FISCAL YEAR.  
11 FOR EXAMPLE, WE HAD A MEDICAL OFFICER POSITION THAT  
12 WAS VACANT THE ENTIRE FISCAL YEAR. OUR DIRECTOR OF  
13 PUBLIC COMMUNICATIONS POSITION WAS NOT FILLED TILL  
14 APRIL OF 2012, AND OUR I.T. DIRECTOR WAS FILLED AT  
15 ABOUT THE SAME TIME. AND THEN WE HAD ABOUT FIVE TO  
16 SIX OTHER POSITIONS THAT WERE VACANT ANYWHERE FROM  
17 TWO TO FOUR MONTHS.

18 SO THE SAVINGS THAT WE'RE SEEING FOR  
19 EMPLOYEE COMPENSATION IS REALLY THE SALARIES AND  
20 WAGES FOR THOSE POSITIONS AND THE BENEFITS. WE ALSO  
21 EXPERIENCED SOME MINOR SAVINGS FOR MERIT SALARY  
22 ADJUSTMENTS BECAUSE THESE DID NOT GO INTO EFFECT  
23 UNTIL AUGUST 1ST.

24 MOVING ON TO THE NEXT SLIDE, WHICH IS A  
25 COMPARISON OF OUR FINAL EXPENDITURES FOR 11-12

## BARRISTERS' REPORTING SERVICE

1 AGAINST THOSE FOR THE PRIOR FISCAL YEAR, WHICH WAS  
2 10-11. SO IN LOOKING AT THESE EXPENSES, OUR  
3 EMPLOYEE EXPENSES WENT UP IN 11-12, AND THAT IS  
4 BECAUSE AS OF JUNE 30, 2011, WE HAD 46 POSITIONS  
5 FILLED AND AS OF JUNE 2012 WE HAD 54 POSITIONS.

6 ANOTHER AREA WHERE WE EXPERIENCED SOME  
7 SIGNIFICANT CHANGES IN THE COST WERE IN OUR  
8 SCIENTIFIC MEETINGS. IN THAT AREA, THE REASON THAT  
9 THE COSTS WERE HIGHER WAS BECAUSE WE HAVE A GRANTEE  
10 MEETING EVERY 18 MONTHS, AND THOSE COSTS WERE  
11 INCURRED IN THE 11-12 FISCAL YEAR. AND ALSO WE HAD  
12 COSTS FOR INDIVIDUALS ATTENDING THE WORLD STEM CELL  
13 SUMMIT.

14 MEMBER KOVACH: COULD YOU COMMENT ON THE  
15 GRANT REVIEW VARIANCE?

16 MS. SILVA-MARTIN: THE GRANT REVIEW. YES.  
17 THE VARIANCE OR IN OVERALL?

18 MEMBER KOVACH: JUST THE VARIANCE OF 49  
19 PERCENT.

20 MS. SILVA-MARTIN: I CAN. I'M SORRY. I  
21 MEANT TO DO THAT. I APOLOGIZE.

22 SO THE GRANT REVIEW, WHAT HAPPENED FOR THE  
23 GRANT REVIEW IS FOR THE FIRST TIME LAST YEAR, AFTER  
24 DR. FEIGAL HERE JOINED OUR STAFF, WE CONVENED THE  
25 CLINICAL DEVELOPMENT ADVISORY PANELS. AND SO WHEN

## BARRISTERS' REPORTING SERVICE

1 WE SET THE BUDGET FOR 11-12, WE HAD NO EXPERIENCE IN  
2 CONDUCTING THESE TYPES OF PANELS. AND SO WHAT WE  
3 DID WAS WE BUDGETED FOR THOSE PANELS AT \$125,000  
4 BASED ON WHAT WE WERE SPENDING FOR OUR GRANT  
5 REVIEWS. WELL, WE ACTUALLY ONLY CONVENED THREE OF  
6 THOSE PANELS, AND THE COSTS WERE SIGNIFICANTLY LESS  
7 THAN WHAT WE HAD BUDGETED.

8 SIMILARLY, FOR OUR GRANTS REVIEW, OUR  
9 STAFF WORKED REALLY HARD, AND ALTHOUGH WE HELD ALL  
10 OF OUR MEETINGS, THEY CAME IN LOWER THAN WHAT WAS  
11 ACTUALLY BUDGETED. SO THAT'S WHERE YOU'RE SEEING A  
12 BIG DIFFERENCE.

13 MEMBER KOVACH: THANK YOU.

14 MS. SILVA-MARTIN: I CAN ALSO PROVIDE SOME  
15 INPUT ON THE CONTRACTS AS WELL. WE HAD SAVINGS IN  
16 THAT AREA. AND THE SAVINGS THERE WERE REALLY  
17 ATTRIBUTED TO COSTS THAT DID NOT MATERIALIZE AT THE  
18 LEVEL THAT WE EXPECTED OR THAT THEY DID NOT  
19 MATERIALIZE AT ALL. FOR EXAMPLE, WE HAVE AN ANNUAL  
20 REPORT. AND IN THAT ANNUAL REPORT WE HAD  
21 SIGNIFICANT SAVINGS. WE USUALLY HIRE WRITERS AND  
22 PHOTOGRAPHERS, AND WE HAD SAVINGS IN THAT AREA.

23 ALSO AT MANY OF OUR MEETINGS WE HAVE  
24 SPOTLIGHTS. AND IN THE PAST WE PAID FOR SOMEBODY TO  
25 DO THE VIDEOTAPING OF THOSE SPOTLIGHTS, AND WE

## BARRISTERS' REPORTING SERVICE

1 BROUGHT THAT IN-HOUSE. SO WE HAD SAVINGS IN THAT  
2 AREA.

3 THE MAJORITY OF THE SAVINGS WAS IN OUR  
4 CONTRACTING FOR ALLIANCE MANAGEMENT. THAT'S AN  
5 INDIVIDUAL WHO PROVIDES SUPPORT FOR OUR  
6 COLLABORATIVE FUNDING FUNCTION. AND THE COST JUST  
7 DID NOT MATERIALIZE AT THE LEVEL THAT WE HAD  
8 ANTICIPATED, AND THAT'S THE SAME THING THAT HAPPENED  
9 WITH OUR LEGAL CONTRACTS. WE HAD BUDGETED A CERTAIN  
10 AMOUNT, AND THEY JUST DID NOT COME IN AT THE LEVEL  
11 THAT WAS BUDGETED.

12 MEMBER LIPSON: EXCUSE ME. I JUST WANTED  
13 TO TALK A LITTLE BIT ABOUT THE LEGAL CONTRACTS YOU  
14 HAVE. DO YOU NOT HAVE IN-HOUSE COUNSEL?

15 MS. SILVA-MARTIN: WE DO HAVE IN-HOUSE  
16 COUNSEL. J.T., WOULD YOU LIKE TO COMMENT ON THAT?

17 CHAIRMAN THOMAS: WE DO HAVE IN-HOUSE  
18 COUNSEL, BUT THERE ARE CERTAIN INSTANCES WHERE WE  
19 FELT THAT THE EXPERTISE NEEDED IN A PARTICULAR AREA  
20 WARRANTED HAVING OUTSIDE COUNSEL IN ADDITION TO  
21 IN-HOUSE COUNSEL. AND, OF COURSE, WE HAVE OUR  
22 PRINCIPAL EXPENDITURE IN THAT REGARD IS WITH MR.  
23 HARRISON, WHO REPRESENTS THE BOARD, BUT IS OUTSIDE  
24 OF CIRM. AND IT PERFORMS CRITICAL FUNCTIONS ON A  
25 VIRTUALLY HOURLY BASIS THROUGHOUT THE YEAR.

## BARRISTERS' REPORTING SERVICE

1 MEMBER LIPSON: WHAT DO YOU MEAN HOURLY  
2 BASIS, SIR?

3 CHAIRMAN THOMAS: WE TALK TO JAMES ALL THE  
4 TIME. I DON'T MEAN THAT HE -- IT HAD NOTHING TO DO  
5 WITH HIS BILLING PRACTICES. THIS IS JUST A  
6 REFERENCE TO HOW FREQUENTLY WE CONFER AND HOW MUCH  
7 WE DEPEND UPON HIM AS COUNSEL TO THE BOARD.

8 MEMBER LIPSON: AND HOW MUCH IS SPENT ON  
9 THE OUTSIDE LEGAL CONTRACTS?

10 MS. SILVA-MARTIN: ABOUT \$500,000.

11 MEMBER LIPSON: HOW MUCH IS SPENT WITH  
12 YOUR IN-HOUSE COUNSEL?

13 MS. SILVA-MARTIN: I DON'T HAVE THAT RIGHT  
14 OFF THE TOP OF MY HEAD, BUT I CAN PROVIDE THAT  
15 INFORMATION TO YOU.

16 MEMBER LIPSON: THANK YOU.

17 MS. SILVA-MARTIN: ARE THERE ANY OTHER  
18 QUESTIONS ON THE 11-12 BUDGET?

19 MEMBER SADANA: THIS WAS ASKED LAST YEAR,  
20 THE SAME QUESTION, AND I DON'T THINK WE GOT A CLEAR  
21 ANSWER AT THAT TIME.

22 MS. SILVA-MARTIN: REGARDING THE LEGAL  
23 CONTRACTS?

24 MEMBER SADANA: YES.

25 MS. SILVA-MARTIN: WE CAN GO BACK AND TAKE

## BARRISTERS' REPORTING SERVICE

1 A LOOK AT THAT INFORMATION, AND WE CAN PROVIDE YOU  
2 ADDITIONAL INFORMATION WITH RESPECT TO OUR LEGAL  
3 CONTRACTS.

4 ANYTHING ELSE ON 11-12?

5 GREAT. SO THEN WHAT I'M GOING TO DO IS  
6 MOVE ON TO THE 12-13 --

7 CHAIRMAN CHIANG: POINT OF CLARIFICATION.  
8 FOR EXTERNAL SERVICES, IT SAYS LEGAL 1.3. SO THE  
9 \$500,000 WAS TO JIM'S FIRM?

10 MS. SILVA-MARTIN: I CAN TELL YOU THAT THE  
11 1.3 IS WHAT WE BUDGETED IN THE CURRENT YEAR, BUT OUR  
12 EXPENDITURE RATE AT THIS TIME IS NOWHERE NEAR THAT  
13 AMOUNT. SO WE ARE EXPERIENCING SAVINGS. JUST LIKE  
14 WE DID LAST YEAR, WE ARE ALSO EXPERIENCING SAVINGS  
15 IN THE CURRENT YEAR.

16 YOU HAVE THE LEGAL BUDGET. ACTUALLY I DO  
17 HAVE IT. YOU'RE ABSOLUTELY RIGHT. THANK YOU,  
18 MARIA.

19 SO WE CAN GO ON TO THE NEXT SET OF CHARTS,  
20 AND THAT ACTUALLY GIVES US THE INFORMATION ON OUR  
21 LEGAL OFFICE AND OUR COSTS THERE. AND YOU HAVE  
22 ASKED -- SO WE HAVE BUDGETED FOR LEGAL SERVICES.  
23 OUR STAFF IS A MILLION DOLLARS, \$1,060,000. AND  
24 THAT INCLUDES THE STAFF FOR THE LEGAL OFFICE AND ALL  
25 THEIR SALARIES AND WAGES AND THEIR BENEFITS. SO YOU

## BARRISTERS' REPORTING SERVICE

1 CAN SEE THAT ON PAGE 9 OF THE 2012-13 BUDGET. THAT  
2 IS, I BELIEVE, IN YOUR FOLDER UNDER TAB 6A.

3 AND ACTUALLY I WAS GOING TO -- IF I CAN  
4 MOVE ON TO 12-13, I WAS GOING TO TALK A LITTLE BIT  
5 ABOUT THE BUDGET DEVELOPMENT AND THE PROCESS THAT WE  
6 WENT THROUGH IN DEVELOPING THE 12-13 BUDGET, IF  
7 THAT'S OKAY WITH YOU.

8 CHAIRMAN CHIANG: YES.

9 MS. SILVA-MARTIN: GREAT. SO TO TALK A  
10 LITTLE BIT ABOUT THE 2012-13 BUDGET, IN YOUR BINDERS  
11 UNDER TAB 6A, YOU WILL SEE THE CURRENT YEAR BUDGET.  
12 AND JUST TO GIVE YOU A LITTLE BIT OF BACKGROUND ON  
13 THE DEVELOPMENT OF THE BUDGET LAST YEAR. WHEN THE  
14 ORGANIZATION WAS FIRST ESTABLISHED, WE SET UP FOUR  
15 COST CENTERS. AND THEY WERE REALLY BY AREA OF  
16 RESPONSIBILITY. WE HAD THE SCIENCE OFFICE, THE  
17 OFFICE OF THE PRESIDENT, THE OFFICE OF THE CHAIR,  
18 AND ADMINISTRATION. SO WE ONLY HAD FOUR COST  
19 CENTERS.

20 IN THOSE FOUR COST CENTERS, ALL OF OUR  
21 I.T. COSTS WERE CAPTURED EITHER UNDER THE SCIENCE  
22 OFFICE OR UNDER ADMINISTRATION. SO OUR GRANTS  
23 MANAGEMENT SYSTEM, WE CAPTURED COSTS INTO THE  
24 SCIENCE OFFICE. AND THEN OUR DESKTOP SUPPORT, OUR  
25 WEB SITE, THAT WAS ALL CAPTURED UNDER



## BARRISTERS' REPORTING SERVICE

1 ADMINISTRATION.

2 SIMILARLY, OUR LEGAL COSTS WERE CAPTURED  
3 UNDER THE OFFICE OF THE PRESIDENT OR THE OFFICE OF  
4 THE CHAIR, DEPENDING ON WHICH UNIT IT WAS  
5 SUPPORTING.

6 AND THEN, FINALLY, OUR PUBLIC  
7 COMMUNICATIONS COSTS WERE CAPTURED UNDER  
8 ADMINISTRATION.

9 SO AS THE AGENCY HAS GROWN, IT MADE MORE  
10 SENSE TO REDESIGN THE BUDGET TO CAPTURE OUR COSTS BY  
11 FUNCTIONAL AREA. SO THAT'S WHAT WE'VE DONE FOR THE  
12 2012-13 FISCAL YEAR. SO WHAT WE DID IS WE TOOK THE  
13 SCIENCE OFFICE AND WE SPLIT IT INTO TWO SEPARATE  
14 COST CENTERS. WE HAVE THE SCIENCE OFFICE RESEARCH,  
15 WHICH IS UNDER DR. OLSON, AND THEY'RE RESPONSIBLE  
16 FOR DEVELOPMENT OF THE RFA'S, REVIEWS OF THE GRANTS,  
17 AND MONITORING OF THE PROGRESS ON THOSE GRANTS. AND  
18 THEN WE HAVE THE SCIENCE OFFICE DEVELOPMENT THAT IS  
19 UNDER DR. FEIGAL, AND SHE'S RESPONSIBLE FOR THE  
20 DISEASE TEAMS AND REVIEW OF THOSE PROJECTS.

21 WE HAVE NOW THE OFFICE OF THE PRESIDENT,  
22 AND IT NO LONGER INCLUDES ANY OF THE LEGAL COSTS.  
23 WE HAVE THE OFFICE OF THE CHAIR, AND THAT ALSO DOES  
24 NOT INCLUDE LEGAL COSTS.

25 SO WE BASICALLY ADDED THREE UNITS. WE NOW

## BARRISTERS' REPORTING SERVICE

1 HAVE AN I.T. UNIT THAT CAPTURES ALL OF OUR  
2 INFORMATION TECHNOLOGY COSTS. WE POOLED ALL THE  
3 COSTS THAT WERE IN THE SCIENCE OFFICE AND FINANCE  
4 AND PUT THEM UNDER THAT UNIT. WE NOW HAVE A BUDGET  
5 AND A SEPARATE COST CENTER FOR THE PUBLIC  
6 COMMUNICATIONS OFFICE AS WELL AS FOR THE LEGAL  
7 OFFICE. SO HAVING THIS BUDGET REALLY ALLOWS US TO  
8 PROVIDE FOR TRANSPARENCY IN THOSE TYPE OF COSTS.

9 AND SO AS YOU FLIP THROUGH THE DIFFERENT  
10 PAGES, YOU CAN SEE THE DIFFERENT BUDGETS THAT WERE  
11 ESTABLISHED FOR EACH OF THE DIFFERENT UNITS.  
12 THERE'S ONE OF NINE PAGES THAT ESTABLISHES --  
13 THERE'S A SUMMARY AT THE FRONT END, AND THEN THERE'S  
14 A PAGE FOR EACH ONE OF THE COST CENTERS.

15 SO I WANTED TO THEN MOVE ON TO THE  
16 EXPENDITURES THAT WE'VE RECORDED THROUGH THIS FISCAL  
17 YEAR, IF I MAY, AND THEN JUST PROVIDE YOU WITH A  
18 BRIEF UPDATE ON OUR FINANCES.

19 SO LOOKING AT THE NEXT POWERPOINT  
20 PRESENTATION, I BELIEVE THIS IS UNDER TAB 6C IN YOUR  
21 BINDERS. I JUST WANTED TO BRIEFLY PROVIDE YOU WITH  
22 SOME INFORMATION ON OUR CURRENT FINANCES. SO GRANT  
23 DISBURSEMENTS THROUGH DECEMBER OF THIS FISCAL YEAR  
24 HAVE TOTALED \$79 MILLION AS COMPARED TO THE PREVIOUS  
25 FISCAL YEAR WHERE WE HAD DISBURSED \$109.8 MILLION.

## BARRISTERS' REPORTING SERVICE

1 WE HAVE \$70.5 MILLION OF CASH AVAILABLE AS OF  
2 DECEMBER, AND THE MAJORITY OF THAT MONEY IS MADE UP  
3 OF COMMERCIAL PAPER.

4 SO THROUGH 2011-12 WE WERE ACTUALLY FUNDED  
5 WITH BOND PROCEEDS. AND DURING THE 11-12 FISCAL  
6 YEAR, WE ACTUAL RECEIVED \$50.8 MILLION FROM THE  
7 OCTOBER 2011 BOND PROCEEDS. BUT STARTING WITH THE  
8 CURRENT FISCAL YEAR, THE DEPARTMENT OF FINANCE BEGAN  
9 FUNDING US WITH COMMERCIAL PAPER. SO FOR THE FIRST  
10 SIX MONTHS OF THIS FISCAL YEAR, WE RECEIVED \$106  
11 MILLION. IN JANUARY WE RECEIVED \$15 MILLION, AND  
12 IT'S MY UNDERSTANDING THAT WE WILL BE RECEIVING  
13 ABOUT \$27 MILLION AT THE END OF THIS MONTH.

14 SO STAFF IN THE OFFICE OF THE CHAIR WORKS  
15 CONTINUALLY WITH THE STATE TREASURER'S OFFICE AND  
16 THE DEPARTMENT OF FINANCE IN PROVIDING THEM WITH  
17 INFORMATION SO THAT THEY CAN PROVIDE US WITH  
18 COMMERCIAL PAPER FUNDING SO WE CAN MEET OUR  
19 FINANCIAL OBLIGATIONS.

20 THE REASON, IT'S OUR UNDERSTANDING THAT  
21 THEY WENT TO COMMERCIAL PAPER BECAUSE IT'S  
22 SHORT-TERM FUNDING AND WE CAN GET THIS AT A LOWER  
23 COST FOR THE STATE, SO THAT'S A GOOD THING.

24 MOVING ON TO OUR ACTUAL EXPENDITURES FOR  
25 THE FISCAL YEAR, AND JUST PROVIDING YOU WITH A VERY

## BARRISTERS' REPORTING SERVICE

1 HIGH LEVEL OVERVIEW OF OUR EXPENDITURES AS COMPARED,  
2 AGAIN, TO THE PREVIOUS FISCAL YEAR. AND I'M JUST  
3 GOING TO FOCUS ON SOME OF THE VARIANCES. AS YOU CAN  
4 SEE, OUR EMPLOYEE EXPENSES ARE UP IN THIS FISCAL  
5 YEAR. AND THAT IS WE SPENT A TOTAL OF \$7.4 MILLION  
6 THIS FISCAL YEAR THUS FAR AS COMPARED TO \$6.4  
7 MILLION IN THE PRIOR FISCAL YEAR.

8 OUR EMPLOYEE EXPENSES ARE UP BECAUSE WE  
9 HAVE ACTUALLY GONE FROM 50 POSITIONS THAT WERE  
10 FILLED AS OF LAST DECEMBER TO 58 THAT ARE FILLED  
11 THIS PAST DECEMBER.

12 ANOTHER AREA WHERE OUR COSTS HAVE GONE UP  
13 IS IN OUR REVIEWS MEETING AND WORKSHOPS. NOW, LAST  
14 YEAR DURING THE SAME TIME PERIOD, WE HELD TWO  
15 REVIEWS AND WE HAD THE GRANTEE MEETING THAT IS HELD  
16 EVERY 18 MONTHS. THIS YEAR OUR STAFF HAVE HELD  
17 SEVEN DIFFERENT VARIOUS GRANT REVIEW MEETINGS FOR  
18 THE FIRST HALF OF THE FISCAL YEAR. SO THAT'S THE  
19 FACTOR THAT'S IMPACTING THE INCREASE IN OUR COSTS  
20 THERE.

21 AND THE OTHER COST IS THAT WE ALSO -- ALL  
22 THE OTHER COSTS ARE PRETTY STANDARD. OUR TRAVEL  
23 COSTS ARE DOWN A LITTLE BIT THIS FISCAL YEAR. AND  
24 THAT'S PRETTY MUCH IT IN TERMS OF THE EXPENDITURES  
25 FOR THE CURRENT FISCAL YEAR.

## BARRISTERS' REPORTING SERVICE

1 THE NEXT TWO CHARTS ARE GOING TO COVER OUR  
2 6-PERCENT ADMINISTRATIVE CAP. AS YOU MAY RECALL,  
3 PROPOSITION 71 PLACES RIGOROUS CAPS ON CIRM'S  
4 GENERAL AND GRANT ADMINISTRATION EXPENSES. WE ARE  
5 LIMITED TO \$180 MILLION THROUGH THE TERM OF OUR  
6 LIFE. AND SO THIS FIRST CHART, THE PIE CHART,  
7 REFLECTS WHAT WE'VE ACTUALLY SPENT OF THAT \$180  
8 MILLION. SO THROUGH JUNE OF 2012, WE HAVE SPENT  
9 \$61.4 MILLION FOR GENERAL AND GRANT ADMINISTRATION,  
10 AND THAT'S THE BLUE PIECE OF THE PIE.

11 FOR THE CURRENT YEAR, I'M PROJECTING THAT  
12 WE'RE GOING TO SPEND \$14.3 MILLION AS REPRESENTED BY  
13 THE ORANGE SLICE, WHICH LEAVES US ABOUT \$104.3  
14 MILLION TO CARRY US THROUGH THE REMAINDER OF THE  
15 FISCAL YEAR.

16 CIRM RECOGNIZES THAT IT'S CRITICAL THAT WE  
17 HAVE SUFFICIENT FUNDS TO SUPPORT THE ORGANIZATION  
18 THROUGH THE CLOSEOUT OF OUR LAST AWARD. AS SUCH, WE  
19 PUT TOGETHER SOME BUDGET ASSUMPTIONS WHICH ARE  
20 REFLECTED IN THE NEXT CHART THAT SHOWS THAT WE  
21 WILL -- OUR LAST AWARDS WILL GO OUT IN 16-17, AND  
22 THEN AFTER THAT WE'LL START SCALING DOWN AND BE ABLE  
23 TO SUPPORT THE ORGANIZATION THROUGH THE LAST AWARD  
24 IN 20-21 FISCAL YEAR.

25 AND THEN THE LAST CHART I WANTED TO SHARE

## BARRISTERS' REPORTING SERVICE

1 WITH YOU, WHICH IS UNDER TAB 6B, IS JUST THE  
2 CONTROLLER MENTIONED THAT WE HAD ALREADY AWARDED  
3 \$1.7 BILLION. AND SO I WANTED TO -- THIS SHOWS  
4 WHERE WE ARE WITH OUR \$3 BILLION. SO AS OF  
5 DECEMBER, WE'VE AWARDED ALMOST \$1.8 BILLION IN  
6 GRANTS. WE ALSO, AS YOU MAY RECALL, PROPOSITION 71  
7 REQUIRED THAT CIRM BE RESPONSIBLE FOR PAYING THE  
8 INTEREST ON INTERIM DEBT THROUGH THE FIRST FIVE  
9 YEARS AS WELL AS PAYING THE COST OF ISSUING THAT  
10 DEBT AND ANY ADMINISTRATIVE COSTS ASSOCIATED WITH  
11 THAT.

12 SO AS OF DECEMBER 2012, THAT AMOUNT EQUALS  
13 ALMOST \$50 MILLION. THE MAJORITY OF IT BEING MADE  
14 UP OF INTEREST THAT WAS PAID ON THE INTERIM FUNDING.

15 AND THEN WE'VE SPENT ALMOST \$68 MILLION IN  
16 GENERAL AND GRANT ADMIN SUPPORT, LEAVING US A  
17 BALANCE OF \$1.1 BILLION TO SUPPORT OPERATIONAL COSTS  
18 FOR THE REMAINDER OF THE YEAR AS WELL AS ANY GRANTS  
19 THAT WE WILL AWARD THAT HAVE EITHER BEEN CONCEPT  
20 APPROVED OR FOR FUTURE AWARDS.

21 THIS CONCLUDES THE FINANCE REPORT. I'M  
22 HAPPY TO TAKE ANY QUESTIONS THAT YOU MAY HAVE.

23 MEMBER KOVACH: I HAD A QUESTION. DO YOU  
24 FORESEE, AS YOU MOVE FORWARD, SOME OF THE VARIANCES  
25 COMING DOWN BECAUSE IT SEEMS NOW YOU'RE RIGHT IN THE

## BARRISTERS' REPORTING SERVICE

1 MIDDLE KIND OF A HIGH. YOU HAVE A LOT OF ACTIVITIES  
2 THAT ARE GOING ON. YOU'RE STILL DOING NEW THINGS.  
3 IT'S KIND OF LIKE IS IT FAIR TO DESCRIBE IT AS KIND  
4 OF THE PEAK OF THAT PROCESS? AND THE CLOSER YOU  
5 GET, THAT MODEL WILL BASICALLY KIND OF --

6 MS. SILVA-MARTIN: IT WILL BECAUSE RIGHT  
7 NOW WE HOLD GRANTS WORKING GROUP MEETINGS, FOR  
8 EXAMPLE, FOR THE REVIEWS AND THOSE WILL NO LONGER  
9 HAPPEN AFTER WE MAKE OUR LAST AWARD. WE WILL  
10 CONTINUE TO HAVE THE ADVISORY PANELS THAT DR. FEIGAL  
11 CHAIRS BECAUSE WE WILL HAVE TO MAKE DECISIONS ON  
12 THOSE AWARDS, WHETHER THEY'RE MEETING THEIR  
13 MILESTONES, WE'LL BE MAKING GO/NO-GO DECISIONS. SO  
14 SOME OF THOSE COSTS WILL CONTINUE, BUT CERTAINLY A  
15 LOT OF THOSE COSTS WILL GO AWAY AS WE MOVE FORWARD  
16 AND WE'RE BASICALLY JUST MANAGING WHAT'S BEEN  
17 AWARDED.

18 ANY OTHER QUESTIONS?

19 CHAIRMAN CHIANG: CAN YOU GIVE ME AN  
20 UPDATE ON THE CFO POSITION?

21 CHAIRMAN THOMAS: I'LL TAKE THAT ONE. SO  
22 AS YOU KNOW, LAST YEAR WE HAD MATT PLUNKETT, WHO WAS  
23 HERE AS OUR CFO, AND HE PERFORMED A LOT OF FUNCTIONS  
24 FOR THE AGENCY. IN ADDITION TO OVERSEEING ALL OF  
25 THE THINGS THAT CHILA HAS REPORTED ON HERE, HE HAD A

**BARRISTERS' REPORTING SERVICE**

1 PROMINENT ROLE AS WELL IN HELPING OUR GENERAL  
2 COUNSEL IN BUSINESS DEVELOPMENT MATTERS. AND HE  
3 DECIDED -- WHAT MONTH DID MATT LEAVE?

4 MS. SILVA-MARTIN: JULY.

5 CHAIRMAN THOMAS: JULY. HE CAME FROM OUT  
6 OF THE PRIVATE SECTOR, AND HE DECIDED -- HE GOT AN  
7 OFFER BACK IN THE PRIVATE SECTOR WHICH HE DECIDED TO  
8 TAKE. ONE OF THE ISSUES THAT HE HAD NOTED WAS THAT  
9 HE DIDN'T THINK THAT THERE WAS REALLY ENOUGH WORK TO  
10 FULLY EMPLOY A CFO AT CIRM IN DOING ALL OF THIS, THE  
11 BUSINESS DEVELOPMENT, AND SO THAT AFFECTED HIS  
12 DECISION.

13 WHEN HE LEFT, WE HAD THE TWO DIFFERENT  
14 ROLES THAT HE WAS PERFORMING VERY CAPABLY MOVED TO  
15 CHI LA, WHO HAS NOW TAKEN OVER ALL OF THE INTERNAL  
16 FINANCIAL MATTERS THAT YOU HEARD ABOUT TODAY. AND  
17 THEN WE HIRED ANOTHER FELLOW TO DIRECTLY ADDRESS  
18 BUSINESS DEVELOPMENT ISSUES. AND HE STARTED --

19 MS. CAMPE: NOVEMBER 27TH.

20 CHAIRMAN THOMAS: -- ROUGHLY NOVEMBER  
21 27TH. SO THE ISSUE, THEN, IS IS THERE A REAL NEED  
22 FOR A CFO GOING FORWARD. AND GIVEN THAT WE'VE GOT  
23 THOSE TASKS VERY CAPABLY COVERED IN-HOUSE ALREADY  
24 AND THE FACT THAT MATT DIDN'T FEEL THERE WAS REALLY  
25 AN ADEQUATE AMOUNT TO KEEP HIM FULLY BUSY, THAT'S



## BARRISTERS' REPORTING SERVICE

1 SORT OF THE TOPIC THAT'S STILL ONGOING.

2 CHAIRMAN CHIANG: SO YOU ARE GOING TO  
3 CONTINUE WITH THE SAME STRUCTURE?

4 CHAIRMAN THOMAS: I THINK WE'RE GOING --  
5 WE PLAN TO CONTINUE ALONG. ELLEN, FEEL FREE TO  
6 COMMENT ON THIS. BUT I THINK WE FEEL RIGHT NOW THAT  
7 BETWEEN CHILA AND OUR NEW EMPLOYEE THAT WE HAVE SORT  
8 OF THE WATERFRONT FULLY COVERED. AND, OF COURSE,  
9 THE OTHER FINANCIAL ISSUE THAT WE DEAL WITH IS THE  
10 BOND FINANCING, WHICH IS SOMETHING THAT I HANDLE  
11 WITH LYNN HARWELL AND MY STAFF, WHO'S INTERFACED  
12 WITH DOF AND WITH THE STATE TREASURER'S OFFICE FOR  
13 MANY YEARS.

14 AND I, AS YOU KNOW, COME OUT OF THE BOND  
15 BUSINESS. SO THAT'S SOMETHING THAT I MONITOR VERY  
16 CAREFULLY AND DEAL BOTH ON THE FINANCIAL ASPECT OF  
17 IT, THE LEGAL ASPECT OF IT. WE HAVE A LOT OF THINGS  
18 THAT GO ON AND A LOT OF DISCUSSIONS WITH BOND  
19 COUNSEL ON VARIOUS TOPICS RELATED TO OUR FUNDING.  
20 AND, OF COURSE, I ALSO DEAL WITH THE POLITICAL  
21 OFFICES, CONSTITUTIONAL OFFICES, THAT OVERSEE THE  
22 BOND PROGRAM FOR THE STATE. THAT'S PROCEEDING  
23 ALONG, I THINK, WELL AS WELL. I THINK BETWEEN ALL  
24 OF US HERE, WE'VE GOT EVERYTHING COVERED.

25 CHAIRMAN CHIANG: ANY QUESTIONS? LET ME

## BARRISTERS' REPORTING SERVICE

1 ASK THE QUESTION ABOUT THE TRANSPARENCY ISSUE, ABOUT  
2 THE IDENTIFYING THE DONORS AND PLACING IT ON THE WEB  
3 SITE. WE HAD A CONVERSATION LAST YEAR ON THAT  
4 SUBJECT. CAN YOU GIVE ME AN UPDATE?

5 MS. SILVA-MARTIN: THAT'S CORRECT. WE DID  
6 HAVE ONE DONATION DURING THE 11-12 FISCAL YEAR. AND  
7 I DID NOT REALIZE THAT WE WERE SUPPOSED TO BE  
8 POSTING THAT. I DID NOT REALIZE THAT WE HAD MADE  
9 THAT COMMITMENT, SO I APOLOGIZE FOR THAT. BUT I AM  
10 NOW FULLY AWARE OF IT AND WE WILL MOVE FORWARD IN  
11 DOING THAT.

12 SO WE HAVE THE ONE DONATION THAT'S IN OUR  
13 AUDIT AND WAS ABOUT \$21,000. AND IT WAS  
14 SPECIFICALLY TO ALLOW SOME OF OUR STAFF TO GO TO THE  
15 ANNUAL ISSCR MEETING.

16 CHAIRMAN CHIANG: SO ARE YOU GOING TO  
17 DISCLOSE, GOING FORWARD ARE YOU GOING TO DISCLOSE  
18 ALL DONORS? ARE YOU GOING TO ASK PRIOR DONORS TO  
19 IDENTIFY THEIR CONTRIBUTIONS AND POST THAT?

20 MS. SILVA-MARTIN: WE GENERALLY MAKE AN  
21 ANNOUNCEMENT TO THE ICOC BOARD WHENEVER WE HAVE  
22 DONATIONS. WE HAVEN'T HAD ANY FOR A WHILE. WHEN I  
23 FIRST STARTED, I THINK WE HAD A GROUP OF -- TWO  
24 GROUPS, DIFFERENT GROUPS, THAT HAD DONATED ANYWHERE  
25 FROM \$5 TO A \$100, AND WE DID DISCLOSE THAT AT OUR

## BARRISTERS' REPORTING SERVICE

1 I COC BOARD MEETINGS. SO I'M NOT SURE WHETHER  
2 THERE'S ANY OTHER DISCLOSURE THAT NEEDS TO BE MADE.

3 CHAIRMAN CHIANG: HOW ABOUT ON THE WEB  
4 SITE? YOU DISCLOSED IT IN THE MEETINGS, BUT ARE YOU  
5 GOING TO POST IT SO WHOEVER REVIEWS --

6 MS. SILVA-MARTIN: SURE. WE'LL BE ABLE TO  
7 DO THAT.

8 CHAIRMAN CHIANG: VERY GOOD.

9 MS. SILVA-MARTIN: ANYTHING ELSE? ANY  
10 OTHER QUESTIONS?

11 CHAIRMAN CHIANG: CAN YOU GIVE ME MORE  
12 DETAIL ABOUT THE LOAN PROGRAM, THE CURRENT THINKING?

13 DR. FEIGAL: WELL, I'M GOING TO GIVE YOU A  
14 BRIEF PRESENTATION ON THE STATUS OF THE LOAN PROGRAM  
15 TODAY. AND THEN WE HAVE BEEN CONTINUALLY REFINING  
16 THE LOAN PROGRAM IN RESPONSE TO INDUSTRY  
17 INTERACTIONS WITH US. AND AT THIS POINT IN TIME,  
18 WE'RE RECEPTIVE TO CONTINUE TO DO THAT, BUT AT THIS  
19 POINT IN TIME, IT SEEMS AS THOUGH THE PROGRAM TO  
20 DATE IS BEING ACCEPTED AS IT GOES FORTH. AND WE  
21 ALSO AT THIS POINT ALSO ALLOW INDUSTRY TO ACCEPT  
22 EITHER A LOAN OR A GRANT. SO WE DO ALLOW THEM THAT  
23 OPTION SO THEY CAN STATE THEIR PREFERENCE.

24 CHAIRMAN CHIANG: SO CAN YOU GIVE ME A  
25 BETTER SENSE OF WHEN YOU MOVE FORWARD WITH A GRANT

## BARRISTERS' REPORTING SERVICE

1 AND WHEN YOU GO FORWARD WITH A LOAN, HOW IT ACTUALLY  
2 OPERATES IN PRACTICE? WE READ ABOUT THE DIFFERENCE,  
3 WE HEAR ABOUT THE DIFFERENCE.

4 DR. FEIGAL: YOU MEAN WHAT OPTIONS WE LET  
5 BE OFFERED? I THINK INITIALLY IN CIRM'S HISTORY WE  
6 STARTED WITH TRYING TO PROVIDE LOANS TO INDUSTRY FOR  
7 FOR-PROFITS WITH THE THOUGHT THAT THE INTEREST FROM  
8 THOSE LOANS MIGHT ACCRUE TO A POINT THAT IT WOULD  
9 ADD TO THE SUSTAINABILITY OF THE INSTITUTE. I THINK  
10 THAT WE FOUND THAT IN REALITY, GIVEN THE FACT THAT  
11 THESE WOULD NOT COME DUE UNTIL THERE ARE ACTUAL  
12 REVENUES BEING PRODUCED BY THESE PRODUCTS, WHICH  
13 WOULD BE YEARS IN THE MAKING, AND BECAUSE THERE WAS  
14 QUITE A BIT OF INITIAL INTERACTIONS AND I WOULD SAY  
15 FRICTION IN TERMS OF ACCEPTING SOME OF THE TERMS,  
16 WE'VE DECIDED TO BE MORE FLEXIBLE IN TERMS OF  
17 OFFERING LOANS OR GRANT AWARDS TO INDUSTRY.

18 AND THIS WAS REALLY DONE IN DISCUSSIONS  
19 WITH THEM. SO WE STILL, FOR EXAMPLE, OUR LATEST  
20 DISEASE TEAM II AWARD FOR FOR-PROFITS DID HAVE THAT  
21 LOAN FOR FOR-PROFITS, AND WE DID ENACT THOSE FOR  
22 THAT PARTICULAR INITIATIVE. BUT FOR SUBSEQUENT  
23 ONES, WE DO HAVE FLEXIBILITY AT THIS POINT.

24 AND WE'RE CONTINUALLY ASSESSING THAT AND  
25 THEN MAKING DETERMINATION WHETHER OR NOT WE NEED TO

## BARRISTERS' REPORTING SERVICE

1 REFINE IT. I DON'T KNOW IF JAMES HAS ANY OTHER  
2 INPUTS HE WANTS TO ADD ON THAT.

3 CHAIRMAN CHIANG: WATCHING FROM THE  
4 OUTSIDE, WHY WOULDN'T I, JUST IF I'M IN THE PRIVATE  
5 SECTOR, JUST ASK FOR GRANTS? I DON'T WANT A LOAN.  
6 I DON'T WANT IT UNDER ANY CONDITION.

7 DR. FEIGAL: JUST SO YOU KNOW, IN OUR RFA,  
8 IN OUR CALL FOR SOLICITATIONS, WE CLEARLY STATE WHAT  
9 THE OPTIONS ARE. SO IN OUR INITIATIVE RIGHT OFF THE  
10 BAT WE MAKE IT VERY CLEAR AND TRANSPARENT WHETHER OR  
11 NOT FOR-PROFITS NEED TO TAKE A LOAN OR WHETHER OR  
12 NOT THEY WANT TO TAKE AN AWARD. SO WE MAKE THAT  
13 VERY CLEAR.

14 YOU MEAN WHY WOULD INDUSTRY PREFER TO TAKE  
15 ONE OVER THE OTHER? IT PROBABLY HAS TO DO WITH THE  
16 IP SHARING ISSUE. AND I CAN LET JAMES COMMENT ON  
17 THAT.

18 MR. HARRISON: POLICIES GOVERNING GRANTS  
19 AND LOANS ARE DIFFERENT. UNDER PROPOSITION 71 CIRM  
20 HAS ADOPTED INTELLECTUAL PROPERTY POLICIES THAT  
21 REQUIRE GRANTEES TO SHARE REVENUES THAT THEY EARN  
22 FROM CIRM-FUNDED INVENTIONS WITH THE STATE GENERAL  
23 FUND. AND CIRM HAS DEVELOPED FORMULAS, SUBSEQUENTLY  
24 ADOPTED BY THE LEGISLATURE AND SB 1064 AND SLIGHTLY  
25 MODIFIED LAST YEAR, THAT REQUIRE ALL GRANTEES TO

## BARRISTERS' REPORTING SERVICE

1 SHARE REVENUES WITH THE STATE.

2 LOANS, BY CONTRAST, REQUIRE REPAYMENT  
3 UNDER CERTAIN CIRCUMSTANCES. WE HAVE TWO TYPES OF  
4 LOANS. ONE IS A PRODUCT-BACKED LOAN AND THE OTHER  
5 IS A COMPANY-BACKED LOAN. FOR A PRODUCT-BACKED  
6 LOAN, REPAYMENT IS CONTINGENT UPON THE SUCCESS OF  
7 THE PROJECT AND THAT'S ACCOMPANIED BY INTEREST. AND  
8 IN ADDITION, THERE'S A RISK PREMIUM OR WARRANTS  
9 WHICH OFFER SOME ADDITIONAL RETURN TO CIRM FOR  
10 MAKING THE LOAN. BUT THERE ARE DIFFERENT TERMS THAT  
11 APPLY TO EACH.

12 SO IT'S POSSIBLE IN THE FUTURE THAT A  
13 COMPANY THAT HAS THE CHOICE OF ACCEPTING A LOAN OR A  
14 GRANT MAY PREFER TO ACCEPT A LOAN BECAUSE IT PREFERS  
15 THE LOAN TERMS BETTER THAN THE GRANT TERMS. AS  
16 ELLEN SAID, WE'VE NOT YET TESTED THAT BECAUSE IN THE  
17 PAST ON AN RFA-BY-RFA BASIS, WE SPECIFIED WHETHER A  
18 COMPANY WOULD HAVE TO TAKE A GRANT OR A LOAN. WITH  
19 OUR FUTURE PROGRAMS, THEY WILL HAVE THE CHOICE.

20 CHAIRMAN CHIANG: SO I'M STILL NOT CLEAR.  
21 SO GIVE ME A DIFFERENCE BETWEEN A LOAN AND A GRANT.  
22 A COMPANY MAKING A CHOICE, WHAT ADDITIONAL HURDLES  
23 WOULD BE REQUIRED FOR ONE VERSUS THE OTHER?

24 MR. HARRISON: SO FOR A COMPANY TAKING A  
25 GRANT, THERE ARE REVENUE SHARING PROVISIONS THAT

## BARRISTERS' REPORTING SERVICE

1 APPLY. AND THEY ARE ONE-TENTH OF ONE PERCENT PER  
2 ONE MILLION OF GRANT AWARDS, AND THAT'S A ROYALTY.  
3 SO, FOR EXAMPLE, IF YOU HAVE A \$10 MILLION CIRM  
4 GRANT, YOU'D HAVE A 1-PERCENT ROYALTY. SO THE  
5 COMPANY THAT DEVELOPS THAT PRODUCT WOULD BE REQUIRED  
6 TO SHARE WITH THE STATE 1 PERCENT OF THE COMMERCIAL  
7 REVENUES THAT IT RECEIVES UP TO NINE TIMES THE  
8 AMOUNT OF THE AWARD. AND THEN IF IT'S A  
9 BLOCKBUSTER, IF THE REVENUES GENERATED EXCEED \$500  
10 MILLION, THEN IT HAS A CONTINUOUS ONGOING 1-PERCENT  
11 ROYALTY SHARING OBLIGATION WITH THE STATE.

12 WITH A LOAN, BY CONTRAST, FOR A SUCCESSFUL  
13 PRODUCT, THE COMPANY WOULD BE REQUIRED TO REPAY THE  
14 LOAN WITH INTEREST AND THEN IT HAS THE CHOICE OF  
15 PROVIDING CIRM WITH WARRANT COVERAGE, WHICH IS AN  
16 OPTION TO PURCHASE STOCK AT A PARTICULAR PRICE. AND  
17 THE WARRANT COVERAGE IS THE RATIO OF CIRM'S  
18 CONTRIBUTION TO THE PRODUCT AND THE COMPANY'S OWN  
19 FINANCIAL CONTRIBUTION TO IT. OR IT CAN CHOOSE A  
20 RISK PREMIUM, WHICH, AGAIN, IS A PAYBACK OPTION BUT  
21 AT A LOWER SCALE THAN THAT OFFERED UNDER THE GRANT  
22 PROGRAM.

23 CHAIRMAN CHIANG: SO WHEN YOU SAID 1  
24 PERCENT OF REVENUES, 1 PERCENT OF WHAT REVENUES?

25 MR. HARRISON: OF COMMERCIAL REVENUES.

**BARRISTERS' REPORTING SERVICE**

1 CHAIRMAN CHIANG: SO HOW IS COMMERCIAL  
2 REVENUES DEFINED? IS THAT A NET OR IS THAT A GROSS?

3 MR. HARRISON: IT'S NET. SO THERE ARE  
4 CERTAIN COSTS THAT ARE EXCLUDED.

5 MEMBER LIPSON: WHAT ABOUT THE PROVISION  
6 THAT CALIFORNIA RESIDENTS GET SOMETHING OUT OF  
7 EITHER THE RESEARCH GRANT OR THE LOAN?

8 MR. HARRISON: WELL, THERE ARE SEVERAL  
9 ASPECTS TO THAT. THERE'S THE REVENUE SHARING  
10 COMPONENT, WHICH I JUST DESCRIBED, AND THEN THERE  
11 ARE TWO ADDITIONAL PROVISIONS THAT APPLY BOTH TO  
12 GRANTS AND LOANS. THEY ARE A PREFERENTIAL PRICING  
13 PROVISION FOR PUBLICLY FUNDED PROGRAMS, AND THERE'S  
14 AN ACCESS PROVISION WHICH REQUIRES EACH SUCCESSFUL  
15 CIRM GRANTEE OR LOAN RECIPIENT TO DEVELOP AN ACCESS  
16 PLAN TO CALIFORNIANS WHO ARE UNABLE TO OTHERWISE  
17 AFFORD INSURANCE SO THAT THEY CAN HAVE ACCESS TO  
18 WHATEVER PRODUCT IS DEVELOPED WITH CIRM FUNDS. AND  
19 THAT MUST BE ADOPTED ACCORDING TO INDUSTRY STANDARD  
20 THEN IN EXISTENCE AT THE TIME.

21 SO THOSE ARE TWO ADDITIONAL WAYS IN WHICH  
22 CALIFORNIANS WOULD BENEFIT FROM THEIR TAX DOLLARS  
23 BEING SPENT ON THIS RESEARCH.

24 MEMBER LIPSON: WHY DON'T THEY BENEFIT BY  
25 GETTING THE INTEREST FROM THE LOANS BACK IN THE



## BARRISTERS' REPORTING SERVICE

1 GENERAL FUND?

2 MR. HARRISON: UNDER PROPOSITION 71,  
3 INTEREST AND REPAYMENT OF PRINCIPAL ON LOANS GOES  
4 BACK TO CIRM TO MAKE NEW AWARDS. SO THAT'S JUST A  
5 FEATURE OF THE LAW.

6 MEMBER LIPSON: BUT SUPPOSE IT COMES AFTER  
7 THE AWARDING PERIOD.

8 MR. HARRISON: WELL, IF IT COMES AFTER THE  
9 AWARDING PERIOD, CIRM WOULD BE ABLE TO USE THE FUNDS  
10 AT THAT POINT IN TIME. IF CIRM IS NO LONGER IN  
11 EXISTENCE, I GUESS WE'D HAVE TO CROSS THAT BRIDGE  
12 WHEN WE GET TO IT. IT IS ONE OF THE THINGS THAT THE  
13 BOARD'S INTELLECTUAL PROPERTY AND INDUSTRY  
14 SUBCOMMITTEE IS CURRENTLY CONSIDERING. THAT IS, HOW  
15 THESE REGULATIONS WILL BE ENFORCED IF CIRM IS NO  
16 LONGER IN EXISTENCE.

17 MEMBER LIPSON: RIGHT, BECAUSE BASICALLY  
18 IT'S A LONG TIME BEFORE YOU GET A PRODUCT DEVELOPED  
19 THAT GOES THROUGH ALL PHASES OF TESTING AND THEN  
20 GETS OUT SO IT CAN EARN FUNDS. AND THE LENGTH OF  
21 TIME CIRM IS SUPPOSED TO BE IN EXISTENCE IS LIMITED.  
22 SO THAT I THINK THERE HAS TO BE SOME WAY THAT THINGS  
23 ARE WORKED SUCH THAT REPAYMENT GOES TO THE GENERAL  
24 FUND IF CIRM IS NO LONGER IN EXISTENCE OR IF CIRM  
25 HAS PASSED THE TIME FRAME THAT IT'S SUPPOSED TO BE

## BARRISTERS' REPORTING SERVICE

1 IN EXISTENCE.

2 MR. HARRISON: THAT'S CERTAINLY SOMETHING  
3 THAT WE WILL CONSIDER. AS I SAID, IT'S A FEATURE OF  
4 THE LAW CURRENTLY, BUT THAT'S CERTAINLY A  
5 CIRCUMSTANCE THAT WE CAN AND SHOULD PLAN FOR. SO  
6 THAT WILL BE TAKEN UNDER CONSIDERATION BY THE  
7 BOARD'S INTELLECTUAL PROPERTY AND INDUSTRY  
8 SUBCOMMITTEE.

9 MEMBER KOVACH: HOW MANY LOAN APPLICATIONS  
10 TOTAL HAVE BEEN MADE AND GRANT APPLICATIONS HAVE  
11 BEEN MADE BY COMPANIES?

12 DR. FEIGAL: ACTUALLY THAT SEGUES INTO THE  
13 NEXT SET OF SLIDES. WE ACTUALLY HAVE FOUR LOANS.  
14 SO I THINK AS YOU CAN IMAGINE, THE VAST PROPORTION  
15 OF WHAT WE PUT OUT THERE IS ACTUALLY IN REGARDS TO  
16 GRANTS AS OPPOSED TO LOANS.

17 MEMBER KOVACH: HOW MANY APPLICATIONS?  
18 YOU MADE FOUR. I WAS JUST WONDERING HOW MANY  
19 COMPANIES APPLIED. HOW MANY APPLIED BUT DIDN'T GET  
20 A LOAN?

21 DR. FEIGAL: WELL, IT DEPENDS ON WHAT  
22 DENOMINATOR YOU'RE LOOKING AT. BUT SINCE 2009  
23 THERE'S PROBABLY BEEN MORE APPLICABLE TYPE OF  
24 INITIATIVES THAT CIRM HAS PUT OUT THAT DEAL MORE  
25 WITH TRANSLATIONAL-TYPE RESEARCH. SO AS PART, I

## BARRISTERS' REPORTING SERVICE

1 BELIEVE, THERE'S ABOUT TO THE RANGE OF APPROXIMATELY  
2 165 MILLION THAT'S GONE OUT TO COMPANIES EITHER  
3 THROUGH THEIR PART OF AWARDS, THEY'RE THE VENDORS,  
4 AND THEN WE HAVE A MUCH MORE LIMITED NUMBER THAT ARE  
5 ACTUALLY THE PRINCIPAL INVESTIGATORS ON AN AWARD.  
6 AND FOR THOSE, THE MAJORITY HAVE BEEN LOANS TO DATE.  
7 AND RIGHT NOW WE HAVE FOUR IN EXISTENCE. AND THOSE  
8 ARE THE FOUR THAT I'M GOING TO TELL YOU ABOUT RIGHT  
9 NOW.

10 MEMBER LIPSON: I GUESS HOW MANY GROUPS  
11 APPLIED? THAT WAS THE QUESTION.

12 MEMBER KOVACH: I WAS JUST TRYING TO GET A  
13 SENSE OF HOW POPULAR THE TWO TOOLS YOU HAVE, THE  
14 GRANT APPLICATION AND THE LOAN PROGRAM, HOW POPULAR  
15 ARE THEY AMONG COMPANIES?

16 DR. FEIGAL: I WOULD SAY THAT THE  
17 INITIATIVES -- IT'S EVOLVING OVER TIME. AS I  
18 MENTIONED, BACK IN 2005 WE WERE STARTING WITH  
19 BUILDING UP THE RESEARCH INTELLECTUAL CAPITAL AND  
20 THE PHYSICAL INFRASTRUCTURE AND THEN THE BASIC  
21 BIOLOGY, AND THOSE ARE NOT INITIATIVES, IN GENERAL,  
22 THAT COMPANIES WERE INTERESTED IN BEING A PART OF.  
23 WE HAD RESEARCH LEADERSHIP, WE HAD FACULTY AWARDS.  
24 AND THOSE TRADITIONALLY ARE NOT SOMETHING THAT THE  
25 COMPANIES WERE INTERESTED IN. IT WASN'T UNTIL 2009

## BARRISTERS' REPORTING SERVICE

1 THAT WE STARTED TO HAVE MORE COMPANY INTEREST.

2 I WOULD SAY THE SUCCESS RATE IS SIMILAR  
3 GIVEN THE DENOMINATOR THAT APPLIED. WHAT WE HAVE  
4 DONE MORE RECENTLY IS TO BE MUCH MORE PROACTIVE IN  
5 REACHING OUT TO INDUSTRY. WE ACTUALLY DO HAVE AN  
6 INITIATIVE THAT IS VERY MUCH GEARED AND TAILORED TO  
7 INDUSTRY, THE STRATEGIC PARTNERSHIP INITIATIVE,  
8 WHERE 100 PERCENT OF THE APPLICANTS WERE FROM  
9 INDUSTRY. AND WE HAD OUR FIRST ROUND, AS YOU KNOW,  
10 LATE LAST YEAR. WE HAVE ANOTHER ROUND COMING UP  
11 SOON. AND THEN WE'LL HAVE THESE TWICE A YEAR. AND  
12 THOSE WERE SPECIFICALLY TAILORED FOR INDUSTRY.

13 SO WE IMAGINE THAT THE NUMBER IS GOING TO  
14 CONTINUE TO RISE AS WE HAVE INITIATIVES THAT ARE  
15 MORE WITHIN THE MIDDLE OF THE RADAR SCREEN OF WHAT  
16 THEY'D BE INTERESTED IN.

17 MEMBER KOVACH: RIGHT. SO THE POINT  
18 YOU'RE MAKING IS A GOOD ONE. THERE'S TWO ELEMENTS  
19 RELATING TO WHETHER A COMPANY APPLIES. ONE IS KIND  
20 OF THE FINANCIAL ASPECT. BUT THEN A SEPARATE ONE IS  
21 WHETHER THE COMPANY IS QUALIFIED UNDER AN RFA,  
22 WHETHER THEY HAVE THE RIGHT PERSONNEL, WHETHER THEY  
23 CAN ACTUALLY DO THE WORK. SO YOU ARE SAYING THAT  
24 YOU'RE SHIFTING A LITTLE BIT TO MAKE THOSE RFA'S  
25 MORE KIND OF COMMENSURATE OR KIND OF DOVETAIL WITH

## BARRISTERS' REPORTING SERVICE

1 THE CAPABILITIES AND INTERESTS THAT A COMPANY HAS.

2 DR. FEIGAL: CERTAINLY IN THE DEVELOPMENT  
3 REALM. THE STRATEGIC PARTNERSHIP WAS ACTUALLY A  
4 BROAD INITIATIVE THAT ALLOWED US TO REALLY FOCUS ON  
5 THE TRANSLATIONAL ASPECT OF WHAT WE WANT TO DO,  
6 ADVANCE THE SCIENCE TOWARDS THE CLINIC AND INTO  
7 PATIENTS, WHICH IS WHERE WE WANT TO BE. SO WE THINK  
8 THOSE TYPES OF INITIATIVES HAVE SHOWN EVIDENCE THAT  
9 THEY'RE MORE ATTRACTIVE TO INDUSTRY, BOTH TO THE  
10 THERAPEUTIC COMPANIES, BUT ALSO TO PEOPLE WHO ARE  
11 DEVELOPING REAGENTS OR DEVELOPING MANUFACTURING  
12 CAPABILITIES. AND THOSE TYPES OF THINGS ARE MUCH  
13 MORE ATTRACTIVE TO COMPANIES, AND WE ARE SEEING  
14 THAT.

15 MEMBER KOVACH: THANK YOU.

16 MEMBER LIPSON: STILL YOU HAVEN'T ANSWERED  
17 THE QUESTION: HOW MANY COMPANIES APPLIED FOR GRANTS  
18 AND HOW MANY GOT THEM? HOW MANY COMPANIES APPLIED  
19 FOR RESEARCH FOR LOANS AND THE PERCENT THAT GOT  
20 THEM?

21 DR. FEIGAL: I THINK WHAT I WAS TRYING TO  
22 DO IS SAY THAT OF THE DENOMINATOR THAT ARE COMING  
23 IN, THE SUCCESS RATE IS SIMILAR TO THE MUCH LARGER  
24 DENOMINATOR. SO I WOULD SAY RIGHT NOW IT'S PROBABLY  
25 ANYWHERE FROM 10 TO 15 PERCENT SUCCESS RATE BECAUSE

## BARRISTERS' REPORTING SERVICE

1 WE ALSO HAVE A TRIAGE PROCESS. SO WHERE WE HAVE A  
2 PREAPPLICATION WHERE A LOT OF PEOPLE COME IN WANTING  
3 TO BE A PART OF AN INITIATIVE AND WITH A VERY SMALL  
4 AMOUNT OF WORK PUT TOGETHER A DOCUMENT. SO THAT HAS  
5 AN EXTERNAL REVIEW TO MAKE AN ASSESSMENT ABOUT  
6 WHETHER OR NOT THEY'D BE COMPETITIVE FOR THE FULL  
7 AWARD. AND THEN FROM THAT, WE HAVE THE FULL  
8 APPLICATIONS COME IN. SO AS I SAID, IT'S AROUND 10  
9 TO 15 PERCENT SUCCESS RATE IF YOU START WITH THE  
10 LARGE DENOMINATOR.

11 MEMBER LIPSON: WHAT IS THE ACTUAL NUMBER?  
12 THAT'S ALL I'M ASKING.

13 DR. FEIGAL: BETWEEN 10 AND 15 PERCENT.

14 MEMBER LIPSON: NO. NO. NUMBER OF  
15 APPLICATIONS.

16 DR. FEIGAL: I CAN GET YOU THAT NUMBER. I  
17 DON'T HAVE IT OFF THE TOP OF MY HEAD. I THINK WE'VE  
18 HAD ABOUT 14 DIFFERENT COMPANIES AND 24 DIFFERENT  
19 RESEARCH AWARDS THAT HAVE BEEN MADE TO THE TUNE OF  
20 APPROXIMATELY 165, \$166 MILLION.

21 CHAIRMAN CHIANG: SO THE STEPS IN THE  
22 PROCESS FOR THE LOANS AND THE GRANTS, WHERE IS IT  
23 DIFFERENT? YOU TALKED ABOUT A MORE UNIVERSAL  
24 DENOMINATOR AT THE OUTSET. WERE PEOPLE INTERESTED  
25 IN BOTH PROCESSES?

## BARRISTERS' REPORTING SERVICE

1 DR. FEIGAL: LOANS ARE ONLY TAKEN BY  
2 FOR-PROFITS. AND AS YOU WILL SEE HERE IN OUR  
3 DISEASE TEAMS, WE HAVE BOTH VIACYTE AND CAPRICOR,  
4 AND THOSE ARE THE FOR-PROFITS AND THEY HAD TO TAKE A  
5 LOAN.

6 CHAIRMAN CHIANG: SO BACK TO THE PROCESS  
7 BETWEEN THE LOANS AND THE GRANTS, WHERE IN THE  
8 PROCESS ARE THEY DIFFERENT?

9 DR. FEIGAL: THE PEER REVIEW IS IDENTICAL.  
10 SO THERE'S A GRANT REVIEW GROUP CONSISTING OF  
11 APPROXIMATELY 15 SCIENTISTS WITH THE APPROPRIATE  
12 EXPERTISE AND THEN SEVEN PATIENT ADVOCATES THAT ARE  
13 PART OF THAT GRANT REVIEW GROUP, AND THE PROPOSALS  
14 GO THROUGH THE SAME PROCESS IN TERMS OF THE EXTERNAL  
15 PEER REVIEW AND THE RECOMMENDATIONS THAT ARE MADE,  
16 AND THEN THOSE RECOMMENDATIONS ARE BROUGHT FORWARD  
17 TO OUR OVERSIGHT BOARD. SO IN TERMS OF THE PROCESS  
18 OF HOW WE ASSESS THEM, WE HAVE A SIMILAR PROCESS.

19 WHAT WE DO FOR THE DEVELOPMENT  
20 INITIATIVES, THOUGH, IS THAT WE POPULATE THE REVIEW  
21 GROUP WITH THE APPROPRIATE EXPERTISE. SO WE INCLUDE  
22 REPRESENTATIVES FROM INDUSTRY, WE INCLUDE SPECIAL  
23 EXPERTISE IN PRECLINICAL ANIMAL MODELS AND  
24 TOXICOLOGY AND MANUFACTURING AND CLINICAL TRIALS SO  
25 THAT WE MAKE SURE WE HAVE THE APPROPRIATE EXPERTISE

**BARRISTERS' REPORTING SERVICE**

1 ASSESSING THEM. AND WE HAVE THE FLEXIBILITY TO DO  
2 THAT RIGHT NOW AND HAVE UTILIZED THAT. DID THAT  
3 ANSWER YOUR QUESTION?

4 CHAIRMAN CHIANG: I'M NOT QUITE CLEAR. I  
5 DON'T HAVE BETTER UNDERSTANDING. I THOUGHT YOU SAID  
6 THE DENOMINATOR AT THE BEGINNING INCLUDED EVERYBODY  
7 AND SO YOU GET TO THE SAME BASIC RATIO. I THOUGHT I  
8 HEARD THAT THE PROCESS WAS DIFFERENT, SO SOME WOULD  
9 BE FILTERED OUT AT DIFFERENT STAGES OF THE PROCESS.

10 DR. FEIGAL: THEY'RE NOT JUST ISSUED BY  
11 WHETHER IT'S A LOAN OR AN AWARD. FOR A PARTICULAR  
12 INITIATIVE, LET'S SAY FOR-PROFITS HAVE TO TAKE A  
13 LOAN AND THE NON-PROFITS TAKE A GRANT AWARD. THE  
14 ACTUAL PROCESS OF HOW THEY'RE REVIEWED IS THE SAME.

15 WHAT I WAS SAYING IS THAT WE DO HAVE A  
16 SPECIAL INITIATIVE CALLED THE STRATEGIC PARTNERSHIP  
17 INITIATIVE THAT IS PARTICULARLY TAILORED TO  
18 INDUSTRY. AND BY DEFINITION, INDUSTRY IS THE ONE  
19 WHO COMES IN FOR THAT PARTICULAR INITIATIVE, BUT THE  
20 ACTUAL EXTERNAL REVIEW AND THE DIFFERENT PROCESSES  
21 ARE SIMILAR TO WHAT WE WOULD DO FOR A GRANT AWARD.

22 CHAIRMAN CHIANG: ANY OTHER QUESTIONS?

23 DR. FEIGAL: AND THIS IS JUST THE STATUS  
24 OF OUR LOANS, TALKING ABOUT THE LOAN RECIPIENT, THE  
25 LOAN AGREEMENT AMOUNT, THE DISBURSEMENTS AS OF



## BARRISTERS' REPORTING SERVICE

1 FEBRUARY 12TH OF THIS YEAR, THE ESTIMATED INTEREST  
2 DUE AT THE END OF THE LOAN TERM BASED ON THE AMOUNTS  
3 DISBURSED TO DATE, THE INTEREST TERMS, AND I JUST  
4 HAVE THE CURRENT STATUS.

5 SO AS YOU CAN SEE, TWO OF THE LOANS HAVE  
6 BEEN TERMINATED. THE FIRST ONE I'M SURE YOU'RE VERY  
7 WELL AWARE OF. THE LOAN WAS TERMINATED AND IT WAS  
8 REPAYED IN FULL WITH INTEREST. THE SECOND ONE, THE  
9 LOAN WAS TERMINATED. THE LOAN WAS FORGIVEN IN  
10 ACCORDANCE WITH OUR REGULATIONS. AND THEN YOU SEE  
11 THE CURRENTLY STANDING LOANS WITH VIACYTE AND WITH  
12 CAPRICOR. AND THOSE ARE TWO DISEASE TEAMS. THE  
13 VIACYTE ONE IS WORKING ON A THERAPEUTIC APPROACH FOR  
14 DIABETES, AND THE CAPRICOR IS WORKING ON A  
15 THERAPEUTIC APPROACH FOR CARDIOVASCULAR DISEASE.

16 MEMBER SADANA: WHAT WAS THE FORGIVEN IN  
17 ACCORDANCE TO REGULATION? WHAT DOES THAT -- COULD  
18 YOU CLARIFY THAT?

19 DR. FEIGAL: THAT'S ACTUALLY IF THE  
20 PROJECT IS NOT SUCCESSFUL IN GOING FORWARD,  
21 BASICALLY IT WAS A PRODUCT-BACKED LOAN AND IT WASN'T  
22 ABLE TO CONTINUE ITS PROJECT TO ACTUALLY HAVE THE  
23 CHANCE OF GOING INTO A PRODUCT. SO THAT LOAN WAS  
24 FORGIVEN AS PER OUR REGULATIONS. THE SCIENCE DIDN'T  
25 COOPERATE. IT WASN'T ABLE TO CONTINUE FORWARD.

## BARRISTERS' REPORTING SERVICE

1 MEMBER SADANA: ON THE WHOLE, DO WE HAVE  
2 ANY IDEA OF HOW MANY OF THESE INSTANCES GRANTS OR  
3 LOANS HAVE BEEN TERMINATED?

4 DR. FEIGAL: TWO.

5 MEMBER SADANA: TWO TOTALLY. JUST THESE  
6 TWO.

7 DR. FEIGAL: JUST WHAT I'VE SHOWN ON THE  
8 SLIDE.

9 MEMBER SADANA: PRIOR TO THAT. THIS IS  
10 RECENT, RIGHT?

11 DR. FEIGAL: THIS IS CUMULATIVE. THAT'S  
12 THE STATUS OF ALL OF OUR LOANS.

13 MEMBER KOVACH: THE TERMINATION WAS  
14 UNDER -- YOU HAVE A REVIEW PROCESS, CORRECT, THAT  
15 LOOKS AT MILESTONES, AS I RECALL?

16 DR. FEIGAL: YES. THE FIRST ONE, AS YOU  
17 KNOW, WAS THE COMPANY'S DECISION FOR A BUSINESS  
18 REASON, WHICH I THINK EVERYBODY IS PRETTY WELL  
19 FAMILIAR WITH. THE SECOND WAS BASED ON, ABSOLUTELY  
20 RIGHT, WE'RE ASSESSING IT. THERE WAS A CHANGE IN  
21 SCOPE. AND ACTUALLY IT WAS NOT WITHIN THE SCOPE OF  
22 WHAT IT WAS ORIGINALLY REVIEWED AND APPROVED FOR.  
23 SO ON THE BASIS OF THAT, IT WAS TERMINATED. BUT  
24 THERE DEFINITELY WAS INTERACTION WITH THE COMPANY,  
25 AND THERE WAS AN ATTEMPT TO LOOK AT IT AND ASSESS

## BARRISTERS' REPORTING SERVICE

1 WHETHER OR NOT IT COULD BE IN SCOPE AND IT WAS NOT.

2 CHAIRMAN CHIANG: HAVE YOU CONCLUDED?

3 DR. FEIGAL: I'VE CONCLUDED THIS PART, AND  
4 THEN THE NEXT PART WAS GIVING YOU A SCIENCE UPDATE.

5 SO I'M VERY EXCITED TO BRING TO YOU TODAY  
6 AN UPDATE ON OUR STATE'S STEM CELL AGENCY'S PROGRESS  
7 TOWARDS ITS MISSION TO ADVANCE THE SCIENCE TOWARDS  
8 TREATMENT AND POTENTIAL CURES FOR PATIENTS WITH  
9 CHRONIC DISEASES AND INJURIES. AND CIRM HAS BEEN  
10 AND CONTINUES TO BE REALLY A GRAND EXPERIMENT, AS  
11 YOU KNOW, THANKS TO THE WORK OF ALL OF YOU, THE WORK  
12 OF OUR INVESTIGATORS, OUR PATIENTS, OUR STAFF, WHO  
13 ARE VERY COMMITTED AND HARDWORKING. AND WE'RE  
14 REALLY -- WHAT I WOULD LIKE TO DO TODAY IS HEAR  
15 ABOUT SOME OF THE ADVANCES FROM OUR CORE PROGRAMS  
16 AND TRAINING, BASIC BIOLOGY, TOOLS AND TECHNOLOGY,  
17 EARLY TRANSLATION, AND DISEASE TEAMS.

18 AND AMONG THE MANY ADVANCES IN PROGRESS, I  
19 DID WANT YOU KNOW THAT WE WILL BE BRINGING THIS YEAR  
20 CLINICAL TRIALS OF STEM CELL-BASED THERAPIES TO  
21 PATIENTS IN CALIFORNIA. SO WE THINK THAT THERE HAS  
22 BEEN SIGNIFICANT ADVANCE TO THE POINT THAT WE'RE  
23 ACTUALLY BRINGING THERAPIES TO THE PATIENTS HERE IN  
24 CALIFORNIA THROUGH A CLINICAL TRIAL.

25 LET ME JUST START WITH THE VISION AND

## BARRISTERS' REPORTING SERVICE

1 STRATEGY. THIS IS OUT OF OUR 2012 STRATEGIC PLAN,  
2 BUT BASICALLY THE MISSION OF THE INSTITUTE HAS  
3 REMAINED THE SAME. AND THAT'S REALLY TO SUPPORT AND  
4 ADVANCE THE STEM CELL SCIENCE TOWARDS APPLICATIONS  
5 FOR PATIENTS. AND IN THE FIRST SEVERAL YEARS OF  
6 CIRM, WE WERE REALLY CULTIVATING THE FIELD. AS YOU  
7 REMEMBER, THIS WAS DONE AT A TIME WHEN THERE WAS A  
8 PARTICULAR BAN ON A PARTICULAR KIND OF STEM  
9 CELL-BASED RESEARCH. IT WAS REALLY PROVIDING A SAFE  
10 HAVEN AND A SANCTUARY TO CONDUCT THIS TYPE OF  
11 RESEARCH.

12 IN THE EARLY DAYS OF CIRM, WE WERE FUNDING  
13 A BROAD NUMBER OF DISEASES AND PROJECTS. WE WERE  
14 ESTABLISHING THE INTELLECTUAL INFRASTRUCTURE AS WELL  
15 AS THE SEEDS OF INNOVATION AND IDEAS AND BRINGING IN  
16 THE LEADERSHIP AS WELL AS BUILDING THE PHYSICAL  
17 INFRASTRUCTURE FOR THIS RESEARCH TO GO FORWARD.

18 DURING THESE NEXT FIVE YEARS, WHAT WE'RE  
19 CALLING THE FOCUS PERIOD, WE'RE TRYING TO PRIORITIZE  
20 THOSE PROJECTS AND INVESTMENTS TO DRIVE THE SCIENCE  
21 TOWARDS CLINICAL TRIALS FOR PATIENTS TO GENERATE  
22 THAT PRELIMINARY EVIDENCE OF THERAPEUTIC BENEFIT AND  
23 ALSO DEVELOP PARTNERSHIPS WITH DIFFERENT SCIENTIFIC  
24 DISCIPLINES, BUT ALSO MORE SO WITH PATIENT ADVOCATES  
25 AS WELL AS WITH INDUSTRY BECAUSE WE KNOW THAT CIRM

## BARRISTERS' REPORTING SERVICE

1 IS FILLING A PARTICULAR NICHE IN DOING THE RESEARCH  
2 TO REALLY FUND THAT VERY HIGH RISK RESEARCH THAT  
3 ISN'T EASILY FUNDED ANYPLACE ELSE AND TRYING TO  
4 ESTABLISH THOSE PARTNERSHIPS SO THAT THE RESEARCH IS  
5 ABLE TO MOVE FORWARD THROUGH OUR INDUSTRY OR VENTURE  
6 CAPITAL COLLABORATIONS. SO THAT BY 2016 WE WILL  
7 HAVE FACILITATED THE ABILITY TO MOVE THESE THERAPIES  
8 TOWARDS COMMERCIALIZATION TO ADVANCE THESE THERAPIES  
9 TO PATIENTS AND ALSO START THINKING ABOUT, NOT START  
10 THINKING, WE'RE THINKING ABOUT THEM NOW, THE TYPES  
11 OF BUSINESS MODELS THAT WOULD NEED TO BE IN PLACE  
12 FOR COMPANIES TO BE ABLE TO BE SUSTAINED IN WORKING  
13 IN STEM CELL-BASED THERAPIES.

14 SO THAT'S SORT OF THE LANDSCAPE OF WHERE  
15 WE'VE BEEN, WHERE WE ARE RIGHT NOW, AND WHERE WE'RE  
16 TRYING TO BE.

17 I WANT TO JUST TOUCH ON WHERE THE DOLLARS  
18 HAVE BEEN INVESTED. THIS IS A CHEVRON SHOWING THE  
19 DIFFERENT INITIATIVES WE HAVE FROM BASIC RESEARCH  
20 THROUGH TO EARLY CLINICAL TRIALS. WE DON'T FEEL  
21 THAT IT'S WITHIN CIRM'S NICHE REALLY TO BE FUNDING  
22 PHASE III CLINICAL TRIALS. WE FEEL BY THE TIME THE  
23 EVIDENCE HAS BEEN GENERATED, BY THE END OF PHASE II,  
24 THERE SHOULD BE ENOUGH EVIDENCE TO ATTRACT INDUSTRY  
25 OR OTHER PEOPLE TO FUND THE LARGER CLINICAL TRIALS

## BARRISTERS' REPORTING SERVICE

1 THAT WOULD NEED TO GO ON TO GET REGISTRATIONAL  
2 APPROVAL FROM THE FOOD AND DRUG ADMINISTRATION.

3 TO DATE WHAT WE FUNDED IS THE FACILITIES  
4 AND INFRASTRUCTURES TO THE TUNE OF ABOUT 20 PERCENT  
5 OF WHAT WE SPENT OF THE 1.7 BILLION. THAT'S 343  
6 MILLION. ABOUT 22 PERCENT ON INFRASTRUCTURE FOR  
7 INTELLECTUAL CAPITAL, BRINGING IN THE RESEARCH  
8 LEADERS AND THE LABORATORY RESEARCHERS TO THE TUNE  
9 OF APPROXIMATELY 22 PERCENT.

10 WE HAVE A CONTINUED PIPELINE OF  
11 FOUNDATIONAL RESEARCH TO REALLY HELP US UNDERSTAND  
12 HOW THESE STEM CELLS WORK, WHAT THEIR PROMISE IS,  
13 AND WORK ON THEIR MECHANISM OF ACTION. THAT'S ABOUT  
14 20 PERCENT.

15 AND THEN WE HAVE THE MORE COMPLEX EXPENSE  
16 OF TRANSLATIONAL RESEARCH WHICH ACCOUNTS FOR ABOUT  
17 38 PERCENT OF OUR FUNDING TODAY. ALTHOUGH THE  
18 NUMBERS ARE SMALLER, THE PRICE TAG ON THESE TYPES OF  
19 PROJECTS ARE MUCH LARGER. THESE ARE GOING THROUGH  
20 NOT JUST THE SCIENTIFIC EXPERIMENTS, BUT REALLY THE  
21 DEVELOPMENT STUDIES THAT NEED TO BE DONE TO MEET  
22 REGULATORY APPROVAL SO THAT THEY CAN GO INTO HUMANS  
23 AND EVENTUALLY GO INTO PATIENTS WITH CHRONIC DISEASE  
24 AND INJURY. AND THESE ARE THE MOST EXPENSIVE OF THE  
25 PROJECTS THAT WE FUND.

## BARRISTERS' REPORTING SERVICE

1 OUR CORE PROGRAMS REALLY PROVIDE A  
2 PATHWAY. WHAT WE'RE TRYING TO DO AT CIRM IS PROVIDE  
3 A SEAMLESS PATHWAY TOWARDS THE CLINIC. SO WE HAVE  
4 PROGRAMS IN TRAINING, BASIC RESEARCH, TOOLS AND  
5 TECHNOLOGY, THE EARLY TRANSLATIONAL RESEARCH, WHAT  
6 WE CALL THE DISEASE TEAMS, AND THEN WHAT I BRIEFLY  
7 MENTIONED, WHICH ARE THE STRATEGIC PARTNERSHIPS.  
8 AND YOU CAN SEE THAT WE ARE TRYING TO PROVIDE A  
9 PATHWAY SO THAT INVESTIGATORS CAN GO SEAMLESSLY FROM  
10 THE EARLY TO THE LATER STAGE.

11 OUR ACTIVITIES TOWARDS OUR MISSION IS THAT  
12 TO DATE WE'VE FUNDED OVER 560 RESEARCH AND FACILITY  
13 AWARDS TO OVER 60 INSTITUTES AND COMPANIES. WE HAVE  
14 BUILT 12 NEW INSTITUTES AND CENTERS OF REGENERATIVE  
15 MEDICINE. THIS RESEARCH HAS GENERATED MORE THAN  
16 1200 MAJOR SCIENTIFIC PAPERS, AND THIS IS IMPORTANT  
17 TO GET THE KNOWLEDGE OUT TO BE TRANSPARENT ABOUT  
18 WHAT THIS RESEARCH IS FUNDING. SO IT'S VERY  
19 IMPORTANT TO GET THIS OUT INTO THE COMMUNITY.

20 IN ADDITION TO THE PAPERS, AS I THINK YOU  
21 KNOW, CIRM HAS ESTABLISHED THE PRINCIPLE WHERE WE  
22 WILL PUT PAPERS ON OUR WEB SITE OR MAKE SURE THAT  
23 THEY GET DEPOSITED IN THE NATIONAL LIBRARY OF  
24 MEDICINE AT NIH SO THAT THE TAXPAYER DOLLARS, NOT  
25 TAXPAYERS, BUT THE BOND DOLLARS, THE FRUITS OF THOSE

## BARRISTERS' REPORTING SERVICE

1 LABORS WILL BE AVAILABLE FOR PEOPLE TO VIEW AND TO  
2 READ IF THEY SO CHOOSE.

3 IN ADDITION, WE'VE BROUGHT OVER 130 NEW  
4 MAJOR STEM CELL RESEARCHERS TO CALIFORNIA. AND OF  
5 THE 560 AWARDS, ABOUT 77 ARE IN THAT CATEGORY OF  
6 WHAT WE CALL TRANSLATIONAL AND DEVELOPMENT. SO WE  
7 HAVE 51 EARLY TRANSLATION PROGRAMS, 24 DISEASE  
8 TEAMS, AND TWO STRATEGIC PARTNERSHIP PROGRAMS, AND A  
9 LITTLE OVER 1.7 BILLION HAS BEEN AWARDED TO DATE.

10 THIS IS JUST A BAR GRAPH SHOWING YOU WHERE  
11 THE MONEY HAS BEEN SPENT AND THE CATEGORIES IN WHICH  
12 IT HAS BEEN SPENT. ONCE AGAIN, THE RESEARCH AND  
13 PHYSICAL INFRASTRUCTURE WAS THE PRIMARY FOCUS AS  
14 CIRM WAS JUST BEGINNING. IN THE TEXT, BUT NOT SHOWN  
15 ON THE SLIDE, ARE THE AMOUNT THAT WE INVESTED IN  
16 FACILITIES, 270.9 MILLION THAT WAS ICOC APPROVED IN  
17 2008, AND THEN THERE WAS APPROXIMATELY 518 MILLION  
18 THAT CAME IN IN LEVERAGED FUNDING FROM INSTITUTIONS.  
19 SHARED LABORATORIES WERE APPROVED TO THE TUNE OF 72  
20 MILLION BY THE ICOC. 50.5 MILLION IN 2007 AND 21.5  
21 MILLION FOR A THREE-YEAR EXTENSION THAT BEGAN IN  
22 2011.

23 YOU SEE THE ORANGE BAR ACROSS THE TOP OF  
24 ALL OF THOSE IS THE AMOUNT THAT'S GOING TO  
25 DEVELOPMENT WORK, DISEASE TEAMS, AND YOU CAN SEE



## BARRISTERS' REPORTING SERVICE

1 THAT THEY REALLY JUST STARTED IN 2009.

2 WHAT I'D LIKE TO DO IS JUST BRIEFLY GO  
3 OVER, BECAUSE YOU HAVE ALL OF THIS IN YOUR HANDOUTS,  
4 IS GO THROUGH SOME OF THE CORE PROGRAMS. AND THAT  
5 STARTS WITH TRAINING AND WHAT WE CALL OUR BRIDGES  
6 PROGRAM. SO THIS IS JUST SHOWING YOU THE NUMBER OF  
7 AWARDS IN TRAINING, AND THEN THE BRIDGES IS JUST A  
8 BRIDGE FROM OUR YOUNG INVESTIGATORS, UNDERGRADUATES,  
9 PRE-DOCS, THOSE WITH MASTER'S DEGREE THAT ARE  
10 TRAINED TO GET TRAINING IN STEM CELL RESEARCH. THIS  
11 IS REALLY TO MAKE SURE WE HAVE THE INTELLECTUAL  
12 CAPITAL FOR THE NEXT GENERATION IN CALIFORNIA TO GO  
13 FORWARD WITH THIS TYPE OF RESEARCH.

14 TO DATE, WE'VE TRAINED PRE-DOCTORAL  
15 CANDIDATES, POSTDOCTORAL, AND CLINICAL FELLOWS.  
16 THIS HAS INVOLVED MENTORED LABORATORY STEM CELL  
17 RESEARCH. THEIR COURSEWORK HAS INCLUDED WORK IN  
18 STEM CELL BIOLOGY AND HOW IT APPLIES TO HEALTH AND  
19 TO DISEASE. IT ALSO INVOLVES THE ETHICAL, LEGAL,  
20 AND SOCIAL ASPECTS OF STEM CELL RESEARCH. TO DATE,  
21 WE HAVE TRAINED OVER 635 CIRM SCHOLARS AT 18  
22 INSTITUTIONS IN 300 LABS ACROSS THE STATE.

23 IN TERMS OF TRAINING FOR UNDERGRADUATES OR  
24 MASTER'S DEGREE CANDIDATES, ESPECIALLY FROM  
25 CALIFORNIA STATE UNIVERSITIES AND COMMUNITY

## BARRISTERS' REPORTING SERVICE

1 COLLEGES, THIS HAS INVOLVED SHARED LABS, A STEM CELL  
2 TECHNIQUES COURSE, MENTORED INTERNSHIPS WITH STEM  
3 CELL RESEARCH AND LABORATORIES IN RESEARCH INTENSIVE  
4 HOST INSTITUTIONS. TO DATE, WE'VE TRAINED 482  
5 INTERNS FROM 16 INSTITUTIONS.

6 A SURVEY WAS TAKEN OF THOSE INTERNS, OF A  
7 SUBSET OF THEM THAT TURNED IN THEIR SURVEY. 52  
8 PERCENT OF 163 INTERNS HAD JOBS, 26 PERCENT HAD  
9 ENROLLED OR BEEN ACCEPTED INTO GRADUATE OR  
10 PROFESSIONAL PROGRAMS. SO THIS IS JUST A SNAPSHOT  
11 IN TIME OF WHERE WE ARE WITH OUR TRAINING PROGRAMS  
12 TO DATE.

13 MEMBER LIPSON: WHAT DOES IT MEAN TO BE AN  
14 INTERN?

15 DR. FEIGAL: AN INTERN MEANS THAT YOU'RE  
16 MENTORED OR SUPERVISED. YOU HAVEN'T BECOME A  
17 FULL-FLEDGED LABORATORY PERSON, OR YOU'RE IN  
18 TRAINING BASICALLY AND YOU NEED TO BE SUPERVISED.

19 MEMBER LIPSON: RIGHT. WHAT DOES THAT  
20 MEAN? IS IT UNDERGRADUATE?

21 DR. FEIGAL: WELL, THE INTERNS, AS I SAID,  
22 WERE UNDERGRADUATES OR COULD ALSO BE MASTER'S DEGREE  
23 CANDIDATES AS PART OF THAT PROGRAM.

24 MEMBER LIPSON: SO BASICALLY THIS ISN'T  
25 TRAINING GRADUATE STUDENTS WHO MIGHT APPLY THE

## BARRISTERS' REPORTING SERVICE

1 INFORMATION READILY?

2 DR. FEIGAL: THE TRAINING ABOVE YOU, THE  
3 635 PEOPLE WE HAVE TRAINED ARE DOCTORAL CANDIDATES,  
4 GETTING PH. D. 'S, ADVANCED DEGREES.

5 MEMBER SADANA: IN THE 130, GOING BACK, WE  
6 HAD NEW MAJOR RESEARCHERS IN CALIFORNIA, WHAT KIND  
7 OF LEVEL OF THESE INDIVIDUALS WERE PH. D. 'S OR  
8 WHATEVER WERE INVITED AND WHO JOINED?

9 DR. FEIGAL: YOU'RE TALKING ABOUT THE  
10 RESEARCH LEADERS.

11 MEMBER SADANA: YES.

12 DR. FEIGAL: THESE ARE WELL-ESTABLISHED  
13 LEADERS IN THEIR FIELD WHO WERE RECRUITED TO  
14 CALIFORNIA TO ACTUALLY CONDUCT STEM CELL-BASED  
15 RESEARCH IN CALIFORNIA. AND THEY ATTRACTED  
16 ADDITIONAL PEOPLE INTO THEIR LABORATORIES TO HAVE  
17 REALLY A CRITICAL MASS. SO IT'S REALLY THE  
18 LEADERSHIP, THE INTELLECTUAL LEADERSHIP. WHEREAS,  
19 THIS IS THINKING ABOUT THE NEXT GENERATION. SO IT'S  
20 THINKING ABOUT THE RESEARCH LEADERS EVENTUALLY NEED  
21 TO BE REPLACED WITH THE NEW GENERATION OF  
22 RESEARCHERS. AND SO THIS IS REALLY TO MAKE SURE  
23 THAT WE'RE THINKING ABOUT THE TRAINING OF THE NEXT  
24 GENERATION IN CALIFORNIA. SO THESE ARE PEOPLE AT  
25 UNIVERSITIES OR CAL STATE UNIVERSITIES OR OTHER

## BARRISTERS' REPORTING SERVICE

1 INSTITUTIONS.

2 MEMBER LIPSON: OKAY. AND GOING BACK TO  
3 THE UNDERGRADUATE OR MASTER'S DEGREE GROUP, IT SAYS  
4 52 PERCENT OF THE 163 INTERNS WHO TURNED IN THEIR  
5 THING HAD JOBS. WHAT TYPE OF JOBS?

6 DR. FEIGAL: THESE WERE RESEARCH -- THESE  
7 WERE JOBS IN LABORATORIES. THESE WERE JOBS AS  
8 ASSISTANT PROFESSOR. I'LL GIVE YOU A VIGNETTE, AN  
9 EXAMPLE. I DON'T HAVE ALL OF THEM, WE HAVE QUITE A  
10 NUMBER, BUT WE COULD GET THAT INFORMATION FOR YOU  
11 BECAUSE WE DID DO THE SURVEY. I WAS JUST GIVING YOU  
12 A HIGH LEVEL. BUT THESE ARE IN STEM CELL-BASED  
13 RESEARCH LABS OR JUNIOR FACULTY POSITIONS AT  
14 UNIVERSITIES.

15 MEMBER LIPSON: EVEN THOUGH THEY WERE  
16 UNDERGRADUATE?

17 DR. FEIGAL: NO. THESE ARE FOLLOW-UP  
18 SURVEYS. SO THESE ARE -- PEOPLE WHO HAVE GONE  
19 THROUGH THE PROGRAM AND THEN WE DO A SURVEY LATER ON  
20 TO SEE WHERE THEY ARE. AND SO WE'LL CONTINUE TO DO  
21 THAT TO TRACK WHAT HAPPENS TO THE PEOPLE THAT WE'RE  
22 TRAINING TO TRY AND GET A SENSE OF THEIR CAREER  
23 DEVELOPMENT PATH.

24 MEMBER LIPSON: OVER WHAT TIME FRAME ARE  
25 WE LOOKING, FROM THE BEGINNING OF THE PROGRAM?

## BARRISTERS' REPORTING SERVICE

1 DR. FEIGAL: RIGHT NOW THE TRAINING I ARE  
2 ALL CLOSED. THE TRAINING II AND THE BRIDGES  
3 PROGRAMS ARE STILL OPEN. SO THERE'S STILL  
4 APPROXIMATELY HALF THE PROGRAMS ARE STILL ONGOING  
5 AND MOVING FORWARD. SO WE'RE STILL EARLY IN MAKING  
6 AN ASSESSMENT OF THESE PROGRAMS. I WAS JUST GIVING  
7 YOU A SNAPSHOT IN TIME OF WHAT WE HAD SO FAR.

8 ARE THERE ANY OTHER QUESTIONS ABOUT THIS?

9 THIS IS JUST AN EXAMPLE OF A PERSON WHO  
10 WENT THROUGH THE TRAINING PROGRAM. THIS IS ANN  
11 ZOVEIN WHO WENT THROUGH THE PROGRAM AT UCLA. SHE  
12 TRAINED AS A CLINICAL FELLOW UNDER HER MENTOR FOR  
13 THREE YEARS. SHE HAS A CURRENT POSITION AS  
14 ASSISTANT PROFESSOR AT THE PEDIATRICS AND  
15 CARDIOVASCULAR RESEARCH INSTITUTE UC SAN FRANCISCO.  
16 SHE WAS ALSO AWARDED A BURROUGHS-WELLCOME CAREER  
17 AWARD FOR MEDICAL SCIENTISTS. SO I'M JUST GIVING  
18 YOU SOME EXAMPLES, BUT WE CAN GIVE YOU MORE DATA  
19 RELATED TO THIS IF YOU'RE SO INTERESTED.

20 THIS IS AN EXAMPLE OF ONE OF OUR BRIDGES  
21 INTERNS, JUST TO PUT A FACE TO SOME OF THESE  
22 NUMBERS. THIS IS MRS. LAUGHING BEAR TORREZ, WHO IS  
23 FROM CALIFORNIA STATE UNIVERSITY SAN BERNARDINO  
24 BRIDGES PROGRAM. SHE DID HER INTERNSHIP AT UC  
25 RIVERSIDE WITH DR. DUNCAN LIEW. SHE ACTUALLY IS THE

## BARRISTERS' REPORTING SERVICE

1 FIRST AUTHOR ON A PAPER WORKING ON WHAT HER PROJECT  
2 WAS, WHICH IS THE DERIVATION OF NEURAL PROGENITOR  
3 CELLS FROM PLURIPOTENT STEM CELLS. SHE WENT ON TO  
4 EARN HER MASTER'S DEGREE. SHE WON DISTINCTION AS  
5 THE COLLEGE'S OUTSTANDING GRADUATE STUDENT. AND HER  
6 CURRENT POSITION IS THAT SHE'S A PREDOCTORAL STUDENT  
7 TRYING TO GET HER PH.D. AT STANFORD UNIVERSITY IN  
8 THE STEM CELL BIOLOGY AND REGENERATIVE MEDICINE  
9 PH.D. PROGRAM.

10 SO I'M JUST GIVING YOU SOME EXAMPLES OF  
11 WHAT SOME OF OUR TRAINEES HAVE DONE AND WHERE THEY  
12 ARE AT THIS POINT IN TIME BECAUSE I THOUGHT YOU  
13 MIGHT BE INTERESTED IN THAT.

14 THIS IS A SNAPSHOT IN TIME OF OUR CIRM  
15 BASIC RESEARCH INITIATIVE. WE HAVE WHAT'S CALLED  
16 SEED GRANTS, THEN COMPREHENSIVE GRANTS, AND WE'VE  
17 BEEN THROUGH NOW FOUR ITERATIONS OF BASIC BIOLOGY.  
18 THIS IS THE ENGINE OF DISCOVERY. WE STARTED WITH  
19 THIS ENGINE. WE WILL CONTINUE TO RUN A CERTAIN  
20 PROPORTION OF OUR FUNDS AS THE ENGINE. AND TO DATE  
21 WE HAVE MADE OVER 183 AWARDS AND INVESTED  
22 APPROXIMATELY 232 MILLION INTO THIS AREA.

23 THIS IS SHOWING YOU WHERE ON OUR CHEVRON  
24 OUR INITIATIVES, THESE TYPES OF RESEARCH FIT. SO  
25 THIS IS REALLY UNDER BASIC RESEARCH UNDER THE

## BARRISTERS' REPORTING SERVICE

1 CANDIDATE DISCOVERY RESEARCH AND REALLY TRYING TO  
2 UNDERSTAND, INCREASE OUR KNOWLEDGE ABOUT HOW THESE  
3 CELLS WORK AND HOW IT MIGHT BE APPLIED TO CLINICAL  
4 DISEASES AND INJURY.

5           ONCE AGAIN, I'M JUST GOING TO GIVE YOU A  
6 VIGNETTE. OUR BASIC RESEARCH PROGRAM FOCUS HAS BEEN  
7 ON HUMAN STEM CELLS. WE SUPPORT BASIC RESEARCH ON  
8 HUMAN, STEM, AND PROGENITOR CELLS. THERE'S  
9 BASICALLY ABOUT 164 PRINCIPAL INVESTIGATORS. THESE  
10 HAVE ATTRACTED RESEARCHERS THAT CAN BE NEW TO HUMAN  
11 STEM CELL RESEARCH THROUGH THE SEED PROGRAM. HERE  
12 IT REALLY ATTRACTED INVESTIGATORS THAT WERE NEW. WE  
13 STARTED THIS PROGRAM VERY EARLY IN CIRM'S  
14 DEVELOPMENT, AND THAT PROGRAM IS NOW COMPLETED, BUT  
15 IT WAS REALLY TRYING TO ATTRACT INVESTIGATORS INTO A  
16 HIGH RISK NEW FIELD.

17           AND WHAT YOU SEE ON THIS SLIDE IS THAT  
18 MANY OF THESE INVESTIGATORS WERE QUITE SUCCESSFUL IN  
19 GETTING SUBSEQUENT LARGER AMOUNTS OF AWARDS FROM  
20 CIRM OR FROM NIH. SO THESE WERE PEOPLE WHO WERE  
21 ABLE TO BE SUCCESSFUL IN THEIR RESEARCH ENDEAVORS  
22 AND CONTINUE TO GET RESEARCH FUNDING.

23           TWELVE RECEIVED A -- THIS IS JUST SHOWING  
24 YOU THE SEED INVESTIGATORS. THEY RECEIVED 38 OTHER  
25 TYPES OF RESEARCH GRANTS. TWELVE RECEIVED A BASIC

## BARRISTERS' REPORTING SERVICE

1 BIOLOGY AWARD, NINE RECEIVED A NEW FACULTY OR NEW  
2 STEM CELL LINES OR TRANSPLANTATION IMMUNOLOGY. AND  
3 THEN IT SHOWS YOU THE VARIETY OF OTHER AWARDS THAT  
4 THEY'VE BEEN SUCCESSFUL IN GAINING.

5 THIS IS JUST A VIGNETTE. THIS IS DR.  
6 ROBERT BLELLOCH FROM UC SAN FRANCISCO WHO WAS REALLY  
7 LOOKING INTO THE UNDERLYING REGULATION OF  
8 PLURIPOTENT CELLS AND THE ROLE THAT GENES PLAY. AND  
9 HE PROVIDED SOME NOVEL INSIGHTS INTO THE CELLULAR  
10 MECHANISMS THAT ORCHESTRATE STEM CELL SELF-RENEWAL,  
11 AND THIS IS JUST THE PUBLICATION THAT HE HAS FROM  
12 THAT PARTICULAR WORK.

13 LARRY GOLDSTEIN IS ANOTHER EXAMPLE OF A  
14 PRINCIPAL INVESTIGATOR FROM OUR COMPREHENSIVE GRANT.  
15 HE'S WORKING ON A VERY CHALLENGING AREA OF  
16 ALZHEIMER'S DISEASE. HE DEVELOPED DISEASE IN A DISH  
17 WHERE HE TOOK SKIN FROM A PATIENT, MANY PATIENTS,  
18 WITH ALZHEIMER'S DISEASE, INDUCED THEM TO GROW INTO  
19 PLURIPOTENT CELLS, AND THEY EXPRESSED ATTRIBUTES OF  
20 PEOPLE WHO HAVE ALZHEIMER'S DISEASE. SO THESE CAN  
21 BE USED AS A TOOL FOR STUDYING HOW THAT DISEASE  
22 EVOLVES AND COULD ALSO EVENTUALLY BE USED AS A TOOL  
23 FOR DRUG DISCOVERY.

24 THE NEXT CORE PROGRAM THAT WE HAVE ARE  
25 TOOLS AND TECHNOLOGY. THIS IS SHOWING YOU THE



## BARRISTERS' REPORTING SERVICE

1 DIFFERENT ITERATIONS OF INITIATIVES THAT WE'VE PUT  
2 FORWARD. WE'VE INVESTED APPROXIMATELY 54.5 MILLION  
3 INTO THIS AREA.

4 THIS COVERS A BROAD SPECTRUM REALLY  
5 LOOKING AT THE BOTTLENECKS OR THE OBSTACLES ON THE  
6 WAY TO TRANSLATION. SO IT'S LOOKING AT TRYING TO  
7 DEVELOP BIOMARKERS OR ASSAYS. IT COULD BE LOOKING  
8 AT DRUG SCREENING, COULD BE LOOKING AT DISEASE  
9 MODELING, CELL LINE DEVELOPMENT AS A RESEARCH  
10 RESOURCE, HOW TO DO THE TISSUE ENGINEERING OF THE  
11 CELLS ON A SCAFFOLD, IMAGING TO REALLY TRACK THE  
12 CELLS, SEE WHERE THEY GO, WHERE THEY MIGRATE, DO  
13 THEY INTEGRATE, DO THEY FUNCTIONALLY DO WHAT YOU  
14 WANT THEM TO DO IN THE HUMAN. THESE ARE ALL LOOKING  
15 AT TOOLS THAT COULD BE APPLIED FOR OUR RESEARCH.

16 THIS IS JUST AN EXAMPLE OF ONE OF THE  
17 AWARDS THAT CONTRIBUTED TO TECHNOLOGY DEVELOPMENT OF  
18 AN INSTRUMENT THAT ENABLED MEASUREMENT OF THE  
19 ELECTRICAL BEHAVIOR OF HEART CELLS IN SUBTYPES, AND  
20 THEY COULD ASCERTAIN THEM IN MIXED POPULATIONS OF  
21 CELLS. THIS INDIVIDUAL WENT ON TO AND THE COMPANY  
22 WENT ON TO WIN A CONTRACT FROM THE ENVIRONMENTAL  
23 PROTECTION AGENCY TO SCREEN UP TO 10,000 CHEMICALS  
24 AS PART OF THEIR TOXICOLOGY PROGRAM TO LOOK AT THE  
25 IMPACT OF ENVIRONMENTAL CHEMICALS ON HOW THEY COULD

## BARRISTERS' REPORTING SERVICE

1 IMPACT ON THE BODY AND WHAT KIND OF -- PARTICULARLY  
2 ON THE HEART AND TOXICITY ISSUES.

3 SO THIS WAS A COLLABORATION WITH A COMPANY  
4 THAT USED THAT PLATFORM IN CONJUNCTION WITH ANOTHER  
5 COMPANY'S PLURIPOTENT STEM CELLS TO REALLY SCREEN  
6 FOR NEW DRUG CANDIDATES THAT WOULD HAVE A POTENTIAL  
7 CARDIOTOXICITY. SO IT WAS TRYING TO GET A PREDICTOR  
8 OF POTENTIAL TOXICITIES THAT MIGHT ARISE IN THE  
9 HUMAN.

10 THIS IS OUR EARLY TRANSLATION INITIATIVE.  
11 SO NOW WE'RE RUNNING DOWN CLOSER TO THE DEVELOPMENT  
12 PATHWAY WHERE WE'RE TRYING TO ESTABLISH PROOF OF  
13 CONCEPT IN THE ANIMAL MODEL OR IN THE PRECLINICAL  
14 SETTING, TRYING TO IDENTIFY A DEVELOPMENT CANDIDATE  
15 THAT COULD EVENTUALLY BE USED AS A THERAPEUTIC  
16 INTERVENTION.

17 SO THESE ARE SHOWING A SNAPSHOT OF THE  
18 THREE ITERATIONS OF THE EARLY TRANSLATION. WE  
19 FUNDED ABOUT 58 OF THESE AWARDS TO THE TUNE OF  
20 APPROXIMATELY 214 MILLION. THIS IS WHERE IT SITS IN  
21 THE CHEVRON OF GOING FROM BASIC TO EARLY CLINICAL  
22 TRIALS.

23 THIS IS JUST SHOWING YOU THE PANOPLY OF  
24 DIFFERENT THERAPEUTIC AREAS. AS I SAID, CIRM IN THE  
25 EARLY STAGE, WE DON'T KNOW WHERE THE WOW, THE

## BARRISTERS' REPORTING SERVICE

1 DISCOVERY COULD COME FROM. SO ACTUALLY WE'VE BEEN  
2 RATHER ECUMENICAL IN TERMS OF THE TYPES OF  
3 THERAPEUTIC AREAS THAT THESE CAN GO INTO. SO THIS  
4 IS JUST SHOWING YOU THE RANGE OF BLOOD DISORDERS,  
5 HEMATOLOGIC CANCERS, NEURODEGENERATIVE DISORDERS, A  
6 VARIETY OF DIFFERENT DISEASES THAT THIS FUNDING IS  
7 REALLY TRYING TO IDENTIFY DEVELOPMENT CANDIDATES IN  
8 THESE DIFFERENT THERAPEUTIC AREAS.

9 THIS IS AN EXAMPLE OF AN EARLY TRANSLATION  
10 TEAM THAT IS WORKING ON A DISEASE AREA OF RETINITIS  
11 PIGMENTOSA WHERE THEY BASICALLY HAVE TUNNEL VISION.  
12 THEY REALLY CAN'T SEE THE PERIPHERY. IT'S A  
13 CONGENITAL DISEASE. THEIR APPROACH IS TO USE A STEM  
14 CELL-BASED APPROACH. AND THIS ACTUALLY EARLY  
15 TRANSLATION AWARD HAS NOW BEEN TRANSITIONED INTO,  
16 THEY ACTUALLY WERE COMPETITIVE IN GETTING A DISEASE  
17 TEAM AWARD. SO NOW THEY'RE ON A ROAD TO FILE THAT  
18 IND WITH THE FDA AND CONDUCT A CLINICAL TRIAL.

19 SO THIS IS JUST SHOWING THE PIPELINE IS  
20 ABLE TO MOVE FORWARD INTO MORE ADVANCED AREAS OF  
21 DEVELOPMENT.

22 THIS IS AN EARLY TRANSLATION VIGNETTE FROM  
23 A GROUP AT THE PARKINSON'S INSTITUTE WHERE THEY'RE  
24 DEVELOPING A MODEL FOR PARKINSON'S DISEASE. ONCE  
25 AGAIN, IT'S A DISEASE IN A DISH USING THESE CELLS

## BARRISTERS' REPORTING SERVICE

1 FROM PATIENTS WITH PARKINSON'S DISEASE AND THEN  
2 USING IT AS A RESOURCE TO REALLY TRY AND UNDERSTAND  
3 MORE ABOUT THE DISEASE OF PARKINSON'S AND EVENTUALLY  
4 BE ABLE TO USE IT AS A TOOL FOR DRUG DISCOVERY.  
5 THIS HAS LED TO MULTIPLE NEW COLLABORATIONS BOTH  
6 WITH INDUSTRY, ACADEMIC, AND ALSO PUBLIC AND  
7 PRIVATE. IT'S ALSO LEVERAGED NEW FUNDING FROM THE  
8 PUBLIC AND PRIVATE SECTOR TO THE TUNE OF  
9 APPROXIMATELY 700,000 JUST ON THIS ONE AWARD.

10 THE NEXT INITIATIVES ARE DISEASE TEAM  
11 AWARDS. THESE ARE REALLY THE AWARDS, THE COMPLEX  
12 MULTIDISCIPLINARY TEAMS THAT ARE WORKING ON BRINGING  
13 THESE THERAPIES TO PATIENTS.

14 WE HAVE FUNDED TWO ITERATIONS OF DISEASE  
15 TEAMS. WE HAVE APPROXIMATELY 25 AWARDS AT THIS  
16 POINT IN TIME AND ABOUT 440 MILLION IN TOTAL. THESE  
17 ARE THE DIFFERENT DISEASE AREAS THAT THESE DISEASE  
18 TEAMS ARE WORKING ON. SO YOU CAN SEE IT'S IN  
19 HIV/AIDS, IT'S IN BLOOD DISORDERS, IT'S IN  
20 CARDIOVASCULAR DISEASE, IT'S IN CANCER,  
21 NEURODEGENERATIVE DISORDERS, ALSO IN SICKLE CELL  
22 CANCERS, IN BETA THALASSEMIA. SO A VARIETY OF VERY  
23 IMPORTANT DISEASES OF GREAT INTEREST TO THE CITIZENS  
24 OF CALIFORNIA AS WELL AS WORLDWIDE.

25 THESE ARE THE DIFFERENT TYPES OF

## BARRISTERS' REPORTING SERVICE

1 THERAPEUTIC MODALITIES THAT WE'RE WORKING ON. YOU  
2 HAVE THIS IN YOUR PACKET, SO I WON'T GO OVER IT IN  
3 ANY DETAIL OTHER THAN JUST TO TELL YOU WE USE A  
4 VARIETY OF DIFFERENT THERAPEUTIC APPROACHES, BOTH  
5 ALLOGENEIC, THOSE CELLS OBTAINED FROM OTHER PEOPLE,  
6 OR AUTOLOGOUS FROM THE SAME PATIENT. IN ADDITION,  
7 WE DO HAVE A SMALL AMOUNT THAT ARE WORKING ON SMALL  
8 MOLECULES OR BIOLOGICS THAT ARE WORKING AT  
9 CATALYZING THE ENDOGENOUS STEM CELL AND MAKING IT  
10 MORE FUNCTIONAL OR HELP REPAIR IN SITES OF INJURY OR  
11 DISEASE.

12 AS MENTIONED EARLIER, ALL OF OUR  
13 DEVELOPMENT TEAMS HAVE MILESTONES THAT ARE SET  
14 BEFORE ANY MONEY GOES OUT THE DOOR. SO PRIOR TO THE  
15 AWARD, THERE'S AGREED UPON, MUTUALLY AGREED UPON GO,  
16 NO-GO, AND PROGRESS MILESTONES AND SUCCESS CRITERIA.  
17 DURING THE CONDUCT OF THE RESEARCH, THERE'S AN  
18 INTERACTIVE ONGOING DISCUSSION BETWEEN THE CIRM  
19 SCIENTIST AND THE FUNDED RESEARCH TEAM. WE GET  
20 UPDATES ON AN INTERVAL BASIS, AND WE ALSO HAVE AN  
21 EXTERNAL TEAM OF EXPERTS THAT COME IN ACTUALLY IN  
22 PERSON, MEETS WITH THE TEAM IN PERSON. THE TEAM  
23 PROVIDES BACKGROUND INFORMATION IN ADVANCE. AND  
24 THEN THEY'RE THERE REALLY TO TRY AND HELP POSITION  
25 THE TEAMS TO BE MORE LIKELY TO BE SUCCESSFUL.

## BARRISTERS' REPORTING SERVICE

1           IN ADDITION, WE WORK EXTENSIVELY WITH THE  
2           FDA ON PROVIDING WEBINARS, EDUCATIONAL TOOLS, AND  
3           ROUNDTABLES TO HELP OUR INVESTIGATOR BE BETTER  
4           POSITIONED FOR SUCCESS DOWN THAT REGULATORY PATHWAY  
5           INTO THE CLINIC.

6           THIS IS JUST SHOWING YOU A SNAPSHOT OF THE  
7           HORSE RACE OF WHERE THE FIRST COHORT OF DISEASE  
8           TEAMS ARE AT THIS POINT IN TIME. AS I MENTIONED,  
9           ONE HAS ALREADY FILED SUCCESSFULLY THEIR IND.  
10          WITHIN 30 DAYS THEY GOT AN APPROVAL AND THEY'RE NOW  
11          IN CLINICAL TRIALS. SO WE'LL BE LOOKING AT THEM AND  
12          ASSESSING THEM BEFORE THEY GO ON TO THEIR PHASE II.

13          THIS IS ANOTHER EXAMPLE OF A THERAPEUTIC  
14          APPROACH IN HIV/AIDS. THIS IS HEADED TOWARDS THE  
15          CLINIC.

16          I THINK FOR PURPOSES OF TIME, I WON'T GO  
17          INTO THE DETAILS HERE. THIS IS A VERY RARE GENETIC  
18          DISORDER WHERE WE'RE WORKING ON A THERAPEUTIC  
19          APPROACH WITH CELLS OBTAINED FROM THE PATIENT. IT'S  
20          A CONGENITAL DISEASE WHERE THE PATIENT BASICALLY AT  
21          THE TIME OF BIRTH, THEIR SKIN SLOUGHS DUE TO A  
22          DEFECT IN TYPE 7 COLLAGEN. IT'S A VERY MISERABLE  
23          EXISTENCE. AND WHAT THEY'RE TRYING TO DO IS CORRECT  
24          THIS GENETIC DEFECT WITH THE COLLAGEN 7 THAT'S  
25          NORMAL AND GIVE THIS BACK TO THE PATIENT.

## BARRISTERS' REPORTING SERVICE

1 MEMBER BRUNNER: CAN I GO BACK FOR A  
2 SECOND AND ASK YOU A QUESTION ON MILESTONES? HOW  
3 OFTEN IS THERE A LACK OF COMPLIANCE WITH THE  
4 MILESTONES THAT HAVE BEEN SET OUT? AND WHAT IS THE  
5 REMEDY IN THOSE SITUATIONS?

6 DR. FEIGAL: WELL, YOU KNOW, WE HAVE THESE  
7 SET OUT AT THE BEGINNING. AND THEN THERE'S  
8 INTERACTIONS BETWEEN THE SCIENCE -- THERE'S A  
9 SCIENCE OFFICER ASSIGNED TO EVERY AWARD, AND THEY'RE  
10 RESPONSIBLE AND ACCOUNTABLE TO WORK WITH THAT TEAM.  
11 IN ADDITION, WE WORK INTERNALLY AS WELL AS WITH OUR  
12 EXTERNAL ADVISORS. BUT IF THE SCIENCE DOESN'T  
13 COOPERATE, THEY ACTUALLY GET THE DATA, BUT IT'S NOT  
14 IN THE DIRECTION WE WANT, WE CAN EITHER REFINE OR  
15 TERMINATE THE AWARD.

16 CHAIRMAN THOMAS: ELLEN, YOU SHOULD  
17 DESCRIBE THE ONE INSTANCE IN THE DISEASE TEAM  
18 BECAUSE I THINK IT SHOWS THAT OUR SCIENCE STAFF IS  
19 REALLY ON TOP OF THIS, AND THE MONEY JUST DOESN'T GO  
20 OUT THE DOOR UNMONITORED.

21 DR. FEIGAL: SO IF A NO-GO IS MET, AND  
22 THAT IS TO SAY IT'S NO GO, THEN THE AWARD HAS BEEN  
23 TERMINATED. SO WE DO FOLLOW THROUGH WITH WHAT WE  
24 SAY.

25 MEMBER KOVACH: I THINK THE MILESTONE

## BARRISTERS' REPORTING SERVICE

1 PHILOSOPHY IS A VERY GOOD ONE. I THINK IT ALLOWS  
2 ONE TO MAKE SOME BETS IN AREAS. AND ACTUALLY THE  
3 WAY I VIEW THE TERMINATION OF THAT ONE PROJECT IS AS  
4 A POSITIVE IN THE SENSE THAT YOU'RE GOING TO TRY  
5 YOUR BEST, BUT YOU DON'T KNOW HOW SCIENCE IS GOING  
6 TO WORK OUT, AND SO YOU CAN HAVE A MECHANISM IN  
7 THERE TO MAKE SURE YOU'RE NOT THROWING GOOD MONEY  
8 AFTER BAD, SO TO SPEAK, IF IT DOESN'T HIT A  
9 MILESTONE. SO I THINK IT'S VERY GOOD.

10 DR. FEIGAL: WE STILL LEARN. THESE ARE  
11 IMPORTANT LEARNINGS THAT WE CAN EXTRAPOLATE TO OTHER  
12 AREAS. SO EVEN IN AN EXPERIMENT THAT DOESN'T GO  
13 FORWARD, WE STILL LEARN QUITE A BIT FROM IT BECAUSE  
14 OF THE QUESTIONS THAT WE'RE ANSWERING. SO I THINK  
15 IT'S MONEY THAT'S WELL CONSIDERED AND WELL SPENT,  
16 AND WE'RE VIGOROUSLY MONITORING PROGRESS ALONG THE  
17 WAY.

18 THIS LAST ONE IS REALLY JUST SHOWING YOU  
19 THAT WE ALSO HAVE APPROACHES GOING INTO THE CLINIC  
20 IN CANCER. ONCE AGAIN, THESE ARE JUST VIGNETTES.  
21 AND THIS IS JUST SHOWING AN APPROACH USING NEURAL  
22 STEM CELLS AS A HOMING MECHANISM TO DELIVER A  
23 CHEMOTHERAPEUTIC PAYLOAD TO A PARTICULARLY  
24 HARD-TO-TREAT CANCER, GLIOBLASTOMA IN THE BRAIN,  
25 WHERE THERE ARE REALLY VERY MODEST THERAPEUTIC



## BARRISTERS' REPORTING SERVICE

1 OPPORTUNITIES AVAILABLE RIGHT NOW. SO THIS IS A  
2 HIGH UNMET NEED.

3 THIS PARTICULAR INVESTIGATOR HAS ALSO SPUN  
4 OUT A COMPANY AS HAVE SOME OF OUR OTHER  
5 INVESTIGATORS SO THAT THEY ARE THINKING ABOUT HOW TO  
6 MOVE FORWARD IN THE FUTURE. CIRM IS FUNDING THIS  
7 ASPECT OF IT, BUT THEY'RE TO THINK TO THE FUTURE  
8 ABOUT HOW THEY CAN LEVERAGE FUNDING WITH FUNDING  
9 THAT'S EXTERNAL TO CIRM IN ORDER TO MOVE FORWARD.

10 SO JUST AS A SUMMARY, OVER HALF OF THE  
11 DISEASE TEAM IS, THE FIRST COHORT OF DISEASE TEAMS,  
12 HAVE SUCCESSFULLY ADVANCED THROUGH A VERY IMPORTANT  
13 REGULATORY MILESTONE, THEIR PRE-IND MEETING WITH THE  
14 FDA. THEY NOW HAVE A CLEARER, MORE PREDICTABLE  
15 PATHWAY TOWARDS THE IND FILING IN THE CLINIC. WE  
16 HAVE ONE CLINICAL TRIAL THAT'S ALREADY STARTED IN  
17 2013. WE EXPECT ONE TO TWO MORE THIS YEAR. WE  
18 EXPECT TO HAVE FIVE CLINICAL TRIALS BY THE END OF  
19 NEXT YEAR. FIVE OF THESE DISEASE TEAMS HAVE  
20 COLLABORATIVE FUNDING PARTNERS. ONE HAS A  
21 COLLABORATION WITH A DISEASE FOUNDATION, TWO ALREADY  
22 HAVE COMPANIES AS THE PI OR THE CO-PI, AND TWO HAVE  
23 FOUNDED COMPANIES. THERE'S BEEN 21 INVENTION  
24 DISCLOSURES, 24 ACTIVE PENDING PATENT APPLICATIONS.  
25 JUST FROM THIS ONE GROUP, THERE'S BEEN 18 SCIENTIFIC

## BARRISTERS' REPORTING SERVICE

1 PUBLICATIONS.

2 SO I HOPE THAT'S BEEN HELPFUL. IT WAS  
3 REALLY JUST TO PROVIDE YOU A TASTE OF WHERE WE ARE  
4 AT THIS POINT.

5 MEMBER SADANA: THIS IS VERY IMPRESSIVE,  
6 AND I'M GLAD TO SEE RESULTS BEING SHOWN THIS TIME.

7 I HAVE TWO QUESTIONS. WHERE WE ARE  
8 COMPARED WITH THE OTHER STATES IN THE NATION IN STEM  
9 CELL RESEARCH?

10 DR. FEIGAL: I THINK CALIFORNIA IS REALLY  
11 LEADING THE NATION IN STEM CELL RESEARCH, AND PEOPLE  
12 LOOK TO CALIFORNIA FOR LEADERSHIP IN THIS AREA. I'M  
13 NOT SURE -- DOES THAT ANSWER YOUR QUESTION?

14 MEMBER SADANA: THERE ARE SOME OTHER  
15 STATES LIKE GEORGIA, ETC., AND TEXAS DOING A LOT OF  
16 RESEARCH ON THIS AND HAVE STARTED. SO ARE WE FAR  
17 AHEAD?

18 DR. FEIGAL: I THINK IN TERMS OF WHAT THE  
19 MAGNITUDE OF WHAT WE'RE DOING AND THE THERAPEUTIC  
20 AREAS AND THE SPECTRUM FROM BASIC BIOLOGY TO  
21 CLINICAL TRIALS, I THINK, FAR SURPASSES WHAT OTHER  
22 GROUPS ARE DOING IN THE STEM CELL FIELD IN THE  
23 UNITED STATES.

24 MEMBER SADANA: SECONDLY, WHEN IS THE LAST  
25 GRANT TO BE GIVEN OUT? IS THERE A TIMELINE OF WHEN

## BARRISTERS' REPORTING SERVICE

1 WE RUN OUT OF MONEY OR CIRM RUNS OUT OF FUNDS?

2 DR. FEIGAL: THE CHAIRMAN MAY WANT TO  
3 COMMENT ON THAT. RIGHT NOW WE'RE FORECASTING TO  
4 GIVE OUR LAST GRANT IN 2016, 2017. AND THEN THOSE  
5 GRANTS CAN HAVE THREE- TO FIVE-YEAR LIFE SPANS. SO  
6 THEN THEY WILL NEED TO BE CONTINUED TO BE MONITORED.  
7 FOR EXAMPLE, THESE TYPES OF AWARDS NEED TO BE  
8 MANAGED QUITE AGGRESSIVELY.

9 I DON'T KNOW IF, JONATHAN, YOU HAVE  
10 ADDITIONAL COMMENTS.

11 CHAIRMAN THOMAS: NO. I THINK THAT'S  
12 RIGHT. THAT SORT OF SEGUES INTO THE ISSUE OF  
13 TRANSITION, WHICH IS BECOMING SORT OF AN  
14 INCREASINGLY FRONT-BURNER ISSUE AS TO WHAT WE WILL  
15 DO TO TRY TO MOVE PROJECTS ALONG EITHER IF THERE IS  
16 NO ADDITIONAL FUNDING OR WHAT HAPPENS IF THERE IS  
17 ADDITIONAL FUNDING. SO WE'RE PAYING A LOT OF  
18 ATTENTION ON BOTH ACCOUNTS.

19 WITH RESPECT TO SCENARIOS WHERE WE DON'T  
20 HAVE ADDITIONAL FUNDING, FOR EXAMPLE, WE SPENT A LOT  
21 OF TIME TRYING TO FIGURE OUT HOW TO GET PARTIES THAT  
22 ARE DOWN THE ROAD IN THE SPECTRUM, WHICH IS  
23 TYPICALLY THE LARGE BIOTECH, THE VENTURE CAPITAL,  
24 THE BIG PHARMA, ETC., INTERESTED IN THE PROJECTS  
25 THAT WE HAVE. AND I KNOW ELLEN CAN SPEAK TO THIS.

## BARRISTERS' REPORTING SERVICE

1 WE'VE INCREASINGLY ENGAGED, FOR EXAMPLE, BIG PHARMA  
2 WHO HAS SORT OF COME TO THE CONCLUSION THAT A LOT OF  
3 R&D MONEY THEY'RE INVESTING IN-HOUSE HASN'T REALLY  
4 PAID DIVIDENDS THE LAST TEN YEARS. SO THEY'RE NOW  
5 OUT LOOKING FOR THE EARLIER RESEARCH, MORE NIMBLE  
6 GUYS WHO ARE AT STAGES THAT THEY TYPICALLY WOULDN'T  
7 FUND AT THIS POINT; BUT THEY NOW UNDERSTAND THAT IF  
8 THEY WANT TO GENERATE PIPELINE DOWN THE ROAD, THEY  
9 NEED TO START CONSIDERING NEW POTENTIAL THERAPIES  
10 AND CELLULAR THERAPIES THAT OUR SCIENTISTS ARE  
11 WORKING ON ARE ONE OF THE PRINCIPAL AREAS. SO WE  
12 HAVE INCREASING NUMBERS OF MEETINGS WITH BIG PHARMA  
13 TO TRY TO DEVELOP STRATEGIC ALLIANCES FOR OUR  
14 SCIENTISTS WHO ARE WORKING ON VARIOUS DISEASES.

15 ELLEN, I DON'T KNOW IF YOU WANT TO COMMENT  
16 ON THAT.

17 DR. FEIGAL: YEAH. WHAT I CAN COMMENT ON  
18 IS THAT ACTUALLY THE RECENT JP MORGAN CONFERENCE  
19 THAT WAS UP IN SAN FRANCISCO THE FIRST WEEK IN  
20 JANUARY WHERE WE HAD OVER 30 MEETINGS WITH VC'S AND  
21 PHARMA AND BIOTECH, AND THEY'RE QUITE INTERESTED.  
22 WE'RE INTERESTED IN DOING MATCHMAKING. IN ADDITION,  
23 WE HAVE A STEM CELL AND PARTNERING FORUM IN SAN  
24 DIEGO EVERY YEAR, WHICH BRINGS TOGETHER TWO TO 300  
25 DIFFERENT INVESTIGATORS AND COMPANIES. THAT'S BEEN

## BARRISTERS' REPORTING SERVICE

1 AN EXTREMELY EXCELLENT VENUE FOR INTERACTIONS.

2 SO WE'RE DOING WHAT WE CAN REALLY TO  
3 ENGAGE THE GROUPS THAT CAN CARRY FORWARD THE TYPE OF  
4 RESEARCH THAT WE'RE PUTTING FORWARD BECAUSE AT THE  
5 END OF THE DAY, OBVIOUSLY, WE WANT THIS TO GO INTO  
6 PRODUCTS FOR PATIENTS. SO WE ARE WORKING RIGHT NOW.  
7 IF YOU THINK BACK TO THAT SLIDE TWO OF OUR STRATEGIC  
8 PLAN, TO GET THOSE PARTNERSHIPS AND COLLABORATIONS  
9 IN PLACE SO THAT BY 2016 AND BEYOND, WE WILL HAVE  
10 ESTABLISHED SOME OF THOSE COLLABORATIONS AND  
11 PARTNERSHIPS TO ENABLE THAT PROJECT TO BE ABLE TO  
12 MOVE FORWARD.

13 CHAIRMAN THOMAS: IT'S IMPORTANT TO NOTE  
14 THAT, AND ELLEN ALLUDED TO THIS A BIT EARLIER, THE  
15 PROJECTS AS THEY SORT OF MOVE THEIR LIFE CYCLE  
16 STARTING FROM BASIC RESEARCH THROUGH EARLY  
17 TRANSLATION INTO ANIMAL STUDIES AND ULTIMATELY TO  
18 HUMAN CLINICAL STUDIES BECOME INCREASINGLY MORE  
19 APPEALING FOR THOSE THAT ARE THE LIGHTS AT THE END  
20 OF THE TUNNEL, WHICH ARE THE GROUPS WE'RE JUST  
21 MENTIONING. SO YOU SHOULD EXPECT TO SEE ANNUALLY AT  
22 THIS MEETING THAT THERE IS A TREND OF OUR PROJECTS  
23 CONTINUING ALONG FURTHER TOWARDS THAT TIME WHEN THEY  
24 WILL BE OF INTEREST TO THESE STRATEGIC PARTIES AND  
25 THAT THERE WILL BE MORE AND MORE LINKAGES TO HELP

## BARRISTERS' REPORTING SERVICE

1 FACILITATE CARRYING THEIR RESEARCH ON DOWN THE ROAD  
2 AND HOPEFULLY INTO COMMERCIALIZABLE FORM AND  
3 ULTIMATELY TO THERAPIES OR CURES FOR PATIENTS.

4 DR. FEIGAL: THE OTHER AREA AS A  
5 NONPROFIT, BECAUSE WE AREN'T A COMPANY, WE'RE ABLE  
6 TO WORK VERY EXTENSIVELY WITH THE FOOD AND DRUG  
7 ADMINISTRATION WHICH REVIEWS AND APPROVES THE IND'S  
8 AND EVENTUALLY THE PRODUCT THAT CAN GO INTO PEOPLE.  
9 AND SO THEY ACTUALLY VERY MUCH BENEFIT FROM OUR  
10 INTERACTIONS FROM TRYING TO BRING THE SCIENCE TO  
11 THEM SO THAT WE CAN WORK TOGETHER BECAUSE THESE ARE  
12 VERY PIONEER THERAPIES THAT ARE GOING DOWN A  
13 REGULATORY PATH. SO IT'S NOT JUST HELPFUL TO THE  
14 PROJECT. WE THINK THAT BY BEING THE PIONEERS, WE  
15 ACTUALLY HELP EXPLAIN THE PATHWAY SO THAT SUBSEQUENT  
16 PROGRAMS AND PROJECTS CAN MOVE FORWARD HOPEFULLY A  
17 LITTLE BIT EASIER AND MORE QUICKER.

18 MEMBER BRUNNER: I KNOW THIS IS HARD TO  
19 ASSESS, BUT DO YOU HAVE ANY SENSE AT ALL AT THIS  
20 POINT WHAT THE INTELLECTUAL PROPERTY RIGHTS WILL  
21 PRODUCE IN THE WAY OF REVENUE?

22 CHAIRMAN THOMAS: WELL, JAMES, YOU JUST  
23 WANT TO TALK ABOUT INTELLECTUAL PROPERTY RIGHTS IN  
24 GENERAL, AND THEN I'LL MAKE A COMMENT ON THAT  
25 QUESTION.

## BARRISTERS' REPORTING SERVICE

1 MR. HARRISON: I BRIEFLY DESCRIBED THE  
2 VARIOUS INTELLECTUAL PROVISIONS THAT ARE IN  
3 EXISTENCE. SO THERE ARE WAYS BY WHICH THE STATE  
4 WILL SHARE BOTH IN LICENSING REVENUES AND ROYALTIES  
5 AS WELL AS PREFERENTIAL PRICING AND ACCESS.

6 IN TERMS OF WHAT WE ESTIMATE THOSE  
7 REVENUES TO BE, I THINK IT'S PROBABLY PREMATURE AT  
8 THIS POINT GIVEN THE RELATIVELY EARLY STAGE OF THE  
9 RESEARCH EVEN WITH OUR MOST ADVANCED PROGRAMS JUST  
10 GOING INTO CLINICAL TRIAL.

11 CHAIRMAN THOMAS: I THINK THAT REPHRASING  
12 THE QUESTION IS SORT OF WHICH THINGS ARE GOING TO  
13 PAN OUT IN THE END, AND IT'S A VERY DIFFICULT THING  
14 TO SPECULATE ON. WHAT WE CAN REPORT ON IS EACH YEAR  
15 IS DECIDED PROGRESS, UNDERSTANDING THAT SCIENCE  
16 TAKES TIME. THIS ISN'T AN OVERNIGHT DEAL. AND  
17 WE'RE OPTIMISTIC THAT WE WILL HAVE A NUMBER OF  
18 THINGS PAN OUT AT THE END OF THE DAY. BUT AS WE SIT  
19 HERE, WE COULDN'T TELL YOU WHICH ONES OR THE TIME  
20 FRAME OR ANYTHING ELSE.

21 KEEP IN MIND THAT TO THE EXTENT THERE ARE  
22 MAJOR SUCCESSES, IT WILL NOT ONLY RESULT IN SOME  
23 DRAMATIC REVENUE TO THE STATE OF CALIFORNIA, BUT ANY  
24 SUCCESS ON THE STUFF WE'RE WORKING ON IS A REAL GAME  
25 CHANGER AND WILL FUNDAMENTALLY ALTER THE MEDICAL

## BARRISTERS' REPORTING SERVICE

1 LANDSCAPE, NOT JUST HERE, BUT OBVIOUSLY NATIONALLY  
2 AND WORLDWIDE. SO STAY TUNED. LOOK FORWARD TO  
3 BEING ABLE TO GIVE YOU UPDATES ON THE PROGRESS OF  
4 THE INDIVIDUAL PROJECTS.

5 AND WE CAN GIVE YOU LOTS OF INDIVIDUAL  
6 PROJECT DATA TO THE EXTENT THAT WOULD BE SOMETHING  
7 THAT WOULD BE OF INTEREST. IT WOULD BE A BIT MUCH  
8 TO GET INTO AT A MEETING LIKE THIS, BUT WE HAVE ALL  
9 THAT AVAILABLE AND READILY ENCOURAGE EACH AND EVERY  
10 ONE OF YOU TO INQUIRE BECAUSE I THINK YOU WILL SEE  
11 THAT IT'S TREMENDOUSLY EXCITING WHAT'S GOING ON.

12 MEMBER LIPSON: EXCUSE ME. YOUR CONTRACTS  
13 WITH PRIVATE ENTERPRISE, LIKE A TENTH OF A PERCENT  
14 OF THEIR NET; IS THAT CORRECT, WHICH WOULD GO BACK  
15 TO THE GENERAL FUND OF THE STATE OF CALIFORNIA?

16 MEMBER KOVACH: JAMES, YOU MENTIONED A  
17 FORMULA.

18 MR. HARRISON: RIGHT. BUT THE REVENUE  
19 SHARING FORMULA APPLIES TO BOTH FOR-PROFITS AND  
20 NOT-FOR-PROFITS. SO NON-PROFITS HAVE A LICENSE  
21 REVENUE SHARING OBLIGATION. AND FOR COMPANIES THAT  
22 COMMERCIALIZE A PRODUCT, THEY HAVE A ROYALTY SHARING  
23 OBLIGATION.

24 MEMBER LIPSON: AND WHAT IS ROYALTY  
25 SHARING OBLIGATION?



## BARRISTERS' REPORTING SERVICE

1 MR. HARRISON: THE ROYALTY SHARING  
2 OBLIGATION IS ONE-TENTH OF 1 PERCENT FOR EACH \$1  
3 MILLION OF CIRM FUNDING. SO IF YOU HAD A \$10  
4 MILLION CIRM AWARD, IT WOULD BE 1 PERCENT UP TO NINE  
5 TIMES THE AMOUNT OF THE AWARD.

6 MEMBER LIPSON: SO THAT BASICALLY IF YOU  
7 HAVE A PRODUCT THAT MAKES A BILLION DOLLARS A YEAR,  
8 AND THEN YOU GO NET AND IT'S LIKE \$10 MILLION OR \$50  
9 MILLION A YEAR, YOU'RE REALLY NOT GOING TO BE GIVING  
10 HUGE AMOUNTS BACK TO THE GENERAL FUND.

11 MR. HARRISON: ON TOP OF THAT, YOU WOULD  
12 HAVE AN ONGOING OBLIGATION FOR REVENUES OVER 500  
13 MILLION OF AN ADDITIONAL 1 PERCENT.

14 CHAIRMAN CHIANG: VERY GOOD. WE WILL GO  
15 TO THE NEXT ITEM, WHICH IS ITEM NO. 7, DISCUSSION OF  
16 2012 CIRM PERFORMANCE REVIEW AND CIRM RESPONSE,  
17 INSTITUTE OF MEDICINE REPORT, AND MOSS ADAMS  
18 PERFORMANCE AUDIT. I'D LIKE TO INVITE MARK  
19 STERANKA, DIRECTOR OF PLANNING AND POLICY FOR  
20 MOSS-ADAMS, TO PRESENT THE FINDINGS FROM THEIR  
21 PERFORMANCE AUDIT. THANK YOU.

22 MR. STERANKA: THANK YOU, MR. CHAIR,  
23 MEMBERS OF THE COMMITTEE. THANK YOU FOR HAVING ME  
24 HERE. IT'S A PLEASURE TO BE HERE AND BE ABLE TO  
25 SHARE A STUDY WHICH IS NOW, I GUESS, ABOUT A YEAR

## BARRISTERS' REPORTING SERVICE

1 OLD. SO I'M STILL REFRESHING MY MIND IN A WAY OF  
2 WHAT WE HAD TO SAY.

3 I BELIEVE YOU HAVE A COPY IN YOUR PACKET.

4 I THINK YOURS IS ENTITLED BY THE ACRONYM OF YOUR  
5 ORGANIZATION, WHICH, IN FACT, MATCHES THE ONE THAT  
6 IS PRESENTED. SO IT'S THE SAME PRESENTATION THAT I  
7 GAVE TO THE ICOC BACK ON MAY 24TH OF 2012. I'M  
8 GOING TO KEEP MY COMMENTS AS BRIEF AS I CAN TO GIVE  
9 YOU AS MUCH TIME AS POSSIBLE TO ASK QUESTIONS.

10 SO A FEW INTRODUCTORY COMMENTS. THE FIRST  
11 THING IS I'D LIKE YOU TO -- I'M GOING TO SHARE THE  
12 THINGS THAT I WOULD HOPE WOULD BE YOUR TAKE-AWAYS IF  
13 I WAS SITTING IN YOUR SEATS AND THE THINGS I WOULD  
14 BE INTERESTED IN. I'M SURE YOU'LL ASK ME QUESTIONS  
15 ABOUT THINGS I DON'T FOCUS ON, BUT I'M GOING TO TRY  
16 TO HIT THINGS THAT I THINK WOULD BE OF INTEREST TO  
17 YOU.

18 IT'S IMPORTANT TO KNOW THAT WHEN WE  
19 CONDUCTED THIS PERFORMANCE AUDIT, AS IT IS FOR, IN  
20 ESSENCE, ALL PERFORMANCE AUDITS, THAT WE HAVE FREE  
21 REIN TO GO WHERE WE WANT TO GO WITHIN THE  
22 ORGANIZATION TO PURSUE THE TOPICS THAT WE THINK ARE  
23 OF MOST INTEREST. CERTAINLY WE HAVE COMPLIANCE  
24 ELEMENTS THAT WE HAVE TO ADDRESS; BUT WHEN WE TALK  
25 ABOUT ECONOMY, EFFICIENCY, EFFECTIVENESS OF HOW AN

## BARRISTERS' REPORTING SERVICE

1 ORGANIZATION OPERATES, WE KIND OF FOLLOW OUR NOSE.  
2 THERE ARE THINGS THAT WE LOOK FOR. AND THEN AS WE  
3 GET INTO THE PROCESS, WE DISCOVER THINGS. AND IT'S  
4 REALLY IMPORTANT TO KNOW THAT WE HAVE THAT FREE REIN  
5 TO GO WHEREVER WE WANT TO GO THROUGH THIS PROCESS.

6 WE REALLY FOCUSED ON TWO AND OUR AUDIT  
7 OBJECTIVES REALLY FOCUSED ON TWO PRIMARY COMPONENTS.  
8 ONE WAS COMPLIANCE RELATIVE TO THE CORE FUNCTIONS OF  
9 CIRM, WHICH ARE THE GRANTS, THE LOANS, THE  
10 CONTRACTS, AND INTELLECTUAL PROPERTY WHICH YOU'VE  
11 BEEN TALKING ABOUT. AND THE SECOND AREA OF FOCUS  
12 WAS ECONOMY, EFFICIENCY, AND EFFECTIVENESS OF  
13 MANAGEMENT AND OPERATIONS; I.E., ALL THE SUPPORT  
14 FUNCTIONS THAT GO INTO RUNNING THE ORGANIZATION.

15 IT'S IMPORTANT TO KNOW THAT WE WEREN'T  
16 EVALUATING THE SCIENCE. WE WEREN'T EVALUATING THE  
17 VALIDITY OF SCIENTIFIC DECISIONS. WE'RE TALKING  
18 ABOUT THE PROCESS BY WHICH THE ORGANIZATION CARRIES  
19 OUT THOSE DECISIONS AND FOLLOWS THEIR PROCEDURES AND  
20 POLICIES.

21 IN TERMS OF A PROCESS, WE FOLLOWED  
22 STANDARD PERFORMANCE AUDIT PROCESS, A PROCESS THAT'S  
23 OVERSEEN AND GUIDED BY WHAT'S CALLED GAGAS, THE  
24 GENERALLY ACCEPTED GOVERNMENT AUDIT STANDARDS, WHICH  
25 JUST MEANS THAT WE HAVE TO BE OBJECTIVE, WE HAVE TO

## BARRISTERS' REPORTING SERVICE

1 HAVE SUBSTANTIAL EVIDENCE FOR OUR FINDINGS, THAT WE  
2 NEED TO CHECK THE VALIDITY OF FACTS RELATIVE TO  
3 THOSE FINDINGS WITH THE CLIENT, THE CLIENT HAS THE  
4 OPPORTUNITY TO PROVIDE MANAGEMENT COMMENTS ON OUR  
5 FINDINGS AND RECOMMENDATIONS. A VERY LOGICAL, VERY  
6 STANDARD APPROACH.

7 IT'S IMPORTANT TO NOTE THIS PARTICULAR  
8 AUDIT WAS CONDUCTED AT A POINT IN TIME, NOW, AGAIN,  
9 ABOUT A YEAR AGO. FOR THE PURPOSE OF COMPLIANCE, IT  
10 WAS FOR FISCAL YEAR 2010 AND 2011, SO LOOKING AT A  
11 SPECIFIC WINDOW IN TIME. FROM A PERFORMANCE  
12 STANDPOINT, IT WAS THAT POINT IN TIME. AND SO, IN  
13 FACT, ONE OF THE CHALLENGES OF DOING STUDIES LIKE  
14 THIS ARE THINGS DON'T STOP FOR A CLIENT. THEY DON'T  
15 STOP EVERYTHING AND SAY WE'RE GOING TO LET YOU DO  
16 WHAT WE LIKE TO CALL POKE AND PROD US. THEY'RE  
17 DOING THINGS. SO THEY'RE IN THE MIDST OF WORKING ON  
18 THINGS THAT WE'RE FINDING AS WE'RE CONDUCTING OUR  
19 AUDIT.

20 STANDARD PROCESS, DO A LOT OF INTERVIEWS  
21 VERTICALLY, HORIZONTALLY ACROSS THE ORGANIZATION,  
22 INCORPORATING BOARD MEMBERS, GRANTS WORKING GROUP  
23 MEMBERS. REVIEWING DOCUMENTS, IN THIS CASE  
24 LITERALLY OVER A HUNDRED DOCUMENTS. I APOLOGIZE TO  
25 CIRM FOR THAT. PROCESS WALK-THROUGHS, SITTING DOWN

## BARRISTERS' REPORTING SERVICE

1 WITH EMPLOYEES AND MANAGEMENT AND ACTUALLY  
2 UNDERSTANDING AND SEE HOW THEY DO, HOW THEY PROCESS  
3 A GRANT, HOW THEY TRACK INFORMATION, HOW THEY REPORT  
4 TO THE SCO, ETC. AND THEN TESTING, DOING  
5 STATISTICALLY VALID SAMPLING AND TESTING RELATIVE TO  
6 COMPLIANCE ACTIVITIES.

7 OUR DELIVERABLES WERE FOURFOLD. ONE IS  
8 OUR AUDIT PLAN AT THE BEGINNING OF THE PROJECT.  
9 THAT STIPULATES WHAT WE'RE GOING TO AUDIT, HOW WE'RE  
10 GOING TO AUDIT, WHAT OUR OBJECTIVES ARE. AND THEN  
11 THREE VERSIONS OF THE REPORT, A DRAFT REPORT, A  
12 DRAFT FINAL REPORT. AND FINAL REPORT WITH TWO ITEMS  
13 I WOULD JUST ADD TO THAT LIST IS, AS WE DEVELOP OUR  
14 FINDINGS, WE MEET WITH MANAGEMENT. WE REVIEW THOSE  
15 FINDINGS TO VALIDATE FACTS. WE WANT TO MAKE SURE WE  
16 GOT THINGS RIGHT. WE DIDN'T MISS THINGS THAT ONE  
17 SHOULD KNOW ABOUT.

18 ONCE WE HAVE FINDINGS AND RECOMMENDATIONS  
19 IN PLACE, WE AGAIN MEET WITH MANAGEMENT, REVIEW  
20 FINDINGS AND RECOMMENDATIONS BECAUSE WE'RE TRYING TO  
21 TEST THE PRACTICALITY OF RECOMMENDATIONS.

22 WE MIGHT BRING WHAT WE THINK IS A BEST  
23 PRACTICE FROM ANOTHER ORGANIZATION, AND THE CLIENT  
24 MAY SAY THAT'S GREAT, BUT YOU KNOW WHAT, THAT WON'T  
25 WORK HERE. HERE'S WHY. SO THAT'S OUR CHANCE TO

## BARRISTERS' REPORTING SERVICE

1 TEST BECAUSE WE'RE TRYING TO DELIVER VALUE. WE  
2 DON'T WANT THINGS THAT ARE THEORETICALLY BENEFICIAL.  
3 WE WANT THINGS THAT ARE PRACTICALLY BENEFICIAL.

4 SO BEFORE I TALK ABOUT FINDINGS AND  
5 RECOMMENDATIONS, I WANT TO SHARE OBSERVATIONS. AND  
6 WE COMMONLY DO THIS. AND WE DON'T USE THESE WORDS  
7 LIGHTLY, WHETHER IT'S POSITIVE OR NEGATIVE. AND WE  
8 CONDUCT, I CONDUCT HUNDREDS OF THESE WITH  
9 GOVERNMENTAL ENTITIES, WITH NOT-FOR-PROFIT ENTITIES.  
10 AND WE CAN SAY THAT CIRM IS A HIGH PERFORMING  
11 ORGANIZATION. WE WERE VERY IMPRESSED WITH THEM. WE  
12 WERE IMPRESSED WITH THEIR PROFESSIONALISM. WE WERE  
13 IMPRESSED WITH THEIR INTELLIGENCE. AND WE WERE  
14 WORKING ALONGSIDE A LOT OF PH.D.'S, SO WE SORT OF  
15 HAD TO BE ON OUR TOES, WHICH WAS GREAT.

16 IT WAS CLEAR THAT THE ORGANIZATION IS VERY  
17 MISSION DRIVEN. THEY WERE DEDICATED TO BEING  
18 TRANSPARENT IN THEIR INFORMATION. THEY'RE DEDICATED  
19 TO SPENDING PUBLIC DOLLARS WISELY. THESE ARE ALL  
20 THINGS THAT WE LOOK FOR WHEN WE WORK WITH GOVERNMENT  
21 ENTITIES, WHETHER OR NOT WE ARE BEING CALLED ON TO  
22 COMMENT ON THOSE SPECIFICALLY OR NOT.

23 AND THEN I WOULD JUST SHARE THAT WHILE WE  
24 HAVE FREE REIN, THAT IS THEORETICAL. OUR ABILITY TO  
25 DRIVE VALUE FOR OUR CLIENTS WHEN WE DO THIS TYPE OF

## BARRISTERS' REPORTING SERVICE

1 WORK IS PARTIALLY DEPENDENT ON THEIR COOPERATION.  
2 THEIR ABILITY TO HELP US NAVIGATE AN ORGANIZATION,  
3 THEIR ABILITY TO SHARE INFORMATION, WHAT LEVEL OF  
4 DETAIL, HOW TIMELY, ALL THAT MATTERS. AND WE CAN  
5 SAY UNEQUIVOCALLY THAT CIRM WAS INCREDIBLY HELPFUL  
6 IN THAT PROCESS. THEY MADE OUR JOB EASY.

7 NOW, THEY ARE STUDIED A LOT, SO THEY ARE  
8 USED TO THIS. SO IT WASN'T LIKE WE HAD TO TEACH  
9 THEM HOW TO DO THIS, BUT THE FACT OF THE MATTER IS  
10 THEY DID HELP MAKE US EFFECTIVE AND EFFICIENT IN  
11 WHAT WE WERE DOING AND, THEREFORE, WE'RE ABLE TO  
12 SHARE MORE IN TERMS OF FINDINGS AND RECOMMENDATIONS.

13 ANOTHER OBSERVATION AND REALLY CONTEXT FOR  
14 STUDY IS ONE OF THE REAL UNIQUE FACETS OF CIRM.  
15 THERE ARE MANY THINGS THAT ARE UNIQUE ABOUT  
16 ORGANIZATIONS, CIRM. THEIR PARTICULAR MISSION AND  
17 HOW THEY'RE FUNDED IS UNIQUE, BUT ONE OTHER VERY  
18 UNIQUE ELEMENT AND CHALLENGE, HONESTLY, AND, J.T.,  
19 IT WAS A GOOD SEGUE TALKING ABOUT TRANSITION, IS WE  
20 WORK WITH START-UPS IN THE PRIVATE SECTOR. WE WORK  
21 WITH GOVERNMENTAL ENTITIES WHO ARE SUNSETTING  
22 PROGRAMS. WE DON'T TYPICALLY WORK WITH  
23 ORGANIZATIONS THAT COULD BE SUNSETTED. AND IN  
24 REALITY I WOULD CHARACTERIZE CIRM AS BOTH RAMPING UP  
25 AND HAVING TO THINK ABOUT RAMPING DOWN ALL AT THE

## BARRISTERS' REPORTING SERVICE

1 SAME TIME, WHICH IS VERY UNIQUE. AND IT'S A VERY  
2 UNIQUE CHALLENGE AND AFFECTS THE ORGANIZATION AND  
3 NEEDS TO BE TAKEN INTO CONSIDERATION IN DIFFERENT  
4 WAYS. SO THAT WAS UNIQUE.

5 AND I WOULD CHARACTERIZE, ALTHOUGH WE WERE  
6 DOING AN ASSESSMENT AT A POINT IN TIME, IS THAT THE  
7 YEARS, SORT OF SEVEN YEARS PREVIOUS OF CIRM'S  
8 EXISTENCE WAS REALLY ALL ABOUT BECOMING AN EFFECTIVE  
9 ORGANIZATION. HOW DO WE EFFECTIVELY UTILIZE THE  
10 DOLLARS THAT WERE BEING PROVIDED TO ACHIEVE OUR  
11 MISSION?

12 AND WHERE WE HIT THEM WAS REALLY THAT'S  
13 WHERE THERE ARE OPPORTUNITIES TO BECOME MORE  
14 EFFICIENT. WE GOT GOOD AT WHAT WE'RE DOING. HOW  
15 CAN WE DO THAT MORE EFFICIENTLY? HOW CAN WE SPEND  
16 MORE TIME ON THE THINGS THAT WE WANT TO? HOW CAN WE  
17 FREE UP TIME TO SPEND MORE TIME ON REVIEWING THE  
18 PROGRESS OF THE PROJECTS? AND SO KIND OF WORKING ON  
19 EFFECTIVENESS WAS LOOKING BACK, WORKING ON  
20 EFFICIENCY LOOKING FORWARD. BUT, AGAIN, THE  
21 CHALLENGE OF YOU HAVE TO BALANCE IN THERE THAT THE  
22 ORGANIZATION COULD THEORETICALLY NOT EXIST IN A  
23 PERIOD OF TIME. AND SO AS THE ORGANIZATION  
24 CONSIDERS OUR FINDINGS AND RECOMMENDATIONS, HOW DO  
25 YOU BALANCE WHAT YOU DO ABOUT THEM GIVEN THAT OUR



## BARRISTERS' REPORTING SERVICE

1 FUTURE IS TENUOUS, COULD TAKE DIFFERENT PATHS.

2 SO FINDINGS, SO WHAT DID WE LEARN? WHAT  
3 WOULD I WANT TO BE TAKE-AWAYS FROM THIS? FIRST, I  
4 WOULD START WITH THIS IS A VERY FAVORABLE REPORT IN  
5 TERMS OF WHAT WE FOUND. CLIENTS ARE OFTEN VERY  
6 SENSITIVE TO RECOMMENDATIONS AND FINDINGS ASSOCIATED  
7 WITH HOW TO IMPROVE, BUT THAT'S WHAT WE'RE HIRED TO  
8 DO. AND OUR JOB IS TO DELIVER AS MUCH VALUE IN THAT  
9 PROCESS. EVERY ORGANIZATION CAN BE BETTER. OUR JOB  
10 IS TO FIND AS MUCH AS WE CAN, WHATEVER IT IS, TO  
11 HELP THE ORGANIZATION BE MORE, OPERATE BETTER IN THE  
12 FUTURE.

13 SO I'M GOING TO TALK BRIEFLY ABOUT FIVE  
14 CATEGORIES, WHICH IS HOW WE GROUPED OUR FINDINGS AND  
15 RECOMMENDATIONS. THE FIRST IS RELATIVE TO  
16 COMPLIANCE. SO WE WERE TASKED WITH LOOKING AT IS  
17 CIRM COMPLIANT WITH ITS POLICIES RELATIVE TO ITS  
18 CORE BUSINESS, GRANTS, LOANS, CONTRACTS, AND  
19 INTELLECTUAL PROPERTY? WHAT WE FOUND IS THROUGH  
20 INTERNAL CONTROLS TESTING, ETC., YES, THEY'RE  
21 COMPLIANT. THAT WAS VERY CLEAR.

22 THE ONE AREA WHERE CIRM HAS AN OPPORTUNITY  
23 TO IMPROVE, AND YOU'VE BEEN TALKING ABOUT, IS  
24 INTELLECTUAL PROPERTY. THE ORGANIZATION IS STILL  
25 VERY EARLY IN REALITY ON THIS TOPIC, AND THEY HAVE

## BARRISTERS' REPORTING SERVICE

1 BEEN WORKING TOWARDS LEARNING HOW TO GATHER THAT  
2 INFORMATION FROM THE BASE OF INSTITUTIONS AND  
3 RECIPIENTS OF GRANTS AND LOANS AND HAVE MADE GREAT  
4 PROGRESS IN THAT AND WERE MAKING PROGRESS ON THAT AS  
5 WE WERE CONDUCTING OUR AUDIT. THAT'S AN AREA THAT  
6 WE WILL CONTINUE, I'M SURE, TO WORK ON AS THAT  
7 BECOMES MORE AND MORE RELEVANT TO ITS ONGOING  
8 OPERATIONS.

9 PERFORMANCE AND OUTCOMES. CIRM, AS YOU'VE  
10 SEEN FROM THE VERY INSIGHTFUL INFORMATION SHARED,  
11 AND LET ME SAY I'M TALKING IN NONSCIENTIFIC TERMS,  
12 HOPEFULLY THAT'S A BENEFIT, THERE IS A LOT OF  
13 INFORMATION AND DATA THAT'S EXTREMELY IMPORTANT  
14 THAT'S BEING GENERATED AS A RESULT OF THE MONEY  
15 THAT'S BEING SPENT. THERE'S NO SHORTAGE OF  
16 INFORMATION.

17 WHAT WE FOUND IS, WE THINK, AN ABILITY TO  
18 BE ABLE TO UTILIZE THAT INFORMATION MORE READILY,  
19 MORE EFFICIENTLY, MORE EFFECTIVELY. WHEN WE WORK IN  
20 THE PRIVATE SECTOR, WE TALK ABOUT THINGS LIKE  
21 DIGITAL DASHBOARDS AND GIVING EXECUTIVE TEAMS READY  
22 ACCESS TO KEY INFORMATION SORT OF AT A FINGERTIP OF  
23 HOW ARE WE DOING, NOT JUST WHAT HAVE WE BEEN DOING,  
24 DID WE DO WHAT WE SAY WE DO, WHAT ARE THE OUTCOMES  
25 OF THOSE AND BEING ABLE TO LOOK AT THOSE KEY

## BARRISTERS' REPORTING SERVICE

1 PERFORMANCE METRICS REAL-TIME ON AN ONGOING BASIS  
2 AND THEN MAKING THAT INFORMATION A CORE ELEMENT OF  
3 OUR TIME TO OUR STRATEGIC PLAN, COMMUNICATING TO OUR  
4 VARIOUS AUDIENCES LIKE YOURSELVES, TO STAKEHOLDERS,  
5 AND THAT THERE'S AN OPPORTUNITY FOR MAKING THAT  
6 INFORMATION MORE READILY ACCESSIBLE ON AN ONGOING  
7 BASIS AND USING THAT IN DECISION MAKING ON AN  
8 ONGOING BASIS.

9 THAT'S WHAT THE SECOND AREA TALKS ABOUT.  
10 THAT TIES TO COMMUNICATION, TIES TO DECISION-MAKING,  
11 TIES TO STAKEHOLDER REPORTING, THAT THERE'S AN  
12 ABILITY THERE TO UP-LEVEL THAT A LITTLE BIT.

13 EFFICIENCY-EFFECTIVENESS. MUCH OF WHAT  
14 I'M TALKING ABOUT REALLY IS ABOUT THAT, BUT THERE  
15 ARE SOME KEY AREAS. RELATIVE TO FINANCE AND WORKING  
16 WITH THE SCO AND DGS AND HAVING YOUR CORE FINANCIAL  
17 INFORMATION SOMEWHERE ELSE CREATES ALL SORTS OF  
18 CHALLENGES, EXTRA WORK, PARALLEL WORK THAT COULD  
19 MAKE LIFE A LOT EASIER IF YOU HAD CLEAR AND DIRECT  
20 ACCESS, THAT CIRM MADE SOME PROGRESS IN THAT REALM  
21 OF BOTH, GETTING ACCESS TO THAT INFORMATION, BUT  
22 THERE'S OPPORTUNITIES WITH THE STATE'S HELP TO BE  
23 ABLE TO BE MORE EFFICIENT IN THAT REGARD.

24 REGARDING EFFECTIVENESS, ANOTHER TOPIC  
25 THAT WAS DISCUSSED TODAY WAS BUSINESS DEVELOPMENT

## BARRISTERS' REPORTING SERVICE

1 AND THE PRIVATE SECTOR. AND CIRM HAS UP-LEVELLED ITS  
2 ABILITY TO OPERATE IN THAT REALM. ONE OF OUR  
3 RECOMMENDATIONS IS TO DEVELOP A SPECIFIC BUSINESS  
4 DEVELOPMENT PLAN FOR THAT. GET EVERYONE ON THE SAME  
5 PAGE, KNOW WHAT WE'RE STRIVING TOWARDS TO ACHIEVE  
6 FIVE YEARS FROM TODAY.

7 HUMAN CAPITAL. ONE I MENTIONED. IN ITS  
8 VERY UNIQUE ENVIRONMENT OF, I WOULD SAY, RAMPING UP  
9 AND POTENTIALLY RAMPING DOWN, RETENTION OF KEY  
10 EMPLOYEES IS A BIG ISSUE. THIS ORGANIZATION IS  
11 BUILT AROUND ITS ABILITY TO MAKE DECISIONS AND  
12 IMPLEMENT THESE GRANTS AND LOANS AND HAVE A VERY  
13 HIGH CALIBER STAFF WITH A TENUOUS FUTURE. THAT'S A  
14 CHALLENGE TO RETAIN THOSE FOLKS. THAT CONTINUES --  
15 IT'S GOING TO CONTINUE TO NEED TO BE A VERY  
16 IMPORTANT FOCUS OF THE TRANSITION PLAN. CLEAR AND  
17 TRANSPARENT COMMUNICATION WITH THE EMPLOYEES OF WHAT  
18 IS HAPPENING SO THAT THEY CAN MAKE THEIR DECISIONS.  
19 AND AT SOME POINT YOU MAY NEED TO UTILIZE SOME TOOLS  
20 TO RETAIN EMPLOYEES LIKE THE PRIVATE SECTOR DOES  
21 DEPENDING ON WHAT PATHWAY THE ORGANIZATION IS GOING  
22 TO TAKE IN THE FUTURE.

23 INFORMATION TECHNOLOGY. WHAT I WOULD SAY  
24 IS A COUPLE COMMENTS. THE ORGANIZATION IS  
25 DEFINITELY ON THE RIGHT TRACK. THEY'VE MADE GREAT

## BARRISTERS' REPORTING SERVICE

1        PROGRESS WITH THE GRANTS MANAGEMENT SYSTEM  
2        IMPLEMENTATION.    SOME OF OUR FINDINGS AND  
3        RECOMMENDATIONS ABOUT SEEING THAT ALL THE WAY  
4        THROUGH, MAKING SURE IT'S SEEN ALL THE WAY THROUGH  
5        THE WAY IT'S ENVISIONED.

6                    I WOULD SAY TECHNOLOGY HAS BEEN AN AREA OF  
7        UNDERSPEND AT CIRM.    THE ORGANIZATION,  
8        UNDERSTANDABLY, HAS BEEN VERY FOCUSED ON THE SCIENCE  
9        AND NOT WANTING TO DISTRACT OR DETRACT FROM THAT IN  
10       TERMS OF INVESTING MONEY, BUT ACCESS TO ALL THIS  
11       INFORMATION IS CRITICAL FOR PLANNING, FOR  
12       DECISION-MAKING.    AND I THINK THAT THE ORGANIZATION  
13       IS CATCHING UP, BUT THAT'S ONE OF THOSE PLACES WHERE  
14       THE RAMP-UP ON EFFECTIVENESS NOW CAN HAVE SOME HELP  
15       ON THE EFFICIENCY SIDE WITH UTILIZING AUTOMATION AND  
16       TOOLS TO FURTHER ENHANCE THEIR ABILITY TO CONDUCT  
17       THEIR BUSINESS.

18                    AND, FINALLY, OF COURSE, YOU CAN'T EVEN  
19        READ WHAT'S ON THE SCREEN THERE BECAUSE IT'S TOO  
20        SMALL.    RELATIVE TO RECOMMENDATIONS, SO I'M JUST  
21        GOING TO GIVE YOU SOME OVERVIEW COMMENTS AND THEN  
22        ENTERTAIN QUESTIONS IF THERE ARE SPECIFIC  
23        RECOMMENDATIONS YOU'D LIKE TO ASK ABOUT INSTEAD OF  
24        GOING THROUGH THEM IN DETAIL BESIDES THE FACT THAT  
25        WE DON'T HAVE TIME.

## BARRISTERS' REPORTING SERVICE

1 SO WE GROUP RECOMMENDATIONS INTO THREE  
2 TIERS. THE BASIS FOR THOSE TIERS WAS CONSIDERING  
3 FACTORS LIKE IMPACT ON THE ORGANIZATION, COST TO  
4 IMPLEMENTATION, LIFE SPAN OF THE ORGANIZATION. AND  
5 THAT HELPED US TO, I'LL SAY, PRIORITIZE. WE USE THE  
6 WORD "TIER" BECAUSE WE DIDN'T WANT ONE TO SEEM LESS  
7 IMPORTANT THAN THE OTHER, BUT YOU ALWAYS END UP  
8 PRIORITIZING IN A SITUATION LIKE THAT.

9 RECOMMENDATIONS FOCUS ON PROCESS AND  
10 PROCEDURES, USE OF TECHNOLOGY, BUT COMMON THEMES  
11 WOULD BE WHAT I WAS REFERRING TO. BEING ABLE TO  
12 LEVERAGE AND UTILIZE KEY INFORMATION ABOUT THE  
13 CHARTER, THE VISION, THE OBJECTIVES OF THE  
14 ORGANIZATION, BEING ABLE TO COMMUNICATE THAT  
15 EFFECTIVELY WITH THE VARIOUS AND SUNDRY AUDIENCES  
16 THAT THE ORGANIZATION HAS. AND A LOT OF THESE YOU  
17 WILL FIND HAVE LINKAGES TO THAT THEME.

18 I THINK WITH THAT, I WILL TURN IT OVER FOR  
19 QUESTIONS.

20 CHAIRMAN CHIANG: ARE THERE QUESTIONS?

21 MEMBER LIPSON: ANOTHER QUESTION, BUT NOT  
22 FOR YOU. THANK YOU. JUST AGAIN WITH CONTRACTS WITH  
23 INDUSTRY, IS IT 1 PERCENT OR ONE-TENTH OF A PERCENT  
24 OF THE NET?

25 MR. HARRISON: IT'S ONE-TENTH OF 1 PERCENT

## BARRISTERS' REPORTING SERVICE

1 FOR EACH \$1 MILLION OF CIRM FUNDING. IN OTHER  
2 WORDS, IF YOU HAD A \$10 MILLION CIRM LOAN, IT WOULD  
3 BE 1 PERCENT.

4 MR. STERANKA: IF YOU HAD 20 MILLION, IT  
5 WOULD BE 2 PERCENT.

6 MR. HARRISON: CORRECT.

7 MEMBER LIPSON: THAT DOESN'T MAKE SENSE.  
8 SAY THAT AGAIN PLEASE.

9 MR. HARRISON: ONE-TENTH OF 1 PERCENT FOR  
10 EACH \$1 MILLION OF CIRM FUNDING THAT THE GRANTEE  
11 RECEIVES.

12 MEMBER LIPSON: OKAY. I UNDERSTAND. SO  
13 IF THEY GET A TOTAL OF 10 MILLION, THEY GET 1  
14 PERCENT BACK.

15 MR. HARRISON: CORRECT.

16 MEMBER LIPSON: BUT IF THEY GET ONE  
17 MILLION, THEY GET LIKE \$10,000 BACK.

18 MR. HARRISON: WELL, MOST OF THE AWARDS  
19 THAT ARE BEING MADE FOR PROJECTS THAT WOULD LIKELY  
20 RETURN REVENUES TO THE STATE ARE OF THE LARGER  
21 SCALE. AND IF THERE ARE MULTIPLE AWARDS INVOLVED,  
22 WHICH IS OFTEN THE CASE, AS DR. FEIGAL ILLUSTRATED  
23 IN THE PIPELINE WHEN CIRM BEGINS FUNDING SOMETHING  
24 AT THE BASIC BIOLOGY LEVEL, CARRIES IT THROUGH TO A  
25 DISEASE TEAM ROUND, FOR EXAMPLE, THERE ARE OFTEN

## BARRISTERS' REPORTING SERVICE

1 MULTIPLE MILLIONS OF DOLLARS INVOLVED.

2 MEMBER KOVACH: JUST AS AN EXAMPLE, IF,  
3 SAY, WITH A COMPANY, THEY TOOK MONEY AND SAY IT WAS  
4 A BLOCKBUSTER, A BILLION AND A HALF DOLLARS, THAT  
5 WOULD BE ON A YEARLY, RIGHT, SO OVER THE 500 MILLION  
6 IS NOT CAPPED. SO OF THAT ON A PER-YEAR BASIS,  
7 THAT'D BE \$10 MILLION A YEAR. PATENT LIFE IS 15  
8 YEARS OR SO. IT'S 20 YEARS FROM THE DATE OF FILING,  
9 SO YOU HAVE EXTENSIONS FOR DRUGS AND THINGS LIKE.  
10 SO JUST SAY 15 YEARS, \$150 MILLION FOR ONE  
11 BLOCKBUSTER. SO TO ME THAT'S A VERY REASONABLE  
12 PAYBACK. I HOPE YOU GET IT.

13 MEMBER LIPSON: THE OTHER POINT, THOUGH,  
14 IT'S OF THE NET, NOT OF THE GROSS.

15 MEMBER KOVACH: NET SALES IS BASICALLY  
16 LESS DISCOUNTS, LESS RETURNS. THERE'S -- I'M SURE  
17 YOU ARE USING THE VERY STANDARD DEFINITION THAT IS  
18 USED IN BIOTECHNOLOGY. SO IT'S A VERY, VERY HIGH  
19 FRACTION OF GROSS SALES JUST DISCOUNTING FOR KIND OF  
20 DISCOUNTS AND RETURNS ESSENTIALLY.

21 MR. HARRISON: THAT'S RIGHT. WE USE AN  
22 INDUSTRY STANDARD DEFINITION FOR NET COMMERCIAL  
23 REVENUE.

24 MEMBER KOVACH: I HAD A QUESTION. THIS  
25 WORK YOU DID LOOKS VERY COMPREHENSIVE AND VERY



## BARRISTERS' REPORTING SERVICE

1 HELPFUL. I JUST HAVE A QUESTION RELATED TO WHAT  
2 HAPPENS NOW. AND LET'S JUST TAKE AN EXAMPLE OF,  
3 SAY, A TIER II RECOMMENDATION. AND I WAS GOING  
4 TO -- LET'S JUST SAY 7A, DEVELOP A COMPREHENSIVE  
5 I.T. PLAN TO GUIDE INFORMATION SYSTEM DECISIONS AND  
6 DESIGNATE SOMEONE TO PROVIDE ONGOING I.T. DIRECTION  
7 FOR THE INSTITUTE. SO HERE IS AN AREA THAT, BECAUSE  
8 OF THE DIVERSITY OF PROGRAMS, ONE WOULD BELIEVE IS A  
9 VERY DYNAMIC, DIFFICULT AREA TO KIND OF DESIGN THE  
10 PERFECT I.T. SYSTEM. SO I THINK AT A GENERAL LEVEL,  
11 I UNDERSTAND THE ISSUE.

12 BUT SPECIFICALLY, WHAT IS THE NEXT STEP IN  
13 TERMS OF YOUR ADVICE TO GIVE TO CIRM TO ACTUALLY  
14 KIND OF GET MORE CONCRETE ABOUT THINGS THEY MIGHT  
15 TRY? THAT WOULD BE VERY INTERESTING TO ME TO KNOW.

16 MR. STERANKA: WHAT I WOULD SUGGEST, IF  
17 YOU HOLD THAT QUESTION, I BELIEVE CIRM IS GOING TO  
18 GIVE A PRESENTATION ON WHERE THEY ARE RELATIVE TO  
19 IMPLEMENTING EACH RECOMMENDATION. SO MAYBE IF WE  
20 SEE IF THERE ARE ANY OTHER QUESTIONS FOR ME, THEN I  
21 WILL TURN IT OVER TO CIRM, AND I THINK THEY'LL BE  
22 ABLE TO DO A BETTER JOB -- THEY'LL BE ABLE TO DO A  
23 JOB OF ANSWERING THAT BECAUSE I CAN'T TELL YOU WHAT  
24 THEY'VE DONE.

25 CHAIRMAN CHIANG: I WAS GOING TO POSE A

## BARRISTERS' REPORTING SERVICE

1 QUESTION ON THE FINANCIAL SYSTEM, BUT YOU'RE GOING  
2 TO RESPOND TO WHAT YOU'RE DOING.

3 DR. FEIGAL: WE ACTUALLY HAVE A  
4 PRESENTATION, AND YOU HAVE THE DECK. MAYBE WE COULD  
5 HAVE ALEX GIVE THAT PRESENTATION, AND THEN WE CAN  
6 ANSWER THE QUESTIONS THAT YOU HAVE.

7 MR. STERANKA: ANY OTHER QUESTIONS FOR ME?  
8 NOW IS YOUR CHANCE.

9 CHAIRMAN CHIANG: I THINK YOU SET IT UP.  
10 THANK YOU VERY MUCH.

11 MR. STERANKA: THANK YOU. MY PLEASURE.  
12 YOU'RE A GOOD AUDIENCE.

13 MS. CAMPE: THANK YOU. THANK YOU, MARK,  
14 FOR PRESENTING THE REVIEW YOU DID LAST YEAR. MY  
15 NAME IS ALEXANDRA. AND I'M GOING TO WALK YOU  
16 THROUGH THE 24 RECOMMENDATIONS THAT WE RECEIVED FROM  
17 MOSS-ADAMS. AS MARK MENTIONED, TIER I'S WERE THE  
18 ONES THAT WERE CONSIDERED HIGHER PRIORITY. I'M  
19 GOING TO FOCUS A LITTLE BIT MORE ON THOSE, AND THEN  
20 I WILL MOVE THROUGH TIER II AND III. IF YOU HAVE  
21 QUESTIONS, FEEL FREE TO ASK ALONG THE WAY.

22 SO THE FIRST SLIDE IS PRETTY MUCH  
23 REITERATING WHAT MARK HAS ALREADY SAID. OF COURSE,  
24 OUR GOAL AND THESE GOALS HAVE BEEN TO ACHIEVE  
25 EFFICIENCY AND EFFECTIVENESS AND ECONOMY, AND THAT'S

## BARRISTERS' REPORTING SERVICE

1 VERY MUCH WHAT WE'VE HAD IN MIND THROUGHOUT THE  
2 PROCESS OF REVIEWING AND WORKING ON ALL OF THESE  
3 RECOMMENDATIONS.

4 OUR GOAL AT CIRM IS TO ACTUALLY COMPLETE  
5 ALL THESE RECOMMENDATIONS BY JUNE 30TH OF THIS YEAR.  
6 CURRENTLY WE HAVE COMPLETED 13 OF THE 24. AND I'M  
7 GOING TO START WITH TIER I, AS I MENTIONED, WHICH  
8 ARE THE MOST PRESSING NEEDS. AND THIS HAS ALREADY  
9 BEEN BROUGHT UP. IT'S THE GRANTS MANAGEMENT SYSTEM.  
10 WE CALL IT THE GMS. IT'S AN IP MODULE THAT ACTUALLY  
11 WAS ROLLED OUT IN OCTOBER OF 2012. IT ADDRESSED TWO  
12 RECOMMENDATIONS THAT MOSS-ADAMS HAD. ONE WAS  
13 RELATED TO REQUIRING INVENTION DISCLOSURE FORMS AND  
14 INVENTION UTILIZATION REPORTS. THIS WAS ACTUALLY  
15 COMING FROM THE TECHNOLOGY TRANSFER OFFICES.

16 WHAT WE WERE FINDING IS THAT WE WEREN'T  
17 GETTING ALL THE INFORMATION WE NEEDED, AND WE FOUND  
18 THAT ROLLING THIS PART OF THE MODULE OUT DIRECTLY TO  
19 THE TECHNOLOGY TRANSFER OFFICES ALLOWED US TO GET  
20 MORE ACCURATE INFORMATION FROM THEM. AND SO THIS  
21 HELPED US ADDRESS THE FIRST ISSUE OR RECOMMENDATION  
22 THAT THEY HAD. AND WE HAVE ROLLED THAT OUT, AS I  
23 MENTIONED.

24 THE OTHER ONE WAS REGARDING INCLUDING  
25 SPECIFIC QUESTIONS ABOUT COMMERCIALIZATION ACTIVITY.

## BARRISTERS' REPORTING SERVICE

1 WE HAVE THREE SEPARATE FIELDS NOW IN OUR IP MODULE  
2 THAT OUR GRANTEES ACTUALLY HAVE TO SPECIFICALLY  
3 ADDRESS THE QUESTIONS AROUND COMMERCIALIZATION SO  
4 THAT WE'RE ENSURED THAT WE'RE NOW GETTING THE  
5 INFORMATION THAT WE NEED IN THOSE TWO SPECIFIC  
6 AREAS. AS I SAID, THIS HAS BEEN ROLLED OUT, AND WE  
7 ARE GATHERING INFORMATION AS THE REPORTS COME IN.

8 ANOTHER TIER I IS DEVELOPING A  
9 COMMUNICATIONS PLAN. THIS WAS COMPLETED THIS MONTH.  
10 IT DID SET PRIORITIES, AS MOSS-ADAMS HAD  
11 RECOMMENDED, TO PROVIDE BETTER USE OF STAFF  
12 RESOURCES, TO FOCUS STRONGER, MORE DIRECT TIES TO  
13 THE COMMUNITY.

14 WE ALSO DESIGNED THE ANNUAL REPORT TO  
15 ADDRESS COST AND VIEWER AND READER ACCESSIBILITY,  
16 READABILITY. AND WE'RE VERY HAPPY WITH THE NEW  
17 PAMPHLET THAT WE HAVE ROLLED OUT.

18 AS I MENTIONED, THIS PLAN DOES ADDRESS  
19 MORE ATTENTION TO TRADITIONAL MEDIA. SOCIAL MEDIA,  
20 AS YOU KNOW, HAS GROWN SIGNIFICANTLY. PUBLIC EVENTS  
21 LIKE PATIENT ADVOCACY GROUPS, WHICH WE'VE NOW  
22 BROUGHT IN HOUSE BECAUSE WE HAVE A NEW  
23 COMMUNICATIONS OFFICER THAT'S IN HOUSE. WE'RE  
24 ATTENDING MORE HEALTH FAIRS. AND, AGAIN, WE'VE  
25 ADDRESSED THE ANNUAL REPORT. AND, OF COURSE, WE'LL

## BARRISTERS' REPORTING SERVICE

1 CONTINUE TO WORK WITH THE ANNUAL REPORT, BUT WE MADE  
2 GREAT STRIDES LAST YEAR.

3 ANOTHER TIER I ITEM IS THE MANDATORY GRANT  
4 OUTCOME CLOSEOUT SURVEY. THIS WAS SOMETHING THAT  
5 WAS RELATIVELY EASY TO IMPLEMENT. THIS WAS  
6 SOMETHING THAT WAS AN OPTIONAL THING FOR OUR  
7 GRANTEES TO COMPLETE. WE'VE WORKED WITH THE OFFICE  
8 OF ADMINISTRATIVE LAW, AND THEY'VE APPROVED CHANGE  
9 TO OUR GRANTS ADMINISTRATION POLICY TO REQUIRE THE  
10 GRANT OUTCOME SURVEYS. NOW THAT HAS BEEN  
11 IMPLEMENTED SINCE LAST NOVEMBER, AND ALL GRANTEES  
12 ARE REQUIRED TO COMPLETE THAT SO THAT WE CAN GET THE  
13 NECESSARY DATA FROM OUR GRANTEES.

14 THE ADDITIONAL ONE IS A GRANTS MANAGEMENT  
15 SYSTEM. THIS HAS BEEN BROUGHT UP ALREADY AS WELL.  
16 THIS GRANTS MANAGEMENT PLAN WAS TO INCORPORATE  
17 MILESTONES AND REQUIREMENTS AND PROJECT MANAGEMENT  
18 SOFTWARE WHICH WE USE IS MINGLE. PART OF THIS  
19 RECOMMENDATION WAS WORKING WITH OUR GRANTS REVIEW  
20 AND OUR GRANTS MANAGEMENT TEAM TO ENSURE THAT WE  
21 WERE INCORPORATING INFORMATION TOGETHER AND WORKING  
22 WELL TOGETHER. SO THAT'S ACTUALLY BEEN ROLLED OUT.

23 THE OVERSIGHT OF THE MILESTONES IS  
24 CONTINUING. OUR I.T. DIRECTOR THAT WAS HIRED LAST  
25 YEAR, HE WORKS VERY CLOSELY WITH BOTH GRANTS

## BARRISTERS' REPORTING SERVICE

1 MANAGEMENT AND GRANTS REVIEW. HE HOLDS WEEKLY  
2 MEETINGS TO ENSURE THAT EVERYONE IS ON THE SAME PAGE  
3 AND ADJUSTS THINGS AS NEEDED. THEY REALLY ARE VERY  
4 MUCH INTO ALSO ASSESSING THE INTERNAL FINANCIAL  
5 ASSESSMENT OF WHAT'S BEEN DONE AND THE I.T. BUDGET  
6 AS WELL AS PROJECTS TO ENSURE THAT EVERYTHING IS IN  
7 LINE, ALIGNED.

8 AN ADDITIONAL TIER I IS A BOND FORECASTING  
9 PROCEDURE. J.T. CAN CERTAINLY COMMENT FURTHER, IF  
10 NECESSARY, ON THIS. ONE OF THE EFFICIENCIES THAT'S  
11 BEEN EVOLVED HERE IS CREATING ONE SINGLE REFERENCE  
12 FILE THAT'S NOW ON OUR D DRIVE. AND THIS IS  
13 SOMETHING THAT'S BEING USED BY OUR BOND FINANCE UNIT  
14 AND OUR SCIENCE OFFICE TO ENSURE THAT THE NUMBERS  
15 ARE ALL USED IN ONE LOCAL SPREADSHEET AND ONLY  
16 CERTAIN INDIVIDUALS GIVEN ACCESS TO IT TO ENSURE  
17 THAT OUR BOND FORECASTING AND OUR REPORTING IS  
18 CONSISTENT AND ACCURATE AND THAT WE'RE ALLOWING THE  
19 RIGHT INDIVIDUALS TO HAVE ACCESS TO IT AND WE'RE  
20 BEING AS EFFICIENT AS POSSIBLE WITH THAT  
21 INFORMATION.

22 AN ADDITIONAL ONE IS A CENTRAL LOCATION  
23 FOR PROCUREMENT. THIS WAS AN ITEM WHERE -- A  
24 SITUATION WHERE A CONTRACT THAT WE HAD, THERE WAS A  
25 FILE THAT WASN'T ACTUALLY RECEIVED OR HADN'T BEEN

## BARRISTERS' REPORTING SERVICE

1 RECEIVED BY THE CONTRACTS ADMINISTRATOR. WE'VE NOW  
2 ENSURED THAT WILL NEVER HAPPEN AGAIN. OUR CONTRACTS  
3 ADMINISTRATOR HAS A CHECK-OFF LIST, AND NOW GOING  
4 FORWARD ANY DOCUMENT THAT IS NEEDED FOR ANY CONTRACT  
5 IS ENSURED AND REQUIRED TO BE RETAINED BY THE  
6 CONTRACT ADMINISTRATOR.

7 SO THERE ARE A COUPLE TIER II AND TIER  
8 III'S. QUICKLY, THERE'S A STATE CONTROL ACCESS  
9 SYSTEM THAT WE HAVE LIMITED ACCESS TO. THERE'S A  
10 BUSINESS DEVELOPMENT PLAN THAT WAS PUT INTO PLACE.

11 I'LL MOVE THROUGH THESE. THERE'S A WEB  
12 SITE PLAN THAT WE JUST ROLLED OUT AND WE'RE VERY  
13 EXCITED ABOUT THAT DOES INCORPORATE INFORMATION FROM  
14 THE GRANTS MANAGEMENT SYSTEM TO ENSURE THAT WE'RE  
15 GETTING PROPER REPORTING AND IS MUCH MORE AUTOMATED  
16 NOW. AND WE'RE VERY EXCITED ABOUT THAT, AND THAT'S  
17 REDUCING SOME STAFF TIME ON INPUTTING INFORMATION.

18 AND THEN, ALSO, THERE WAS A FORMAL  
19 ONBOARDING PROGRAM THAT I WAS INVOLVED IN WITH  
20 REGARDS TO ENSURING THAT NEW EMPLOYEES ARE  
21 ACCLIMATED AND ASSIMILATED INTO THE OFFICE AS  
22 QUICKLY AND EFFECTIVELY AS POSSIBLE.

23 SO TIER III, A COUPLE TIER III'S WERE A  
24 BOARD CODE OF CONDUCT THAT'S ALREADY BEEN  
25 IMPLEMENTED, AND CHECKING ON CONFLICT OF INTEREST

## BARRISTERS' REPORTING SERVICE

1 REDUNDANCIES HAVE BEEN ADDRESSED AS WELL.

2 SO THE TIER I ISSUES THAT ARE ACTUALLY IN  
3 PROCESS STILL, WE HAVE 11 TOTAL THAT ARE STILL IN  
4 PROCESS. THE ONES THAT ARE TIER I ARE THE DIGITAL  
5 DASHBOARD. THIS WAS BROUGHT UP EARLIER. WE  
6 RECOGNIZE HOW IMPORTANT THIS IS. AND OUR GRANTS  
7 MANAGEMENT SYSTEM NOW CONTAINS DATA THAT IS RELATED  
8 TO THE SCIENTIFIC DISEASE AND OUTCOME CODING THAT WE  
9 NEED. THEY JUST COMPLETED THAT. RIGHT NOW WE'RE AT  
10 THE STAGE WHERE WE'RE GOING TO BE WORKING WITH J. T.  
11 AND ELLEN AND ALAN AND OTHERS TO ASSESS AND HELP US  
12 FIGURE OUT WHAT KIND OF REPORTING THEY WANT AND WHAT  
13 KIND OF DATA WILL BE NECESSARY SO THAT WE CAN GET  
14 THAT CRITICAL REPORTING TO THE NECESSARY  
15 STAKEHOLDERS WITHIN THE ORGANIZATION AND OUTSIDE THE  
16 ORGANIZATION, SUCH AS DATA LIKE THE BREAKDOWN OF  
17 GRANTS THAT WE HAVE, THE CURRENT NUMBER OF  
18 COLLABORATIVE FUNDING PARTNERS, ETC.

19 ANOTHER TIER I IN PROCESS IS THE DOCUMENT  
20 MANAGEMENT SYSTEM. THIS IS SOMETHING THAT WE'RE  
21 WORKING ON. WE'RE ACTUALLY IN CONTRACT TO PURCHASE  
22 A DOCUMENT MANAGEMENT SYSTEM FROM AN EXTERNAL  
23 ORGANIZATION TO HELP US BE MORE EFFICIENT WITH THE  
24 DOCUMENTS THAT WE HAVE.

25 TIER I, WE'RE NOW AT HR FORECASTING MODEL.



## BARRISTERS' REPORTING SERVICE

1 WE'RE ACTUALLY WORKING CLOSELY WITH AN OUTSIDE  
2 CONSULTING COMPANY TO HELP US CREATE A PROJECT  
3 STAFFING MODELING-TYPE THING. AND THIS RELATES ALSO  
4 TO OUR SUSTAINABILITY PROJECTS, ON TRANSITION PLANS  
5 TO HELP THEM ASSESS WHAT TYPE OF WORKLOAD WE HAVE,  
6 WHAT TYPE OF RFA SCHEDULES AND APPLICATION APPROVALS  
7 AND PACK THE WORKLOAD AND, THEREFORE, THE NUMBER OF  
8 SCIENTIFIC OFFICERS WE NEED TO HAVE.

9 THIS PROJECT IMPACTS A LOT OF DIFFERENT  
10 THINGS AND OTHER TIER I ISSUES THAT WE'RE STILL IN  
11 PROCESS WITH AS WELL BECAUSE IT IS ADDRESSING  
12 EFFICIENCIES AND SUCH. SO WE'RE VERY EXCITED ABOUT  
13 THIS PROJECT, AND WE CONTINUE TO WORK ON THIS.

14 MONITORING THE USE OF THE 6 PERCENT.  
15 WE'VE ALREADY TALKED ABOUT THIS. THIS IS ONGOING  
16 AND WILL CONTINUE TO BE, AND WE REALIZE HOW  
17 INCREDIBLY IMPORTANT IT IS.

18 ANOTHER TIER I IS ACCELERATING PROGRESS  
19 REPORT REVIEW. THIS IS OBVIOUSLY A WORKLOAD ISSUE  
20 IN THE SCIENCE OFFICE, AND IT'S AN IMPORTANT ONE.  
21 THERE'S BEEN THINGS THAT HAVE ALREADY BEEN ADDRESSED  
22 REGARDING THAT, INCLUDING IMPLEMENTING ONLINE  
23 PROGRESS REPORTS, REVIEW CHECKLISTS. WE'VE ADDED  
24 SCIENTIFIC STAFF TO ADDRESS THE WORKLOAD, AND WE  
25 CONTINUE TO REDIRECT STAFF ACTIVITIES WHERE

## BARRISTERS' REPORTING SERVICE

1 NECESSARY. AGAIN, THE FORECASTING MODEL WILL HELP  
2 US ADDRESS THIS ISSUE AS WELL AS TIME GOES ON.

3 FINANCE WORKFLOW DATABASE, THIS IS A TIER  
4 II ISSUE. WE'RE WORKING ON THIS. WE'RE GOING TO  
5 PURCHASE ONE TO HELP CHILA.

6 AND OFFICE OF THE CHAIR, OFFICE OF THE  
7 PRESIDENT IN COOPERATION, THEY'RE CONTINUING TO WORK  
8 WELL TOGETHER ON POLICY ISSUES AND SUCH.  
9 STREAMLINING STANDING MEETINGS IS SOMETHING WE ARE  
10 GOING TO ADDRESS, AS I SPEAK.

11 SCIENCE OFFICE PRIORITIZATION, AGAIN, THIS  
12 RELATES TO THE HR PLANNING MODEL THAT WE WILL WORK  
13 ON. I.T. PLAN, THIS IS IN PROCESS. THIS HAS BEEN  
14 BROUGHT UP JUST RECENTLY. WE WILL TAKE CERTAINLY  
15 ANY ADVICE WE CAN FROM MOSS-ADAMS IF THEY HAVE IT  
16 WHILE WE START ACTIVELY WORKING ON THIS. THIS IS AN  
17 IMPORTANT THING. WE CERTAINLY UNDERSTAND THAT IT  
18 NEEDS TO BE COMPREHENSIVE. IT NEEDS TO ADDRESS  
19 ESTABLISHMENT OF A CLEAR VISION FOR US FROM AN I.T.  
20 POINT OF VIEW AND ENSURING THAT IT'S CONSISTENT WITH  
21 OUR GOALS AND ALIGNMENT WITH OUR PROJECTS AND SUCH.

22 SO IF ANYBODY HAD ANY SUGGESTIONS, WE'RE  
23 CERTAINLY OPEN TO IDEAS THERE, BUT WE WILL BE  
24 WORKING ON THAT VERY SOON.

25 AND THEN THE LAST ONE REITERATES WHAT WE

## BARRISTERS' REPORTING SERVICE

1 TALKED ABOUT AS WELL, WHICH IS ADDRESSING  
2 RECRUITMENT AND RETENTION IN THE TRANSITION PLAN.  
3 WE ALL KNOW THAT THIS IS A UNIQUE SITUATION. WE  
4 RAMPED UP. WE'RE GOING TO HAVE TO RAMP DOWN. WE'VE  
5 GOT TO DEAL WITH RETAINING VERY KEY PEOPLE, AND  
6 WE'RE LOOKING AT WAYS IN WHICH WE CAN FIND UNIQUE  
7 POLICIES TO ADDRESS THOSE TYPES OF THINGS.

8 THAT ACTUALLY ENDS MY OVERVIEW OF WHERE WE  
9 ARE AT WITH REGARDS TO THE 24 RECOMMENDATIONS. I'M  
10 HAPPY TO ANSWER ANY QUESTIONS.

11 CHAIRMAN CHIANG: ARE THERE ANY QUESTIONS?  
12 OKAY. THEN WE'LL GO ON AND INVITE PROFESSOR  
13 EISENBERG WHO SERVED ON THE IOM CIRM REVIEW  
14 COMMITTEE AND WILL BE JOINING US BY PHONE.

15 PROFESSOR EISENBERG: HELLO. THANK YOU  
16 VERY MUCH. CAN YOU ALL HEAR ME?

17 CHAIRMAN CHIANG: YES. THANK YOU FOR YOUR  
18 PATIENCE.

19 PROFESSOR EISENBERG: OKAY. I AM, AS I  
20 WAS INTRODUCED, I'M A PROFESSOR OF LAW AT THE  
21 UNIVERSITY OF MICHIGAN LAW SCHOOL. AND I RECENTLY  
22 HAD THE HONOR OF SERVING AS A MEMBER OF THE IOM  
23 COMMITTEE ON A REVIEW OF THE CALIFORNIA INSTITUTE  
24 FOR REGENERATIVE MEDICINE. SO I'M VERY PLEASED TO  
25 HAVE THIS OPPORTUNITY TO SPEAK TO THIS GROUP ABOUT

## BARRISTERS' REPORTING SERVICE

1 THE RECOMMENDATIONS IN THE REPORT OF THAT COMMITTEE.

2 I WANT TO PREFACE MY REMARKS BY REMINDING  
3 YOU THAT I AM, OF COURSE, ONLY ONE MEMBER OF THAT  
4 13-MEMBER COMMITTEE. THE COMMITTEE IS NOW  
5 DISBANDED, BUT THE VIEWS AND RECOMMENDATIONS OF THE  
6 COMMITTEE ARE THOSE SET FORTH IN THE REPORT ITSELF.  
7 AND THAT BEYOND THAT, I CAN ONLY SPEAK FOR MYSELF.  
8 SO THE REPORT, THEN THE RECOMMENDATIONS REPRESENT  
9 THE FINAL STATEMENTS FROM THE COMMITTEE ON OUR VIEWS  
10 AS A COMMITTEE.

11 WE WERE GIVEN A VERY SPECIFIC CHARGE TO  
12 ADDRESS A SERIES OF QUESTIONS RELATING TO THE  
13 INITIAL PROCESSES THAT CREATED CIRM, CIRM'S  
14 PROGRAMMATIC AND SCIENTIFIC SCOPE, CIRM'S  
15 ORGANIZATIONAL AND MANAGEMENT SYSTEM, CIRM'S FUNDING  
16 MODEL, AND CIRM'S INTELLECTUAL PROPERTY POLICIES.  
17 AND OUR REPORT SPEAKS TO EACH OF THOSE THINGS.

18 MY UNDERSTANDING IS THAT THIS GROUP IS  
19 PARTICULARLY INTERESTED IN THE COMMITTEE'S  
20 EVALUATION AND RECOMMENDATIONS PERTAINING TO  
21 GOVERNANCE OF CIRM AND CONFLICT OF INTEREST ISSUES.  
22 AND SO I HAVE PREPARED BRIEF REMARKS THAT ARE  
23 FOCUSED SPECIFICALLY ON THAT.

24 OUR STATEMENT OF TASK ASKED US  
25 SPECIFICALLY ARE THE INTERNAL ORGANIZATIONAL AND

## BARRISTERS' REPORTING SERVICE

1 MANAGEMENT SYSTEMS, IN PARTICULAR THE BOARD AND  
2 WORKING GROUP STRUCTURES AND OPERATIONS, THE PEER  
3 REVIEW SYSTEM, THE CONFLICT OF INTEREST GUIDELINES,  
4 AND THE GRANTS MANAGEMENT SYSTEM, EFFECTIVE IN  
5 WORKING TOWARDS THE INSTITUTE'S SCIENTIFIC GOALS?  
6 ARE THE SYSTEMS THAT ARE IN PLACE SCIENTIFICALLY AND  
7 ETHICALLY VALID AND RIGOROUS? AND DO THEY ACHIEVE  
8 THE LEVEL OF TRANSPARENCY AND THE LEVEL OF  
9 STAKEHOLDER AND SCIENTIFIC COMMUNITY INVOLVEMENT  
10 NEEDED TO MEET THE INSTITUTE'S PUBLIC  
11 RESPONSIBILITIES AND SCIENTIFIC GOALS?

12 I HEARD ONE OF THE EARLIER SPEAKERS IN  
13 THIS MEETING MENTION THAT CIRM HAS BEEN MUCH  
14 STUDIED. WE WERE NOT THE FIRST GROUP ASKED TO  
15 REVIEW THE CIRM GOVERNANCE STRUCTURE. SO WE HAVE  
16 THE BENEFIT OF SOME PRIOR REPORTS FROM AN EXTERNAL  
17 ADVISORY PANEL, FROM THE LITTLE HOOVER COMMISSION,  
18 AND TOWARDS THE END OF OUR WORK THE MORE RECENT  
19 AUDIT BY MOSS-ADAMS AVAILABLE TO US.

20 WE ALSO BENEFITED FROM THE FULL  
21 COOPERATION OF CIRM STAFF IN RESPONDING TO MANY,  
22 MANY REQUESTS FOR DATA, REPORTS, ANALYSES, ACCESS TO  
23 PEOPLE, AND THEY WERE QUITE FORTHCOMING AND HELPFUL.

24 OUR INVESTIGATION WAS SOMEWHAT LIMITED BY  
25 THE CAPACITIES OF AN IOM COMMITTEE. WE HELD THREE

## BARRISTERS' REPORTING SERVICE

1 PUBLIC MEETINGS. WE INVITED SPEAKERS. WE HELD OPEN  
2 FORUMS AT WHICH MEMBERS OF THE PUBLIC WERE FREE TO  
3 STEP FORWARD AND TAKE THE MIKE. WE CONDUCTED SOME  
4 SITE VISITS AND SOME INTERVIEWS. WE CIRCULATED  
5 QUESTIONNAIRES. WE STUDIED FURTHER INFORMATION FROM  
6 THE FILES OF CIRM THAT I MENTIONED EARLIER. WE  
7 STUDIED VERY CLOSELY THE TEXT OF PROPOSITION 71 AND  
8 SB 1064, BUT WE DID NOT FEEL CONSTRAINED IN OUR  
9 DELIBERATIONS AND OUR RECOMMENDATIONS TO LIMIT  
10 OURSELVES TO THE CONFINES OF PROP 71 AND SB 1064.

11 WE UNDERSTOOD OUR CHARGE AND THE VALUE  
12 ADDED THAT WE COULD APPLY AS YET ANOTHER REVIEWING  
13 GROUP AS CALLING FOR STEPPING OUTSIDE OF THE  
14 STRICTURES OF CURRENT LAW AND CONSIDERING HOW CIRM'S  
15 GOVERNANCE STRUCTURE MIGHT BE IMPROVED EVEN WHILE  
16 RECOGNIZING IN SOME CASES THAT THE CHANGES THAT WE  
17 WERE CONSIDERING WOULD REQUIRE COOPERATION FROM THE  
18 LEGISLATURE AND THE GOVERNOR TO BRING ABOUT CERTAIN  
19 DEPARTURES FROM THE INITIAL GOVERNANCE STRUCTURE PUT  
20 IN PLACE BY PROP 71.

21 AND AS WE DESCRIBE IN OUR REPORT,  
22 PROPOSITION 71 CREATED A SOMEWHAT UNUSUAL GOVERNANCE  
23 STRUCTURE FOR CIRM AND LOCKED THAT AT LEAST  
24 INITIALLY. THE STRUCTURE COULD NOT MODIFIED FOR A  
25 INITIAL PERIOD OF YEARS THAT HAS NOW PASSED. SO AT

## BARRISTERS' REPORTING SERVICE

1 THIS POINT CHANGES CAN BE MADE WITH THE COOPERATION  
2 OF THE LEGISLATURE AND THE GOVERNOR. AND, IN FACT,  
3 SOME CHANGES HAVE BEEN MADE IN SB 1064.

4 THE STRUCTURE THAT WAS PUT IN PLACE BY  
5 PROPOSITION 71 VESTS CONSIDERABLE AUTHORITY IN THE  
6 29-MEMBER INDEPENDENT CITIZENS OVERSIGHT COMMITTEE  
7 OR ICOC. AND THE DUTIES ASSIGNED TO THE ICOC GO  
8 BEYOND THE USUAL DUTIES OF A BOARD CHARGED WITH  
9 OVERSIGHT OF AN ORGANIZATION. THE ICOC IS ALSO  
10 CHARGED WITH RESPONSIBILITY FOR OPERATIONAL TASKS  
11 THAT IN MANY ORGANIZATIONS WOULD BE PERFORMED BY  
12 STAFF REPORTING TO MANAGEMENT.

13 PROPOSITION 71 FURTHER CALLS FOR THE  
14 CREATION OF THREE LARGE WORKING GROUPS, LARGE  
15 RELATIVE BOTH TO THE SIZE OF THE ICOC AND RELATIVE  
16 TO THE SIZE OF THE CIRM STAFF ORGANIZATION. THESE  
17 WORKING GROUPS REPORT DIRECTLY TO THE ICOC AND  
18 INCLUDE ICOC MEMBERS AS WELL AS OUTSIDE MEMBERS.  
19 AND THEY HAVE RESPONSIBILITIES INCLUDING THINGS LIKE  
20 GRANT REVIEW.

21 PROPOSITION 71 ALSO HAS DETAILED  
22 SPECIFICATIONS FOR THE COMPOSITION OF THE ICOC,  
23 ALLOCATING MEMBERSHIP TO REPRESENTATIVES OF VARIOUS  
24 INSTITUTIONS THAT HAVE A STAKE IN THE WORK OF CIRM,  
25 INCLUDING THE UNIVERSITIES THAT RECEIVE THE FUNDING

## BARRISTERS' REPORTING SERVICE

1 AND THE PATIENT ADVOCACY GROUPS THAT HOPE TO BENEFIT  
2 FROM THE WORK THAT CIRM IS FUNDING.

3 NOW, IN THE VIEW OF THE COMMITTEE, WE  
4 THOUGHT GOOD POINTS AND BAD POINTS TO THESE  
5 STRUCTURAL FEATURES PUT IN PLACE BY PROP 71. ON THE  
6 POSITIVE SIDE, THESE FEATURES, INCLUDING ASSIGNING  
7 OPERATIONAL RESPONSIBILITIES TO THE BOARD AND  
8 FILLING THE BOARD -- I USE THE BOARD HERE TO MEAN  
9 THE ICOC -- AND FILLING THE BOARD WITH  
10 REPRESENTATIVES OF ORGANIZATIONS THAT HAVE A  
11 PALPABLE STAKE IN CIRM AND HOW IT SPENDS ITS MONEY,  
12 THERE ARE REAL BENEFITS TO A STRUCTURE LIKE THAT IN  
13 THE START-UP PHASE OF AN ORGANIZATION LIKE CIRM  
14 GIVEN ITS ASPIRATIONS AND TIMELINES.

15 THIS STRUCTURE BROUGHT HIGHLY MOTIVATED  
16 AND WELL-INFORMED INDIVIDUALS TO THE TABLE WHO WERE  
17 READY TO DEVOTE THEMSELVES TO THE MISSION OF CIRM  
18 AND WHO WERE EXTRAORDINARILY SUCCESSFUL IN GETTING  
19 THINGS OFF THE GROUND. AND THE COMMITTEE FELT THAT  
20 THIS IS AN IMPORTANT REASON WHY CIRM WAS ABLE TO  
21 ACCOMPLISH AS MUCH AS IT HAS DONE IN ITS EARLY  
22 YEARS, WHICH IS TRULY IMPRESSIVE.

23 BUT THE COMMITTEE ALSO THOUGHT THAT AS  
24 CIRM HAS BECOME A MORE MATURE ORGANIZATION, THE SAME  
25 ORGANIZATIONAL FEATURES HAVE SOME DRAWBACKS WHICH



## BARRISTERS' REPORTING SERVICE

1 MAY BE WHY THEY ARE SO UNUSUAL. WE THOUGHT THAT AT  
2 THIS POINT IN ITS EXISTENCE CIRM AND THE PEOPLE OF  
3 CALIFORNIA WOULD BE BETTER SERVED BY A MORE  
4 INDEPENDENT BOARD THAT EXERCISES OVERSIGHT OVER  
5 MANAGEMENT RATHER THAN SHARING MANAGERIAL  
6 RESPONSIBILITY IN A DAY-TO-DAY SENSE. A BOARD THAT  
7 IS DIRECTLY INVOLVED IN MANAGEMENT OF THE OPERATIONS  
8 OF AN ORGANIZATION CANNOT PROVIDE INDEPENDENT  
9 OVERSIGHT OF THAT ORGANIZATION. AND THE COMMITTEE  
10 THOUGHT THAT INDEPENDENT OVERSIGHT IS PARTICULARLY  
11 IMPORTANT FOR A PUBLIC INSTITUTION THAT IS SPENDING  
12 MONEY THAT THE TAXPAYERS WILL HAVE TO REPAY IN THE  
13 FUTURE. SO WE, THEREFORE, RECOMMENDED THAT CIRM  
14 SEPARATE OPERATIONS FROM OVERSIGHT MORE SHARPLY THAN  
15 IS CURRENTLY PROVIDED WITH THE CIRM MANAGEMENT AND  
16 STAFF FOCUSING ON OPERATIONS AND THE ICOC FOCUSING  
17 ON OVERSIGHT.

18 AND WE ELABORATE ON THIS IN OUR REPORT,  
19 BUT SPECIFICALLY OUR RECOMMENDATION IS THAT, AND I'M  
20 READING HERE FROM RECOMMENDATION 3-1 IN THE REPORT.  
21 OUR RECOMMENDATION IS THAT THE BOARD SHOULD FOCUS ON  
22 STRATEGIC PLANNING, OVERSEE FINANCIAL PERFORMANCE  
23 AND LEGAL COMPLIANCE, ASSESS THE PERFORMANCE OF THE  
24 PRESIDENT AND THE BOARD, AND DEVELOP A PLAN FOR  
25 TRANSITIONING CIRM TO SUSTAINABILITY. THE BOARD

## BARRISTERS' REPORTING SERVICE

1 SHOULD OVERSEE SENIOR MANAGEMENT, BUT SHOULD NOT BE  
2 INVOLVED IN DAY-TO-DAY MANAGEMENT. THE CHAIR AND  
3 THE BOARD SHOULD DELEGATE DAY-TO-DAY MANAGEMENT  
4 RESPONSIBILITIES TO THE PRESIDENT. EACH OF THE  
5 THREE WORKING GROUPS SHOULD REPORT TO MANAGEMENT  
6 RATHER THAN TO THE ICOC. THAT WAS OUR FIRST  
7 RECOMMENDATION CONCERNING MANAGEMENT, CONCERNING  
8 GOVERNANCE, WHICH IS TO SEPARATE OVERSIGHT FROM  
9 MANAGEMENT WHILE THE CURRENT STRUCTURE BLURS THOSE  
10 BOUNDARIES.

11 THE COMMITTEE ALSO THOUGHT THAT THE  
12 CURRENT ICOC COMPOSITION HAS TOO GREAT A  
13 PREPONDERANCE OF INDIVIDUALS WITH A DIRECT STAKE IN  
14 THE PROCESSES AND OUTCOMES OF CIRM'S ACTIVITIES  
15 ARISING FROM THEIR AFFILIATIONS OUTSIDE OF CIRM. SO  
16 THIS COMPOSITION COMPROMISES THE INDEPENDENCE OF THE  
17 BOARD IN ANOTHER SENSE, NOT INDEPENDENCE FROM  
18 MANAGEMENT, BUT INDEPENDENCE IN THE SENSE OF A BIAS.  
19 THE COMPOSITION OF SO MANY INTERESTED INDIVIDUALS ON  
20 THE BOARD INTRODUCES BIAS TO THE BOARD'S DECISIONS,  
21 THAT IT COMPROMISES ITS STEWARDSHIP OVER CIRM AS A  
22 PUBLIC INSTITUTION.

23 SO WE PROPOSE THAT THIS SHOULD BE CHANGED  
24 SO THAT A MAJORITY OF THE BOARD MEMBERS SHOULD BE  
25 INDEPENDENT IN THE SENSE OF HAVING NO DIRECT

## BARRISTERS' REPORTING SERVICE

1 PERSONAL OR PROFESSIONAL OR INSTITUTIONAL INTEREST  
2 THAT MIGHT COMPETE OR CONFLICT WITH THE INTEREST OF  
3 CIRM AND THE PEOPLE OF CALIFORNIA IN WAYS THAT  
4 EITHER BIAS THEIR DECISIONS OR MIGHT APPEAR TO BIAS  
5 THEIR DECISIONS.

6 WE WERE PARTICULARLY CONCERNED ABOUT THE  
7 WAY THAT PROPOSITION 71 ALLOCATES SEATS ON THE BOARD  
8 TO PEOPLE FROM PARTICULAR INSTITUTIONS, SUCH AS  
9 UNIVERSITIES THAT ARE BENEFICIARIES OF CIRM FUNDING.

10 WE ALSO THOUGHT THAT, AT THIS STAGE IN THE  
11 DEVELOPMENT OF STEM CELL RESEARCH, THE ICOC COULD  
12 BENEFIT FROM MORE INDUSTRY REPRESENTATION.

13 FINALLY, CONSISTENT WITH OUR GOAL OF  
14 SEPARATING OPERATIONS FROM OVERSIGHT, WE THOUGHT  
15 THAT THE CURRENT WORKING GROUPS SHOULD REPORT TO  
16 CIRM MANAGEMENT RATHER THAN TO THE ICOC AND THAT THE  
17 MEMBERSHIP OF THE WORKING GROUPS SHOULD NOT INCLUDE  
18 ICOC MEMBERS.

19 SO THESE RECOMMENDATIONS ARE SET FORTH IN  
20 OUR RECOMMENDATION 3-2. AND I THOUGHT I HAD THE  
21 TEXT OF THAT IN FRONT OF ME, BUT I AM NOW NEEDING TO  
22 BRIEFLY FIND THAT. 3-2, CIRM SHOULD PUT SYSTEMS IN  
23 PLACE TO RESTRUCTURE THE BOARD TO HAVE A MAJORITY OF  
24 INDEPENDENT MEMBERS WITHOUT INCREASING THE SIZE OF  
25 THE BOARD. IT SHOULD INCLUDE REPRESENTATIVES OF THE

## BARRISTERS' REPORTING SERVICE

1 DIVERSE CONSTITUENCIES WITH INTEREST IN STEM CELL  
2 RESEARCH, BUT NO INSTITUTION OR ORGANIZATION SHOULD  
3 BE GUARANTEED A SEAT ON THE BOARD. CONSIDERATION  
4 SHOULD BE GIVEN TO ADDING MEMBERS FROM THE BUSINESS  
5 COMMUNITY. THE TERMS OF BOARD MEMBERS SHOULD BE  
6 STAGGERED TO BALANCE FRESH PERSPECTIVES AND  
7 CONTINUITY.

8 THE CHAIR AND OTHER ICOC MEMBERS SHOULD BE  
9 PROHIBITED FROM SERVING ON THE WORKING GROUPS.  
10 DURING THE RECONSTITUTION OF THE WORKING GROUPS, THE  
11 CURRENT LEVEL OF REPRESENTATION OF DISEASE ADVOCATES  
12 SHOULD BE MAINTAINED, SUCH BOARD MEMBERS BEING  
13 REPLACED WITH OTHER DISEASE ADVOCATES WHO ARE NOT  
14 BOARD MEMBERS.

15 FINALLY, THE COMMITTEE WAS CONCERNED THAT  
16 THE COMPOSITION OF THE ICOC WITH SO MANY  
17 REPRESENTATIVES OF ORGANIZATIONS THAT RECEIVE  
18 FUNDING FROM CIRM AND REPRESENTATIVES OF DISEASE  
19 ADVOCACY COMMUNITIES WITH A STAKE IN THE DIRECTIONS  
20 OF STEM CELL RESEARCH RAISES QUESTIONS ABOUT  
21 CONFLICT OF INTEREST. AND SO WE SPENT SOME TIME ON  
22 THAT.

23 PROPOSITION 71 HANDLES THIS BY STATING  
24 THAT THESE APPARENT ALLEGIANCES ARE NOT UNLAWFUL,  
25 BUT THAT WAS NOT THEN SUFFICIENT TO SOLVE PERSISTENT

## BARRISTERS' REPORTING SERVICE

1 CONCERNS THAT WHETHER IT'S LAWFUL OR UNLAWFUL,  
2 THERE'S A CONFLICT OF INTEREST PRESENT ON THE BOARD.  
3 PROPERLY UNDERSTOOD NOT AS MISCONDUCT, BUT AS BIAS,  
4 THERE'S A CONFLICT OF INTEREST PRESENT.

5 AND THE PRIMARY MECHANISM THAT CIRM AND  
6 THE ICOC HAVE USED TO MANAGE CONFLICT OF INTEREST  
7 HAS BEEN TO CALL FOR RECUSAL OF INDIVIDUAL BOARD  
8 MEMBERS FROM PARTICIPATION IN DECISIONS IN WHICH  
9 THAT MEMBER'S INSTITUTION HAS AN INTEREST, BUT THIS  
10 IS FAR FROM IDEAL. THE APPARENT CONFLICTS MIGHT BE  
11 MITIGATED BY THE PRESENCE OF MORE DISINTERESTED  
12 MEMBERS ON THE BOARD, BUT WE THINK MAYBE CIRM ALSO  
13 NEEDS A MORE SENSITIVE AND FLEXIBLE SET OF TOOLS  
14 THAN IT CURRENTLY USES FOR FINANCIAL CONFLICTS TO  
15 ADDRESS THE POTENTIAL FOR BIAS ARISING FROM  
16 NONFINANCIAL INTERESTS.

17 AND THE VIEW OF THE COMMITTEE IS THAT  
18 THESE PERSONAL CONFLICTS SHOULD NOT BE IGNORED, AND  
19 THE COMMITTEE RECOMMENDS THAT CIRM REVISIT ITS  
20 CONFLICT OF INTEREST POLICIES TO RECOGNIZE THESE  
21 CONFLICTS AND TO FIGURE OUT STRATEGIES FOR MANAGING  
22 THEM.

23 SPECIFICALLY OUR RECOMMENDATION 3-3 STATES  
24 CIRM SHOULD REVISE ITS DEFINITIONS OF CONFLICT OF  
25 INTEREST TO RECOGNIZE CONFLICTS ARISING FROM

## BARRISTERS' REPORTING SERVICE

1 NONFINANCIAL INTERESTS SUCH AS THE POTENTIAL FOR  
2 CONFLICTS ARISING FROM AN INDIVIDUAL'S INTEREST IN A  
3 SPECIFIC DISEASE AND SHOULD REASSESS ITS POLICIES  
4 FOR MANAGING CONFLICT OF INTEREST IN LIGHT OF THIS  
5 BROADER DEFINITION.

6 THE COMMITTEE RECOGNIZED THAT SOME OF  
7 THESE RECOMMENDATIONS CALL FOR STEPS THAT CIRM  
8 CANNOT TAKE UNILATERALLY BECAUSE OF THE PROVISIONS  
9 OF PROPOSITION 71, WHICH REQUIRES THAT CIRM WORK  
10 WITH THE LEGISLATURE AND THE GOVERNOR IN ORDER TO  
11 CHANGE CERTAIN FEATURES THAT WERE PUT IN PLACE BY  
12 PROPOSITION 71. BUT CIRM HAS SHOWN ITS ABILITY TO  
13 DO THAT SUCCESSFULLY IN THE PAST WITH THE PASSAGE OF  
14 SB 1064. SO THE COMMITTEE HAS NOT CONFINED ITSELF  
15 TO RECOMMENDATIONS THAT CIRM COULD IMPLEMENT ON ITS  
16 OWN, ALTHOUGH WE HAVE OFFERED SOME SUGGESTIONS THAT  
17 MIGHT ALLOW SOME CHANGES TO BE IMPLEMENTED MORE  
18 QUICKLY WITHOUT AWAITING LEGISLATURE APPROVAL, SUCH  
19 AS THE RECOMMENDATION THAT THE ICOC COULD DELEGATE  
20 TO CIRM MANAGEMENT SOME OF THE RESPONSIBILITIES THAT  
21 PROPOSITION 71 HAS ASSIGNED TO THE ICOC.

22 SO I WANT TO STOP THERE AND GIVE YOU ALL  
23 AN OPPORTUNITY TO ASK ME QUESTIONS, RECOGNIZING THAT  
24 I AM NOW STANDING BETWEEN YOU AND LUNCH.

25 CHAIRMAN CHIANG: ANY QUESTIONS FROM THE

## BARRISTERS' REPORTING SERVICE

1 MEMBERS?

2 MS. HOLTON-HODSON: THANK YOU, REBECCA. I  
3 THINK J. T. IS GOING TO BE GIVING US SOME RESPONSE TO  
4 THAT.

5 PROFESSOR EISENBERG: OKAY.

6 CHAIRMAN THOMAS: HI, REBECCA. IT'S JON  
7 THOMAS HERE. AND I WANTED TO FIRST AND FOREMOST  
8 THANK YOU AND YOUR FELLOW MEMBERS OF THE IOM FOR  
9 YOUR LENGTHY AND VERY CONSIDERED REVIEW OF CIRM AND  
10 THE VARIOUS ASPECTS OF IT THAT YOU DESCRIBED AT THE  
11 BEGINNING OF YOUR TALK. WE GREATLY APPRECIATE ALL  
12 THE WORK AND THE MANY SUGGESTIONS THAT YOU HAVE  
13 BROUGHT, SOME OF WHICH YOU MENTIONED HERE, OTHERS  
14 THAT ARE ALSO INCLUDED IN THE REPORT AND NOT  
15 REFERENCED TODAY FOR PURPOSES OF TODAY'S DISCUSSION.

16 ALSO WOULD LIKE TO SAY HELLO TO MY FRIEND  
17 RICH FRIEDMAN WHEN YOU GET A CHANCE.

18 PROFESSOR EISENBERG: HE'S RIGHT ACROSS  
19 THE HALL. THAT WILL BE QUITE EASY.

20 CHAIRMAN THOMAS: HE'S A GRADUATE SCHOOL  
21 VERY CLOSE FRIEND, SO PLEASE GIVE HIM MY REGARDS.

22 I'D LIKE TO SAY AT THE OUTSET WHEN DR.  
23 SHAPIRO PRESENTED THE IOM REPORT AT OUR DECEMBER  
24 BOARD MEETING, HE GAVE THE REPORT TO OUR BOARD,  
25 WHICH WAS SORT OF HEARING IT AS A MATTER OF FIRST

## BARRISTERS' REPORTING SERVICE

1 INSTANCE. THE REPORT HAS, OF COURSE, MANY  
2 RECOMMENDED CHANGES THAT DEVIATE FROM CURRENT  
3 STRUCTURE AND PRACTICE AT CIRM. AND SO WE WERE  
4 HEARING THOSE THERE FOR THE FIRST TIME IN A PUBLIC  
5 SETTING.

6 I HAD SUGGESTED TO DR. SHAPIRO AT THE END  
7 OF HIS PRESENTATION THAT, AMONG OTHER THINGS, WE  
8 WERE GOING TO TAKE ALL OF THOSE RECOMMENDATIONS VERY  
9 SERIOUSLY AND THAT I WANTED TO KEEP IN TOUCH WITH  
10 HIM IF THAT WAS OKAY TO SORT OF GAUGE HOW WE WERE  
11 DOING IN OUR RESPONSE.

12 WE THEN WENT FROM THAT DECEMBER BOARD  
13 MEETING, WE IN ADVANCE OF THAT SCHEDULED A BOARD  
14 WORKSHOP WHICH TOOK PLACE JANUARY 23D AT WHICH WE  
15 HAD CONTEMPLATED DISCUSSING THE IOM REPORT. I THINK  
16 SORT OF CONVENTIONAL WISDOM WAS THE BOARD, SINCE IT  
17 WOULD BE THE FIRST CHANCE IT WOULD HAVE TO GO IN AND  
18 ACTUALLY DISCUSS IT, WOULD REVIEW DIFFERENT ASPECTS  
19 OF IT AND START DEVELOPING A GAME PLAN FOR HOW TO  
20 PROCEED GOING FORWARD TO IMPLEMENT THE  
21 RECOMMENDATIONS OF THE IOM.

22 IT WAS MY TAKE THAT JUST GOING IN AND  
23 DISCUSSING IT AT THAT MEETING WAS NOT GOING TO BE AN  
24 ADEQUATE RESPONSE BECAUSE WE'VE BEEN CRITICIZED AS  
25 AN ORGANIZATION IN THE FACE OF LITTLE HOOVER



## BARRISTERS' REPORTING SERVICE

1 COMMISSION AND EXTRAORDINARY ADVISORY PANEL REPORTS  
2 FOR NOT REALLY ACTING ON RECOMMENDATIONS THAT WE'VE  
3 HAD, AND I FELT WE NEEDED TO, AS OPPOSED TO GO INTO  
4 THAT MEETING JUST SORT OF DISCUSSING THINGS, WE  
5 NEEDED TO ACTUALLY COME OUT OF THAT MEETING WITH A  
6 THOROUGH, WELL-CONSIDERED PLAN FOR HOW TO MOVE  
7 FORWARD. AND SO WE SPENT, MEMBERS OF CIRM SPENT THE  
8 NEXT MONTH GIVING VERY CONSIDERABLE AMOUNT OF  
9 ATTENTION TO EXACTLY HOW WE COULD GO ABOUT DOING  
10 THAT AND WHAT THAT PLAN WOULD BE.

11 AND MY CHARGE TO EVERYBODY WAS TO TAKE  
12 INTO ACCOUNT ALL RECOMMENDATIONS THAT THE IOM HAD  
13 GIVEN. THERE WERE CERTAIN THINGS THAT IN MY OPINION  
14 WE COULD ADDRESS IMMEDIATELY THAT WERE A HUNDRED  
15 PERCENT CONSISTENT WITH THE RECOMMENDATIONS OF THE  
16 REPORT. THERE WERE OTHER THINGS THAT WE DEALT WITH  
17 IN A DIFFERENT WAY THAN THE REPORT SUGGESTED, BUT IN  
18 MY OPINION GOT TO A RESULT THAT WAS CONSISTENT WITH  
19 THE SPIRIT OF THE IOM REPORT AND CAME UP WITH SORT  
20 OF ALL TOLL A COMPREHENSIVE PLAN WHICH HAS MANY  
21 INTERWOVEN ASPECTS THAT I DO BELIEVE IS RESPONSIVE.

22 AND ONE THING I WANTED TO POINT OUT WAS IN  
23 THE PAST, WHEN WE'VE BEEN GIVEN A CHARGE BY THE  
24 EARLIER REVIEWING GROUPS, WE HAD BEEN SAID TO  
25 COMMENT THAT WE REALLY COULDN'T ADDRESS THESE THINGS

## BARRISTERS' REPORTING SERVICE

1 BECAUSE THEY WERE EITHER REQUIRING LEGISLATION OR  
2 REQUIRING ADDITIONAL VOTES BY MEMBERS OF THE PUBLIC  
3 IN A SUBSEQUENT BALLOT MEASURE. TO ME I WAS NOT  
4 GOING TO SETTLE FOR THAT RESULT. I FELT WE NEEDED  
5 TO RESPOND DECISIVELY AND IMMEDIATELY AND TO DO SO  
6 IN A WAY THAT WOULD ALLOW US TO IMPLEMENT THE  
7 CHANGES WITHOUT HAVING TO GO TO ANYBODY BECAUSE IF  
8 WE REQUIRE LEGISLATION OR WE REQUIRE ADDITIONAL  
9 OUTSIDE VALIDATION BY THE VOTERS, THAT WAS GOING TO  
10 PUSH THE ACTUAL IMPLEMENTATION OF THESE CHANGES DOWN  
11 MANY MONTHS. AND IN THAT TIME FRAME, WE WOULD HAVE  
12 MANY MORE GRANT REVIEWS AND GRANT AWARDS AND WOULD  
13 NOT HAVE THE AMENDED PROTOCOLS IN PLACE THAT COULD  
14 ADDRESS THOSE IN A WAY THAT WOULD BE CONSISTENT WITH  
15 WHAT THE IOM WAS ASKING.

16 SO MY CHARGE TO EVERYBODY WAS LET'S FIGURE  
17 OUT HOW TO MAKE THIS HAPPEN AS IMMEDIATELY AS  
18 POSSIBLE AND AVOID JUST THAT RESULT. JUST AS AN  
19 EXAMPLE, SHOULD WE REQUIRE LEGISLATION FOR THINGS,  
20 MOST LIKELY THAT LEGISLATION WOULDN'T BE EFFECTIVE  
21 UNTIL JANUARY 1 OF 2014. AND WE HAVE EIGHT GRANT  
22 REVIEW SESSIONS AND HUNDREDS OF MILLIONS OF DOLLARS  
23 THAT ARE GOING TO BE AWARDED IN CALENDAR 2013. SO  
24 IF WE DON'T HAVE THOSE IN PLACE, WE WOULD NOT HAVE  
25 THE PROTOCOLS, FOLLOWING THE SPIRIT OF THE IOM

## BARRISTERS' REPORTING SERVICE

1 REPORT, FOR THAT CONSIDERABLE AMOUNT OF ADDITIONAL  
2 GRANT FUNDING.

3 SO WITH THAT AS SORT OF A BASIC PRIMER TO  
4 THE PLAN THAT WE ADOPTED, AND I DON'T KNOW, REBECCA,  
5 IF YOU HAVE A COPY OF THIS.

6 PROFESSOR EISENBERG: I HAVE SEEN IT.  
7 YES, I HAVE SEEN IT AND I HAVE REVIEWED IT.

8 CHAIRMAN THOMAS: OKAY. I SHOULD POINT  
9 OUT BEFORE I START HERE THAT I TALKED TO A LOT OF  
10 PEOPLE ABOUT THIS IN PUTTING IT TOGETHER. WE  
11 OBVIOUSLY TALKED EXTENSIVELY WITH STAFF. I HAD SOME  
12 CONVERSATIONS WITH OUR BOARD. WE WERE HAMSTRUNG BY  
13 BAGLEY-KEENE PUBLIC MEETING DISCLOSURE LAWS SO THAT  
14 BASICALLY THE MAJORITY OF MY BOARD NEVER HEARD THIS  
15 UNTIL THEY ACTUALLY HEARD IT AT THE JANUARY 23D  
16 WORKSHOP.

17 I TALKED TO PATIENT ADVOCATE GROUPS. I  
18 TALKED TO INDUSTRY GROUPS. I TALKED TO FORMER CHAIR  
19 BOB KLEIN. AND SIGNIFICANTLY, AS I SAID I WOULD, I  
20 TALKED TO DR. SHAPIRO TO GET HIS INPUT. AND I  
21 SUMMARIZE HIS RESPONSE BY SAYING THAT HE THOUGHT  
22 THIS WAS A STEP VERY MUCH IN THE RIGHT DIRECTION.  
23 CERTAIN THINGS HE THOUGHT MIGHT GO BEYOND WHAT WE  
24 DID; OTHER THINGS HE THOUGHT WE HIT SQUARELY. AND  
25 INVITE YOU, YOU HAVE THE E-MAIL THAT HE SENT TO ME

## BARRISTERS' REPORTING SERVICE

1 THE NIGHT BEFORE OUR WORKSHOP. YOU HAVE DR.  
2 SHAPIRO'S E-MAIL AND SENTIMENT IN YOUR PACKAGE THERE  
3 AT THE CONCLUSION OF MY REPORT.

4 SO IF WE COULD PROCEED. SO NOW, BECAUSE  
5 THERE ARE ONLY CERTAIN ASPECTS OF THIS WHICH THIS  
6 BODY IS FOCUSING ON, I'M NOT SURE HOW MUCH OF THIS  
7 YOU WANT ME TO GO THROUGH, BUT THE RECOMMENDATIONS  
8 THAT I ADDRESSED IN MY PLAN DEALT WITH CONFLICTS,  
9 INCREASED INDUSTRY INVOLVEMENT, THE APPELLATE  
10 PROCESS AND GRANT REVIEW PROCESS, PROGRAMMATIC  
11 REVIEW, WHICH IS SOMETHING I'LL DEFINE WHEN WE GET  
12 INTO IT, AND THE ROLE OF PATIENT ADVOCATES, CHAIR  
13 AND PRESIDENT DIVISION OF RESPONSIBILITIES,  
14 INTELLECTUAL PROPERTY ISSUES, AND SUSTAINABILITY,  
15 COUPLE OTHERS.

16 THERE WERE SORT OF A --

17 CHAIRMAN CHIANG: ARE THERE ANY PARTICULAR  
18 ITEMS THAT THE MEMBERS WANT TO HEAR ABOUT?

19 MEMBER LIPSON: YES. ONE SPECIFIC ITEM  
20 BASICALLY.

21 CHAIRMAN THOMAS: CONFLICTS.

22 MEMBER LIPSON: YES. AS I NOTED THREE  
23 YEARS AGO OR MORE WHEN I CAME ON THE BOARD, HAVING  
24 DEANS OF ALL THE MEDICAL SCHOOLS IN CALIFORNIA AS  
25 BOARD MEMBERS IS A REAL PROBLEM BECAUSE I WAS TOLD

## BARRISTERS' REPORTING SERVICE

1 AT THE TIME EACH MEDICAL SCHOOL IS GETTING AWARDS, I  
2 THINK, BETWEEN TEN AND \$80 MILLION FOR THAT YEAR,  
3 WHICH MEANS NO ONE IS GOING TO VOTE AGAINST ANYTHING  
4 FOR ANYONE ELSE BECAUSE THEY'RE ALL GETTING GOODIES.  
5 EVEN ABSTAINING FROM YOUR OWN INSTITUTION, THERE'S A  
6 BUILT-IN SORT OF BIAS ON THE PART OF EACH DEAN.

7 THE SECOND ISSUE IS DEANS ARE NOT  
8 NECESSARILY KNOWLEDGEABLE IN STEM RESEARCH. IN  
9 FACT, THEY USUALLY AREN'T. WE HAVE A DEAN WHO'S AN  
10 OPHTHALMOLOGIST AT USC. SO THE QUESTION IS HAVING  
11 MEMBERS, IF YOU'RE GOING TO HAVE ONE FROM EACH  
12 INSTITUTION WHO IS THEIR LEADER IN THE AREA OF STEM  
13 CELL RESEARCH OR ONE OF THEIR TOP PEOPLE RATHER THAN  
14 AN INDIVIDUAL WHO IS THERE FOR SHOW REALLY MORE THAN  
15 ANYTHING ELSE. AND THE IDEA OF, I THINK, HAVING,  
16 THEREFORE, PEOPLE VOTING WHEN THEY'RE GOING TO HAVE  
17 COLLEAGUES GETTING THINGS WHICH THEY FIGURE WILL  
18 COME BACK ONTO THEM IS A CONFLICT OF INTEREST.

19 CHAIRMAN CHIANG: ANYBODY ELSE WANT ANY  
20 ITEMS? ONE AND FIVE FOR ME. ITEMS ONE AND FIVE.

21 CHAIRMAN THOMAS: SO WE'LL START WITH THE  
22 CONFLICTS. SO WE'VE HEARD THIS FROM YOU, DR.  
23 LIPSON, BEFORE. WE'VE HEARD IT FROM LITTLE HOOVER,  
24 WE HEARD IT FROM EXTRAORDINARY ADVISORY PANEL, AND  
25 WE HEARD IT FROM THE IOM. SO CLEARLY WE NEEDED TO

## BARRISTERS' REPORTING SERVICE

1 DO SOMETHING ABOUT IT.

2 JUST TWO SECONDS OF BACKGROUND ON HOW  
3 THINGS CURRENTLY WORK. AS YOU KNOW, OUR PEER REVIEW  
4 GROUP IS MADE UP OF STEM CELL EXPERTS FROM AROUND  
5 THE WORLD LITERALLY WHO ARE CONVENED AND COME IN  
6 NONE OF WHICH HAVE ANY CONNECTION WITH CALIFORNIA  
7 WHATSOEVER. SO THE INITIAL PEER REVIEW CUT DONE BY  
8 THE SCIENTISTS IS ENTIRELY CONFLICT FREE.

9 MEMBER LIPSON: I DISAGREE WITH THAT.

10 CHAIRMAN THOMAS: OKAY. I'D BE VERY HAPPY  
11 TO HEAR WHAT YOU THINK WE SHOULD DO TO IMPROVE THAT  
12 AS WELL, BUT THEY ARE ALL OUT OF CALIFORNIA  
13 SCIENTISTS. SO THEY GO THROUGH THE PEER REVIEW,  
14 THEY GO THROUGH THE SCORING. CURRENTLY IS THEN  
15 SUBJECT TO WHAT WE CALL PROGRAMMATIC REVIEW, WHICH  
16 TYPICALLY DEALS WITH NONSCIENCE ASPECTS OF THE  
17 PARTICULAR PROPOSALS. A VOTE IS TAKEN ON ADVANCING  
18 THE SLATE OF PROJECTS TO THE BOARD.

19 THE BOARD SEES THESE PROJECTS BLINDLY,  
20 WHICH MEANS AS THEY SIT THERE AND LOOK AT THE  
21 PROPOSALS THAT ARE UP ON THE SCREEN, THEY DON'T KNOW  
22 WHICH INSTITUTIONS ARE THE SUBJECT MATTER OF THE  
23 INDIVIDUAL PROPOSALS. SO THEY'RE, AS BEST THEY CAN,  
24 EVALUATING THEM ON MERIT DIVORCED FROM ANY SORT OF  
25 INSTITUTIONAL BIAS.

## BARRISTERS' REPORTING SERVICE

1            THEN FOLLOWING THAT THEY THEN -- PUT ASIDE  
2            THE ISSUE OF APPEALS, WHICH I DON'T THINK YOU'RE  
3            INTERESTED IN. BUT AT THE END OF THE DISCUSSION BY  
4            THE BOARD, THE BOARD THEN VOTES. EACH MEMBER OF THE  
5            BOARD HAS IN FRONT OF HIM OR HER A LIST OF GRANT  
6            PROPOSALS THAT ARE CONFLICTS FOR THEM INDIVIDUALLY.  
7            AND BECAUSE THEY'RE CONFLICTS, THEY ARE NOT ALLOWED  
8            TO PARTICIPATE IN THE DISCUSSION OF A PARTICULAR  
9            AWARD THAT PERTAINS TO THEM AND THAT THEY ARE  
10           CONFLICTED WITH. THEY GO THROUGH THE WHOLE  
11           DISCUSSION. AGAIN, THE ENTIRE THING IS BLIND WITH  
12           RESPECT TO WHICH INSTITUTIONS YOU'RE VOTING ON.  
13           THEN THE BOARD VOTES. AND THAT'S HOW IT ULTIMATELY  
14           ARRIVES AT THE SLATE OF AWARDS THAT IT GIVES.

15                        I SHOULD NOTE WE DID A STUDY WHICH SHOWED  
16                        THAT SOME 98 PERCENT OF THE TIME THE BOARD APPROVES  
17                        THE PEER REVIEW RECOMMENDATIONS. WE'VE HAD ROUGHLY  
18                        2 PERCENT OF THE TIME THAT THAT HAS NOT BEEN THE  
19                        CASE FOR A VARIETY OF REASONS. SO THAT'S HOW IT IS  
20                        AT THE MOMENT.

21                        AS I THINK REBECCA POINTED OUT, YOU HAVE  
22                        THE SITUATION WHERE YOU HAVE RECUSALS AND THAT SORT  
23                        OF THING. WHEN THE VOTES ACTUALLY COME UP, THEY  
24                        CAN'T VOTE ON THEIR OWN PROJECTS, ETC. UNDERSTAND  
25                        THAT THAT HAS BEEN DEEMED NOT SUFFICIENT BECAUSE

## BARRISTERS' REPORTING SERVICE

1 THERE'S STILL, AS YOU POINT OUT, THIS PERCEPTION  
2 THAT YOU'RE VOTING YOURSELF MONEY. AND THAT IS AT A  
3 MINIMUM A PERCEPTION OF CONFLICT. I THINK WE'VE  
4 GONE BACK OVER OUR EIGHT YEARS AND 1300 PLUS AWARDS  
5 THAT WE'VE MADE, AND WE HAVEN'T ACTUALLY FOUND A  
6 SINGLE VOTE TO AWARD THAT INVOLVED SOMEBODY WHO WAS  
7 CONFLICTED IN MAKING THAT VOTE. PUTTING ALL THAT  
8 ASIDE, THERE STILL IS THE PERCEPTION, AND PERCEPTION  
9 CAN BECOME REALITY FOR THE PUBLIC AND THAT SORT OF  
10 THING.

11 SO I FIGURED WE NEEDED TO DO SOMETHING  
12 VERY DRAMATIC TO ADDRESS THIS PERCEPTION ISSUE.  
13 THERE WERE A NUMBER OF OPTIONS THAT ONE COULD  
14 CONSIDER. YOU COULD START REMOVING MEMBERS FROM  
15 THOSE INSTITUTIONS FROM THE BOARD AND REPLACING THEM  
16 WITH OTHER PEOPLE FROM DIFFERENT WALKS. IT WAS MY  
17 OPINION THAT DOING THAT, NO. 1, WOULD ABSOLUTELY  
18 REQUIRE AT LEAST LEGISLATION, MAYBE EVEN AN  
19 ADDITIONAL BALLOT MEASURE. NO. 2, WOULD PULL THEM  
20 OUT OF THE MANY DISCUSSIONS THAT WE HAVE AT THE  
21 BOARD LEVEL THAT DEAL WITH VERY IMPORTANT THINGS  
22 BEYOND VOTING ON GRANTS, SUCH AS THE STRATEGIC PLAN,  
23 TRANSITION, ALL THAT SORT OF THING, AND THEY DO  
24 HAVE -- THEY ARE FROM THE INSTITUTION THAT IS DOING  
25 THE RESEARCH. SO WHILE THEY MAY NOT BE EXPERTS



## BARRISTERS' REPORTING SERVICE

1 THEMSELVES, THEY CERTAINLY HAVE INPUT THAT IS  
2 RELEVANT TO THE FIELD AND THE STRATEGY AND HOW THIS  
3 WHOLE THING CONTINUES TO EVOLVE.

4 SO I DIDN'T WANT TO PULL THEM OFF. I JUST  
5 DIDN'T THINK THAT WAS A GOOD IDEA AND WOULD TAKE  
6 AWAY PEOPLE WHO WOULD GIVE THE BOARD AND, THEREFORE,  
7 THE TAXPAYERS THE BEST CHANCE TO ACTUALLY MAKE THE  
8 MOST INFORMED DECISIONS.

9 BUT KEEPING IN MIND YOU HAVE THIS CONFLICT  
10 ISSUE, WHAT I PUT IN PLACE WAS, INSTEAD OF HAVING  
11 THEM DO WHAT THEY DO, FROM THE TIME THAT OUR PLAN IS  
12 FORMALLY ADOPTED, GOING FORWARD NO MEMBER FROM ANY  
13 INSTITUTION CAN VOTE ON ANY GRANT, PERIOD. THEY'RE  
14 GOING TO ABSTAIN FROM EVERY VOTE HEREAFTER. AND AS  
15 A RESULT, THEY CAN'T BE VOTING ON MONEY GOING TO  
16 THEMSELVES. THERE'S BEEN TALK THAT, HEY, IF I  
17 SCRATCH YOUR BACK, YOU'LL SCRATCH MINE. SO IF X  
18 VOTES FOR SOMETHING FOR Y, Y WILL VOTE FOR SOMETHING  
19 FOR X. CAN'T DO THAT ANYMORE BECAUSE THEY CAN'T  
20 VOTE ON ANYTHING GOING FORWARD.

21 SO WHAT WE'VE DONE IS WE'VE NOW KEPT THEM  
22 THERE FOR PURPOSES OF DISCUSSION AND STRATEGY AND  
23 OVERALL FEEL FOR WHAT WE'RE ABOUT GOING FORWARD AND  
24 DECISIONS THAT DIRECTLY AFFECT THE DIRECTION OF THE  
25 AGENCY, ETC., BUT THEY CAN'T VOTE ON ANYTHING. SO

## BARRISTERS' REPORTING SERVICE

1 WE'VE DEALT WITH THAT CONFLICT ISSUE, WHICH I THINK  
2 IS EXACTLY, THAT'S NOT NECESSARILY WHAT YOU  
3 RECOMMENDED AS THE WAY TO DO IT, BUT I THINK IS IN  
4 FULL CONFORMITY WITH WHAT YOU'VE BEEN SUGGESTING WE  
5 SHOULD DO FOR MANY YEARS.

6 MEMBER LIPSON: RIGHT. BUT IN ADDITION,  
7 THEY SHOULDN'T BE PRESENT DURING THE VOTE SO THEY  
8 CAN'T SEE WHO VOTED FOR WHAT.

9 CHAIRMAN THOMAS: REMEMBER, OTHER THAN  
10 THEIR PARTICULAR PROJECT, THEY DON'T KNOW WHO'S  
11 VOTING FOR ANYTHING. IT'S ALL BLIND. ALL THEY SEE  
12 ARE NUMBERS UP THERE.

13 MEMBER LIPSON: NO ONE SEES HOW ANYONE  
14 VOTES; IS THAT CORRECT?

15 CHAIRMAN THOMAS: WELL, YOU SEE THEM VOTE,  
16 BUT YOU DON'T KNOW WHAT PROJECTS THEY'RE VOTING ON  
17 BECAUSE THERE'S NO LIST UP THERE THAT IDENTIFIES THE  
18 PROJECTS BY INSTITUTION.

19 MEMBER LIPSON: SOMETIMES, THOUGH, HAVING  
20 PEOPLE THERE FROM THE INSTITUTIONS MAY INFLUENCE HOW  
21 PEOPLE VOTE. AND SOMETIMES PEOPLE KNOW WHERE  
22 INSTITUTIONS -- WHAT GRANTS COME FROM WHICH  
23 INSTITUTIONS BECAUSE THE STEM CELL AREA IS A VERY  
24 TIGHT AREA.

25 CHAIRMAN THOMAS: IT'S NOT EASY TO TELL

## BARRISTERS' REPORTING SERVICE

1 BECAUSE MULTIPLE INSTITUTIONS WORK ON THE SAME  
2 DISEASE AND MULTIPLE -- MANY TIMES YOU'LL HAVE  
3 APPLICATIONS THAT INVOLVE A NUMBER OF DIFFERENT  
4 BODIES. FOR EXAMPLE, OUR DISEASE TEAMS COULD HAVE  
5 REPRESENTATIVES FROM VARIOUS PLACES. IT'S VERY  
6 TOUGH. IF YOU DON'T KNOW WHAT YOU'RE LOOKING AT UP  
7 THERE, YOU CAN'T SAY, OH, WELL, THAT'S A UC DAVIS  
8 PROJECT, FOR EXAMPLE. IT'S JUST VERY DIFFICULT TO  
9 DO.

10 MEMBER LIPSON: BUT IS THERE ANYTHING  
11 HARMFUL IN HAVING THAT GROUP TOTALLY EXCUSED FROM  
12 THE ROOM WHILE THE VOTING IS TAKING PLACE? IT WON'T  
13 MAKE ANY DIFFERENCE.

14 CHAIRMAN THOMAS: WELL, WE COULD -- LET ME  
15 TALK TO OUR COUNSEL HERE. IT GETS INTO QUORUM  
16 ISSUES AND EVERYTHING ELSE.

17 MR. HARRISON: WE DO HAVE A POLICY IN  
18 PLACE WHEN AN APPLICATION OR APPLICANT INSTITUTION  
19 IS IDENTIFIED BECAUSE THEY'VE, FOR EXAMPLE, SENT A  
20 LETTER TO THE BOARD IDENTIFYING THEMSELVES AS THE  
21 PRINCIPAL INVESTIGATOR AND IDENTIFYING THEIR  
22 INSTITUTION. UNDER THOSE CIRCUMSTANCES WHEN THERE'S  
23 A DISCUSSION OF THAT APPLICATION, THE MEMBER FROM  
24 THAT INSTITUTION HAS TO LEAVE THE ROOM. SO WHERE  
25 IT'S KNOWN WHERE THE PROVENANCE OF THE APPLICATION

## BARRISTERS' REPORTING SERVICE

1 IS KNOWN AND THAT APPLICATION IS DISCUSSED, WE DO  
2 ASK THE MEMBERS TO LEAVE THE ROOM.

3 MEMBER LIPSON: RIGHT. BUT THEN EVERYONE  
4 ELSE KNOWS WHERE THE INSTITUTION THAT'S PUTTING IT  
5 IN IS. SO WHAT I'M SAYING IS IF YOU REALLY WANT TO  
6 HAVE CONFLICT FREE, JUST DON'T HAVE THEM INVOLVED  
7 WITH DISCUSSION OR VOTING.

8 MR. HARRISON: SO THAT RAISES CHALLENGES  
9 FOR US IN TERMS OF MAINTAINING A QUORUM. THESE  
10 MEMBERS ARE ELIGIBLE TO VOTE. WE'RE ASKING THEM TO  
11 RECUSE THEMSELVES. SO IF THEY WERE TO LEAVE THE  
12 ROOM, THEN WE WOULD LOSE OUR QUORUM AND WE WOULD BE  
13 UNABLE TO TAKE ACTION. SO WE HAVE A LEGAL CHALLENGE  
14 THERE THAT WOULD BE DIFFICULT TO OVERCOME.

15 CHAIRMAN THOMAS: I'D ALSO LIKE TO POINT  
16 OUT THAT THE INSTANCES WHERE THE INSTITUTION WILL BE  
17 IDENTIFIED PRINCIPALLY WOULD ARISE, AS IT CURRENTLY  
18 STANDS, THROUGH OUR APPEALS PROCESS WHERE YOU WOULD  
19 HAVE SOMEBODY COME FROM SOME INSTITUTION THAT WAS  
20 TURNED DOWN, AND THEY'D SAY I'M SO-AND-SO FROM X AND  
21 HERE'S WHY THEY MADE A MISTAKE IN NOT APPROVING ME.  
22 THAT WOULD GET THE NAME OUT IN PUBLIC.

23 ONE OF THE THINGS WE'RE DOING IS WE'VE NOW  
24 TAKEN AWAY THE APPELLATE PROCESS THAT FORMERLY WENT  
25 TO THE BOARD AND WE'RE NOW PUTTING IT DIRECTLY TO

## BARRISTERS' REPORTING SERVICE

1 STAFF, WHO WILL EVALUATE AND DECIDE WHETHER THERE  
2 SHOULD BE ADDITIONAL REVIEW BY THE SCIENTISTS ON THE  
3 PEER REVIEW GROUP. AND BECAUSE WE'VE DONE AWAY WITH  
4 THAT NOW, YOU DON'T HAVE THE SAME AVENUE WHERE THEY  
5 CAN SELF-IDENTIFY AND THE REST OF THE BOARD KNOWS  
6 WHICH INSTITUTION YOU'RE TALKING ABOUT. SO IT'S  
7 ANOTHER WAY OF DEALING WITH THE CONFLICTS ISSUE.

8 MEMBER LIPSON: RIGHT. BUT IF SOMEONE  
9 WALKS OUT OF THE ROOM WHEN THE GRANT IS GOING TO BE  
10 VOTED ON, THAT AUTOMATICALLY TELEGRAPHS THAT IT'S  
11 FROM THAT INSTITUTION.

12 MEMBER KOVACH: THAT'S WHY YOU WOULDN'T  
13 WANT THEM TO LEAVE THE ROOM. YOU KEEP THE QUORUM,  
14 PLUS YOU'RE NOT SIGNALING THAT -- YOU'RE DRAWING  
15 KIND OF A SIGNAL TO THE FACT THAT THIS IS FROM THEIR  
16 INSTITUTION. IT SEEMS TO ME WHAT YOU'VE DONE IS, AT  
17 LEAST IN MY EYES, REALLY KIND OF GETTING RIGHT AT  
18 ONE OF THE ISSUES THAT HAS BEEN RAISED BEFORE IN  
19 TERMS OF CONFLICT.

20 CHAIRMAN THOMAS: WE THINK SO. ANY OTHER  
21 THOUGHTS ON THE CONFLICT ISSUE? JOHN, WE SORT OF  
22 ADDRESSED THAT ISSUE. YOU HAVE ADDITIONAL QUESTIONS  
23 ON THAT?

24 CHAIRMAN CHIANG: CAN YOU ELABORATE MORE  
25 ON FIVE?

## BARRISTERS' REPORTING SERVICE

1 CHAIRMAN THOMAS: SURE. WE'VE HAD THIS  
2 SORT OF CONCEPT OUT FLOATING AROUND OUT THERE FOR  
3 QUITE SOME TIME OF DUAL EXECUTIVES AND OVERLAPPING  
4 RESPONSIBILITIES AND ALL THAT SORT OF THING. AND SO  
5 IN TAKING THE RECOMMENDATIONS OF THE IOM, IT WAS MY  
6 OPINION THAT WHAT WE SHOULD BE DOING WITH RESPECT TO  
7 THE FULL SPECTRUM OF TASKS THAT ONE HAS TO ATTEND TO  
8 TO MAKE THE AGENCY WORK, THAT WE SHOULD FOCUS THOSE  
9 TASKS OR LINK THOSE TASKS WITH THE PEOPLE WHO ARE  
10 BEST SUITED TO UNDERTAKE THEM TO MAKE THEM DONE  
11 EFFICIENTLY AND DONE IN THE BEST MANNER POSSIBLE.

12 SO IT WAS MY OPINION THAT, WITH RESPECT TO  
13 ANYTHING THAT HAS TO DO WITH THE SCIENTIFIC  
14 OPERATIONS OF THE AGENCY, WHICH WOULD INCLUDE ALL  
15 THE SORTS OF THINGS WE'VE BEEN TALKING ABOUT TODAY,  
16 THE REVIEW GROUPS, THE GRANTS MANAGEMENT, THE  
17 DEALING WITH THE REGULATORY AGENCIES, DEALING WITH  
18 THE NIH, DEALING WITH OUR COLLABORATIVE FUNDING  
19 PARTNERS, WHICH WE DIDN'T REALLY DEFINE VERY WELL,  
20 BUT IS THAT UNIVERSE OF CONNECTIONS AND NETWORKING  
21 WE HAVE WITH THE WORLD WHERE WE HAVE 22  
22 COLLABORATIVE FUNDING AGREEMENTS WITH EITHER  
23 DIFFERENT COUNTRIES OR WITH NIH OR WITH STATES OR  
24 WITH STATES WITHIN COUNTRIES OR WITH DISEASE  
25 FOUNDATIONS. ALL THAT STUFF HAS TO DO WITH THE

## BARRISTERS' REPORTING SERVICE

1 SCIENTIFIC OPERATIONS OF THE ORGANIZATION. AND ALL  
2 OF THAT YOU WOULD EXPECT TO BE SOMETHING THAT A  
3 SCIENTIST PRESIDENT WOULD BE ABLE TO ADDRESS RIGHT  
4 WITHIN HIS OR HER WHEELHOUSE. AND SO I WOULD SAY  
5 ALL OF THAT STUFF, WHICH IS A LOT, WOULD BE IN THE  
6 PROVINCE OF THE PRESIDENT.

7 THERE'S A LOT OF THE OTHER STUFF THE  
8 AGENCY NEEDS TO WORK THAT YOU WOULDN'T EXPECT A  
9 SCIENTIST PRESIDENT TO HAVE AS SKILL SETS, AND THIS  
10 IS THINGS LIKE GOVERNMENT RELATIONS, BOND FINANCING,  
11 PUBLIC COMMUNICATIONS WITH THE LAY PUBLIC AS OPPOSED  
12 TO THE SCIENCE MEDIA, THINGS OF THAT SORT OF I LK.  
13 AND MY SENSE IS THAT THOSE THINGS ARE NOT SOMETHING  
14 YOU WANT THE PRESIDENT TO BE ATTENDING TO. JUST  
15 LIKE THE SCIENCE STUFF ISN'T SOMETHING YOU WANT THE  
16 CHAIR TO BE ATTENDING TO. SO THE CHAIR, WHICH ALAN  
17 WILL READILY BACK ME UP, DOESN'T MEDDLE IN THE  
18 SCIENTIFIC OPERATIONS. IS THAT FAIR? CURRENT CHAIR  
19 AT ANY RATE. BUT THESE OTHER THINGS, WHICH ARE NOT  
20 IN THAT SAME SET OF SKILL SETS, I THINK, SHOULD BE  
21 ATTENDED TO BY THE PERSON BEST SET UP TO DO THAT.

22 THE OTHER BIG ISSUE, OF COURSE, IS  
23 SUSTAINABILITY, RAISING FUNDS. IF WE'RE GOING TO  
24 TRY TO PERPETUATE CIRM, WHICH IS SOMETHING THAT'S A  
25 VERY FRONT-BURNER ISSUE FOR ME BECAUSE WE HAVE ALL

## BARRISTERS' REPORTING SERVICE

1 THIS GREAT SCIENCE OUT THERE, IT'S GOING TO BE  
2 MIDSTREAM LARGELY BY THE TIME WE RUN OUT OF MONEY TO  
3 AWARD, SO WHAT CAN WE DO TO PERPETUATE THAT. AND  
4 VERY HONORED THAT THE IOM THOUGHT ENOUGH OF CIRM AND  
5 WHAT IT IS TO LIST SUSTAINABILITY AS ONE OF THE  
6 HIGHEST PRIORITIES. ALL OF THESE THINGS SHOULD BE,  
7 IN MY OPINION, DONE BY THE PERSON WHO'S BEST SUITED  
8 TO DO THAT.

9 SO FAR FROM OVERLAPPING RESPONSIBILITIES,  
10 WHAT YOU'VE DONE UNDER THE WAY I'VE DEFINED IT IS  
11 GIVE THE ORGANIZATION THE BEST CHANCE TO ADDRESS  
12 EVERYTHING IT NEEDS TO COMPREHENSIVELY BY THE RIGHT  
13 PEOPLE. AND IN SO DOING, GIVE YOURSELF THE BEST  
14 SHOT OF SUCCESS. SO THAT'S HOW I WOULD ADDRESS THAT  
15 ISSUE.

16 MEMBER KOVACH: COULD YOU TALK MORE ABOUT  
17 THE APPEALS PROCESS? YOU TOUCHED ON IT BRIEFLY, BUT  
18 HOW WOULD IT WORK AGAIN?

19 CHAIRMAN THOMAS: SO CURRENTLY IF WE HAVE  
20 APPLICANTS WHO HAVE BEEN TURNED DOWN, THERE ARE  
21 DIFFERENT WAYS TO APPEAL. I MIGHT JUST LOOK TO  
22 JAMES TO LIST THEM BECAUSE IT INFORMS MY ANSWER.  
23 MAKE SURE I DON'T LEAVE ANYTHING OUT.

24 MR. HARRISON: CURRENTLY THERE'S ONLY A  
25 SINGLE AVENUE FOR WHAT WE CALL AN APPEAL, AND THAT'S



## BARRISTERS' REPORTING SERVICE

1 AN APPEAL BASED ON A CONFLICT OF INTEREST. HOWEVER,  
2 BECAUSE CIRM IS A PUBLIC BODY, MEMBERS OF THE  
3 PUBLIC, INCLUDING APPLICANTS, OF COURSE, ARE FREE TO  
4 CONTACT THE BOARD AND TO APPEAR AT BOARD MEETINGS  
5 AND OFFER PUBLIC COMMENT. WHEN APPLICANTS BEGAN TO  
6 SEND LETTERS TO THE BOARD OR TO APPEAR AT PUBLIC  
7 MEETINGS, WE DEVELOPED WHAT WE CALL THE  
8 EXTRAORDINARY PETITION POLICY, WHICH REQUIRED THAT  
9 THEY DO SO IN WRITING, SUBMIT IT TO CIRM STAFF AT  
10 LEAST FIVE DAYS BEFORE A BOARD MEETING SO THAT STAFF  
11 WOULD HAVE AN OPPORTUNITY TO EVALUATE THESE ISSUES  
12 BEFORE THE BOARD WOULD ACTUALLY BE PRESENTED WITH  
13 THEM. SO WE HAVE THESE TWO DIFFERENT AVENUES UNDER  
14 THE EXISTING PROTOCOL.

15 CHAIRMAN THOMAS: SO WHAT SORT OF GOT THE  
16 ATTENTION OF THE IOM WAS THIS EXTRAORDINARY PETITION  
17 POLICY BECAUSE YOU'VE STARTED TO SEE INCREASINGLY  
18 MORE APPLICANTS WHO HAD BEEN TURNED DOWN COMING TO  
19 PRESENT. AND IN THE PAST THE BOARD HAD HEARD THESE  
20 APPEALS, AND IN SOME INSTANCES IT ACTUALLY ACTED ON  
21 THEM AS THEY WERE HAPPENING.

22 NOW, BECAUSE MOST OF WHAT GETS APPEALED IS  
23 SCIENTIFIC IN NATURE, LAST JULY I SAID AT THE BOARD  
24 MEETING I DON'T GET THIS. WE'RE NOT AS A BOARD  
25 EQUIPPED TO BE ABLE TO FIGURE OUT WHETHER WHAT YOU

## BARRISTERS' REPORTING SERVICE

1 ARE SAYING IS VALID OR NOT, SO WE SHOULD START  
2 SENDING THESE THINGS BACK TO THE PEER REVIEW GROUP  
3 TO ANALYZE THESE SCIENTIFIC APPEALS. AND SO WE DID  
4 THAT.

5 AND WE WERE SORT OF IN THE MIDDLE OF THE  
6 PROCESS OF REFINING THAT POLICY WHEN THE IOM REPORT  
7 CAME OUT AND HIGHLIGHTED THIS EXTRAORDINARY PETITION  
8 PRACTICE AS A PROBLEM. AND SO WHEN I WAS GOING  
9 THROUGH HOW TO PUT THIS WHOLE PLAN TOGETHER, I TOOK  
10 THE IOM ADVICE TO HEART. AND I SAID WE NEED TO DEAL  
11 WITH THIS IN A WAY THAT DOESN'T HAVE BUSINESS AS  
12 USUAL ON EXTRAORDINARY PETITIONS BECAUSE IT'S JUST  
13 CREATING TOO MUCH CONTROVERSY AND DRAMA, ETC.

14 SO WHAT WE'VE NOW DONE IS, INSTEAD OF ANY  
15 APPEALS COMING TO THE BOARD, THEY NOW GO TO STAFF.  
16 STAFF EVALUATES THESE PETITIONS, DECIDES WHETHER OR  
17 NOT THEY HAVE SUFFICIENT MERIT TO WARRANT REVIEW BY  
18 THE PEER REVIEW GROUP AGAIN OR SOME SUBSET THEREOF.  
19 AND THESE ARE ISSUES -- WE'RE DEFINING WHAT THE  
20 CRITERIA WOULD BE, BUT IT'S THINGS LIKE, WELL, THEY  
21 DIDN'T UNDERSTAND WHAT I ACTUALLY SAID IN MY  
22 PROPOSAL. HERE'S WHAT IT REALLY MEANS. IS THAT  
23 ADEQUATE TO GET ANOTHER REVIEW? OR WE HAVE HAD IN  
24 THE PAST MATERIAL NEW DEVELOPMENTS. WE HAD ONE, FOR  
25 EXAMPLE, THAT WAS TURNED DOWN BECAUSE THEY DIDN'T

## BARRISTERS' REPORTING SERVICE

1 THINK THEY'D EVER GET AN IND. WELL, IN BETWEEN THAT  
2 MEETING AND THE BOARD, THEY GOT AN IND. SO THAT  
3 AFFECTED THEIR PARTICULAR PROPOSAL OBVIOUSLY.

4 BUT WHAT WE WANTED TO DO WAS TO GIVE IT TO  
5 STAFF AND THE SCIENTISTS, WHICH IS WHERE THE APPEALS  
6 PROPERLY ARE. SO IF YOU HAVE THE APPEALS COME IN,  
7 YOU'VE ALREADY HAD THE PEER REVIEW GROUP HAVE ITS  
8 LIST AND SCORES AND EVERYTHING ELSE. IF THEY DECIDE  
9 SOMETHING ELSE SHOULD BE SCORED HIGHER, THEY'LL  
10 ACCORDINGLY SO NOTE. AND THAT WILL BE PART OF THE  
11 SLATE THAT COMES BACK TO THE BOARD.

12 NOW, THERE'S OTHER ASPECTS OF THAT DEALING  
13 WITH PROGRAMMATIC REVIEW, WHICH I'M HAPPY TO  
14 DESCRIBE IF ANYBODY IS INTERESTED, BUT THAT'S HOW WE  
15 TOOK CARE OF THAT ISSUE. AND WE'VE NOW TAKEN  
16 EXTRAORDINARY PETITIONS COMPLETELY AWAY FROM THE  
17 BOARD.

18 NOW, HAVING SAID THAT, AT THE END OF EVERY  
19 MEETING, WE HAVE PUBLIC COMMENT. WE'RE A PUBLIC  
20 AGENCY. SOMEBODY CAN STILL STAND UP, BUT THE  
21 LIKELIHOOD OF THAT, HAVING GONE THROUGH RE-REVIEW,  
22 WE'RE NOT RE-REVIEWING EVERYTHING ELSE, THE  
23 LIKELIHOOD OF THAT EVER GETTING ANYWHERE IS DE  
24 MINIMIS. SO THAT'S HOW WE'VE DEALT WITH THE APPEAL  
25 PROCESS.

**BARRISTERS' REPORTING SERVICE**

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MEMBER KOVACH: THANK YOU.

CHAIRMAN CHIANG: VERY GOOD. NEXT ITEM,  
PUBLIC COMMENT.

CHAIRMAN THOMAS: THANK YOU, REBECCA.

CHAIRMAN CHIANG: THERE'S NOBODY HERE TO  
MAKE PUBLIC COMMENT. BOARD MEMBER TIME. SO WE ARE  
NOW ADJOURNED. THANK YOU.

(THE MEETING WAS THEN ADJOURNED AT  
01:25 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 W. 7TH STREET, 12TH FLOOR  
LOS ANGELES, CALIFORNIA  
ON  
FEBRUARY 20, 2013

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



BETH C. DRAIN, CSR 7152  
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