

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

LOCATION: METROPOLITAN WATER DISTRICT  
700 N. ALAMEDA STREET  
LOS ANGELES, CALIFORNIA

DATE: FRIDAY, JANUARY 28, 2011:  
2 P.M.

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

BRS FILE NO.: 88990

## BARRISTERS' REPORTING SERVICE

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## BARRISTERS' REPORTING SERVICE

1 LOS ANGELES, CALIFORNIA; FRIDAY, JANUARY 28, 2011

2 2 P.M.

3

4

CHAIRMAN CHIANG: GOOD AFTERNOON. OKAY.

5

WE'LL BEGIN WITH THE PLEDGE OF ALLEGIANCE. IF I CAN

6

ASK EVERYBODY TO RISE.

7

(THE PLEDGE OF ALLEGIANCE.)

8

CHAIRMAN CHIANG: NEXT ITEM IS THE OATH OF

9

OFFICE. WE HAVE A NEW CFAOC MEMBER. I'D LIKE TO

10

WELCOME DR. JAMES KOVACH TO CFAOC. HE WAS JUST

11

APPOINTED BY THE ICOC CHAIR TO REPLACE DR.

12

HOLLANDER.

13

(THE OATH OF OFFICE WAS THEN

14

ADMINISTERED BY THE CONTROLLER.)

15

CHAIRMAN CHIANG: LET ME CALL TO ORDER

16

THIS MEETING AND DO THE ROLL CALL.

17

DANIEL BRUNNER.

18

MEMBER BRUNNER: PRESENT.

19

CHAIRMAN CHIANG: DR. JAMES KOVACH.

20

MEMBER KOVACH: PRESENT.

21

CHAIRMAN CHIANG: DR. LOREN LIPSON.

22

MEMBER LIPSON: PRESENT.

23

CHAIRMAN CHIANG: MR. JIM LOTT.

24

MEMBER LOTT: PRESENT.

25

CHAIRMAN CHIANG: DR. GURBINDER SADANA.

## BARRISTERS' REPORTING SERVICE

1 MEMBER SADANA: PRESENT.

2 CHAIRMAN CHIANG: WE HAVE A QUORUM.

3 ITEM NO. 4. I WANT TO THANK THE MEMBERS  
4 OF THE CITIZENS FINANCIAL ACCOUNTABILITY OVERSIGHT  
5 COMMITTEE FOR BEING WITH US THIS AFTERNOON. I KNOW  
6 THESE MEETINGS TAKE TIME OUT OF YOUR BUSY SCHEDULES,  
7 AND I APPRECIATE YOUR INTEREST AND DEDICATION TO  
8 PROTECTING CALIFORNIA'S SIGNIFICANT INVESTMENT IN  
9 STEM CELL RESEARCH.

10 WE ARE ALL HERE BECAUSE WE SHARE A  
11 COMMITMENT TO ENSURING THAT THE THREE TO \$6 BILLION  
12 PLEDGED FOR EMBRYONIC STEM CELL RESEARCH FUNDED BY  
13 THE HARD-EARNED DOLLARS OF CALIFORNIA TAXPAYERS IS  
14 SPENT LAWFULLY, WISELY, AND SUCCESSFULLY. I AM  
15 PROUD OF THE ROLE OF THIS COMMITTEE IN ALL THAT WE  
16 HAVE DONE IN PROVIDING THE NECESSARY OVERSIGHT OF  
17 THIS INVESTMENT. I ALSO AM VERY PROUD OF THE STEPS  
18 WE HAVE TAKEN TO DEMONSTRATE TRANSPARENCY IN THIS  
19 AREA OF STATE GOVERNMENT.

20 CALIFORNIANS DESERVE TO KNOW THE FULL  
21 STORY OF WHEN AND HOW THEIR TAXPAYER DOLLARS ARE  
22 BEING USED, PARTICULARLY WHEN THOSE DOLLARS ARE  
23 INVESTED OUTSIDE THE STATE OR EVEN OUTSIDE THE  
24 COUNTRY, TO ADVANCE THE SIGNIFICANT AND IMPORTANT  
25 RESEARCH.

## BARRISTERS' REPORTING SERVICE

1 WE MEET TODAY MORE THAN SIX YEARS AFTER  
2 THE VOTERS' PASSAGE OF PROPOSITION 71 FACING SOME  
3 VERY IMPORTANT QUESTIONS ABOUT THIS UNIQUE AND  
4 FAR-REACHING PROGRAM. WHAT HAVE WE LEARNED AT THIS  
5 STAGE OF THE INSTITUTE'S DEVELOPMENT? HOW CAN OUR  
6 DOLLARS BE BETTER SPENT? AND WHAT STEPS SHOULD BE  
7 TAKEN TO PLAN FOR THE PROGRAM'S FUTURE?

8 MY COLLEAGUES AND I ARE LOOKING FORWARD TO  
9 HEARING RECOMMENDATIONS FROM CIRM'S EXTERNAL REVIEW  
10 COMMITTEE ON HOW CIRM SHOULD MOVE FORWARD AND CIRM'S  
11 RESPONSE. AND, AGAIN, THANK YOU ALL FOR BEING HERE.  
12 I WELCOME ANY INTRODUCTORY REMARKS BY ANY OF THE  
13 COMMITTEE MEMBERS. WOULD ANYBODY LIKE TO OFFER ANY  
14 THOUGHTS?

15 WE'LL GO TO THE NEXT ITEM WHICH IS TO  
16 ADOPT THE TRANSCRIPT OF THE JANUARY 26, 2010, CFAOC  
17 MEETING. IS THERE A MOTION?

18 MEMBER LIPSON: SO MOVED.

19 CHAIRMAN CHIANG: WE HAVE A MOTION TO  
20 APPROVE. IS THERE A SECOND?

21 MEMBER SADANA: SECOND.

22 CHAIRMAN CHIANG: THERE'S A SECOND. ANY  
23 OBJECTION? WITHOUT OBJECTION, THE MOTION PASSES.

24 ITEM NO. 6 IS THE MACIAS, GINI &  
25 O'CONNELL, LLP PRESENTS THE INDEPENDENT FINANCIAL

## BARRISTERS' REPORTING SERVICE

1 AUDIT. MAY I HAVE A REPRESENTATIVE?

2 GOOD AFTERNOON AND PLEASE GIVE YOUR --  
3 SHARE YOUR NAME FOR THE RECORD.

4 MR. ROBERTSON: MY NAME IS RUSSELL  
5 ROBERTSON. I WAS THE MANAGER FROM MACIAS, GINI &  
6 O'CONNELL FOR THE FINANCIAL AUDIT OF 2010, THIS  
7 PREVIOUS YEAR AUDIT. I ALSO WOULD LIKE TO THANK THE  
8 COMMITTEE FOR THE OPPORTUNITY TO PRESENT THE RESULTS  
9 OF THAT AUDIT.

10 I WOULD ALSO LIKE TO THANK THE STAFF AND  
11 MANAGEMENT OF CIRM DURING THE AUDIT FOR THEIR  
12 ASSISTANCE BECAUSE A LOT OF QUESTIONS GO INTO AN  
13 AUDIT, SO WE APPRECIATE THEIR TIME AND WILLINGNESS  
14 TO PROVIDE THE INFORMATION NEEDED TO PERFORM THE  
15 AUDIT.

16 WE WERE ENGAGED TO PERFORM A FINANCIAL  
17 AUDIT OF CIRM'S JUNE 30TH, 2010, FINANCIAL  
18 STATEMENTS AND ULTIMATELY EXPRESS AN OPINION ON THE  
19 FINANCIAL POSITION FOR THAT YEAR ENDED. I DID A  
20 PRESENTATION AT THE ICOC MEETING, AND I POINTED OUT  
21 AND I THOUGHT IT WOULD BE IMPORTANT TO ALSO POINT IT  
22 OUT HERE AS WELL BECAUSE AT THAT MEETING I POINTED  
23 OUT THE DIFFERENCE BETWEEN THE AUDITOR, INDEPENDENT  
24 AUDITOR, AND THE MANAGEMENT OF CIRM AS FAR AS THE  
25 ROLES AND RESPONSIBILITIES GO.

## BARRISTERS' REPORTING SERVICE

1 IN THE INDEPENDENT AUDITOR'S CASE, OUR  
2 RESPONSIBILITY IS PLANNING AND PERFORMING THE AUDIT,  
3 TO OBTAIN REASONABLE ASSURANCE THAT THE FINANCIAL  
4 STATEMENTS ARE FAIRLY STATED IN ALL MATERIAL  
5 RESPECTS IN ACCORDANCE WITH UNDERLYING ACCOUNTING  
6 PRINCIPLES. WE DO ALSO REVIEW THE INTERNAL CONTROL  
7 STRUCTURE OF THE ENTITY; HOWEVER, WE DO NOT EXPRESS  
8 OPINION ON INTERNAL CONTROL. THE PURPOSE OF THAT IS  
9 BASICALLY TO DESIGN OUR AUDIT PROCEDURES WHEN WE  
10 CONDUCT THE AUDIT. HOWEVER, WE DO DO TESTING THAT  
11 INVOLVES INTERNAL CONTROL. AND IF THERE IS ANY  
12 COMPLIANCE ISSUES, WE DO PRESENT THOSE AS WELL IN  
13 OUR REPORT.

14 MANAGEMENT'S RESPONSIBILITIES ARE TO  
15 PREPARE THE FINANCIAL STATEMENTS IN ACCORDANCE WITH  
16 ACCOUNTING PRINCIPLES AND FOR ESTABLISHING A SYSTEM  
17 OF INTERNAL CONTROL TO PREVENT, DETECT ERRORS DURING  
18 THE NORMAL COURSE OF BUSINESS. IT IS ALSO  
19 MANAGEMENT'S RESPONSIBILITY TO ESTABLISH INTERNAL  
20 CONTROLS TO ENSURE COMPLIANCE WITH LAWS,  
21 REGULATIONS, CONTRACT PROVISIONS, AND OTHER MATTERS  
22 SIGNIFICANT TO THOSE FINANCIAL STATEMENTS.

23 IT'S MY UNDERSTANDING THAT IN YOUR BINDER  
24 YOU HAVE BEEN GIVEN THE TWO REPORTS THAT WE ISSUED.  
25 ONE IS OUR INDEPENDENT AUDITOR REPORT AND THE OTHER

## BARRISTERS' REPORTING SERVICE

1 IS THE REPORT TO THE ICOC, WHO IS THE GOVERNING BODY  
2 OVER CIRM. SO WE GIVE THEM A REPORT AS WELL.

3 I'M PLEASED TO REPORT THAT WE OBTAINED  
4 SUFFICIENT AND APPROPRIATE AUDIT EVIDENCE TO RENDER  
5 AN UNQUALIFIED OPINION FOR 2010. AND WHAT  
6 UNQUALIFIED OPINION IS, IT'S THE HIGHEST LEVEL  
7 ASSURANCE THAT AN INDEPENDENT AUDITOR CAN PROVIDE  
8 OVER AN ENTITY'S FINANCIAL STATEMENTS.

9 WE ALSO NOTED IN OUR INDEPENDENT AUDIT  
10 REPORT THAT THERE WERE NO MATERIAL OR SIGNIFICANT  
11 DEFICIENCIES IN INTERNAL CONTROL. AS I STATED  
12 BEFORE, WE DIDN'T OPINE ON INTERNAL CONTROLS, BUT WE  
13 DID NOT NOTE ANY DEFICIENCIES IN THAT STRUCTURE FOR  
14 THE PAST YEAR.

15 I JUST WANT TO TAKE A BRIEF MOMENT IN THE  
16 INDEPENDENT AUDITOR'S REPORT JUST TO POINT OUT SOME  
17 AREAS THAT I FEEL ARE IMPORTANT, WHEN YOU DO HAVE A  
18 CHANCE TO REVIEW THESE REPORTS, TO KIND OF POINT  
19 THESE AREAS OUT OF IMPORTANCE.

20 THE FIRST PART, IT'S IN THE BEGINNING,  
21 IT'S CALLED THE MANAGEMENT'S DISCUSSION AND  
22 ANALYSIS, AND IT'S PROBABLY THE FIRST SEVEN OR EIGHT  
23 PAGES IN THE REPORT. IN THIS AREA, MANAGEMENT HAS  
24 PROVIDED SOME FINANCIAL HIGHLIGHTS FOR THE READERS  
25 OF THESE FINANCIAL STATEMENTS. AND IT GIVES A HIGH

## BARRISTERS' REPORTING SERVICE

1 LEVEL VIEW OF KIND OF THE OPERATIONS FOR THE YEAR,  
2 ANY SIGNIFICANT CHANGES IN THE BALANCES, OR ANY KIND  
3 OF -- ANYTHING THEY THINK IS OF IMPORTANCE TO BRING  
4 UP FOR THE FISCAL YEAR.

5 FOLLOWING THAT SECTION ARE THE FINANCIAL  
6 STATEMENTS AND THE NOTES TO THOSE FINANCIAL  
7 STATEMENTS. AGAIN, I WOULD SUGGEST COMBINING USING  
8 THE MANAGEMENT DISCUSSION ANALYSIS AND THE NOTES  
9 WHEN YOU DO LOOK AT THESE FINANCIAL STATEMENTS. AND  
10 THE FINANCIAL STATEMENTS ARE THREE PAGES. THE OTHER  
11 INFORMATION PROVIDED ABOUT THESE FINANCIAL  
12 STATEMENTS ARE IMPORTANT BECAUSE IT GIVES MORE  
13 DETAIL OF WHAT THESE ACCOUNT BALANCES REALLY  
14 REPRESENT. AND ALSO IN THE NOTES IT PROVIDES, NOTE  
15 2 IN PARTICULAR, IT PROVIDES WHAT ACCOUNTING  
16 POLICIES THAT MANAGEMENT DID FOLLOW. SO IN CASE THE  
17 READER WANTED TO KNOW WHAT ACCOUNTING -- WHAT  
18 SIGNIFICANT ACCOUNTING POLICIES WERE USED, THAT ALSO  
19 IS PROVIDED THERE.

20 ALSO JUST BRIEFLY, I'D LIKE TO DISCUSS THE  
21 OTHER REPORT. IT'S THE REPORT TO THE CITIZENS  
22 OVERSIGHT COMMITTEE. AND THIS IS REQUIRED  
23 COMMUNICATIONS PER OUR STANDARDS. SO IN THIS REPORT  
24 WE WOULD REPORT ANYTHING SIGNIFICANT DURING THE  
25 YEAR. FOR EXAMPLE, THERE'S AN AREA IN THERE CALLED

## BARRISTERS' REPORTING SERVICE

1 SIGNIFICANT AUDIT FINDINGS. SO IF THERE WERE ANY  
2 AUDIT FINDINGS FOR THE YEAR, YOU WOULD SEE IN THAT  
3 SECTION OF THAT REPORT THE AUDIT FINDINGS THAT CAME  
4 ABOUT. AND, AGAIN, I'M HAPPY TO SAY THERE WERE NO  
5 SIGNIFICANT AUDIT FINDINGS FOR THE FISCAL YEAR 2010.

6 ALSO IN THERE WE DESCRIBE IF THERE'S ANY  
7 DIFFICULTIES IN THE AUDIT, ANY MISSTATEMENTS, ANY  
8 DISAGREEMENTS. AGAIN, THERE WERE NONE. SO OVERALL  
9 A VERY CLEAN AUDIT FOR 2010.

10 THE LAST THING I WANT TO POINT OUT IS WE  
11 ALSO WOULD DESCRIBE ANY SIGNIFICANT ESTIMATES THAT  
12 WERE USED OR ANY POLICY CHANGES FOR THE YEAR.  
13 AGAIN, YOU WILL SEE IN THAT REPORT THAT NO  
14 ACCOUNTING POLICIES WERE -- NO NEW ACCOUNTING  
15 POLICIES WERE USED FOR 2010, AND THE ONES THAT WERE  
16 IN PLACE, THERE WAS NO CHANGES. SO THAT GIVES A  
17 LEVEL OF COMPARABILITY FROM YEAR TO YEAR, SO WE KNOW  
18 THAT THEY'RE USING THE SAME POLICIES AND PROCEDURES.

19 I THINK FROM THIS DISCUSSION AND THE  
20 OPINION THAT WAS BROUGHT ABOUT, THE MANAGEMENT OF  
21 CIRM IS DOING A GOOD JOB OF PREPARING THESE  
22 FINANCIAL STATEMENTS AND PROVIDING THE NEEDED  
23 INFORMATION FOR THE INDEPENDENT AUDITOR, MYSELF, TO  
24 COME IN AND REVIEW. FOR THAT, I'D LIKE TO OPEN IT  
25 FOR ANY QUESTIONS.

## BARRISTERS' REPORTING SERVICE

1 CHAIRMAN CHIANG: ANY QUESTIONS BY THE  
2 MEMBERS? LET ME ASK A QUESTION. DO YOU ROUTINELY  
3 REVIEW THE INTERNAL CONTROLS EVEN THOUGH -- DO YOU  
4 HAVE ANY WRITTEN COMMENTS IN IT FOR ALL AUDITS BY  
5 YOUR FIRM?

6 MR. ROBERTSON: YES, WE WILL DOCUMENT THE  
7 SYSTEM. FROM A YEAR-TO-YEAR BASIS, WE'LL NOTE ANY  
8 CHANGES, ANY NEW PERSONNEL, ANY NEW KIND OF  
9 PROCEDURES USED, AND WE'LL ASSESS THOSE.

10 CHAIRMAN CHIANG: VERY GOOD. ARE THERE  
11 ANY COMMENTS BY A REPRESENTATIVE FROM THE FIRM ABOUT  
12 THE AUDIT?

13 DR. ROBSON: NOT REALLY.

14 MEMBER LOTT: JUST TO BE FAIR, MR.  
15 CHAIRMAN. NO MANAGEMENT LETTER?

16 MR. RUSSELL: THE LETTER TO ICOC IS WHAT  
17 IS THE REQUIRED COMMUNICATIONS, WHICH REPRESENTS THE  
18 MANAGEMENT LETTER, BUT YOU WILL NOTICE THERE'S NO  
19 FINDINGS. THERE'S NO WRITE-UPS. YEAH.

20 CHAIRMAN CHIANG: DOES ANYONE WANT TO  
21 PROVIDE A RESPONSE?

22 MS. FERGUSON: NO. THE ONLY THING I WOULD  
23 LIKE TO ADD IS -- MARGARET FERGUSON, FINANCE  
24 OFFICER, CALIFORNIA INSTITUTE FOR REGENERATIVE  
25 MEDICINE. AND WE FOUND -- NOW I LOST IT. THE ONLY

## BARRISTERS' REPORTING SERVICE

1 COMMENT I PROBABLY WOULD MAKE WAS THAT WE WORKED  
2 DILIGENTLY TO MAINTAIN INTERNAL CONTROLS, TO  
3 UNDERSTAND THE ACCOUNTING PROCESSES THAT ARE IN  
4 PLACE BECAUSE WE DO CONTRACT OUR ACCOUNTING WITH THE  
5 DEPARTMENT OF GENERAL SERVICES, BUT WE KEEP A TIGHT  
6 OVERVIEW AND OVERSEE EVERYTHING THAT HAPPENS WITH  
7 OUR ACCOUNTS AS WELL AS INTERACTIONS WITH THE  
8 CONTROLLER'S OFFICE ON OUR ACCOUNTS. AND WE'RE VERY  
9 ATTUNE TO THAT. AND IT'S VERY HIGH PRIORITY TO US.  
10 AND I THINK AS THE AUDIT HAS COME OUT CLEAN IS A  
11 REFLECTION OF THAT. ANY QUESTIONS?

12 CHAIRMAN CHIANG: NO.

13 MS. FERGUSON: THANK YOU.

14 CHAIRMAN CHIANG: LET ME INVITE CAROLYN  
15 BAEZ FROM MY OFFICE TO PRESENT THE REVIEW OF THE  
16 MACIAS FINANCIAL AUDIT.

17 MS. BAEZ: HI. GOOD AFTERNOON. I'M  
18 CAROLYN BAEZ, AND I'M AN AUDIT MANAGER WITH THE  
19 STATE CONTROLLER'S OFFICE FINANCIAL AUDITS BUREAU.  
20 I'M HERE TO PRESENT THE RESULTS OF SCO'S QUALITY  
21 CONTROL REVIEW OF MACIAS, GINI & O'CONNELL'S AUDIT  
22 OF CIRM FOR THE FISCAL YEAR 2009-10.

23 HEALTH AND SAFETY CODE SECTION 12590  
24 REQUIRES THE SCO TO CONDUCT A QUALITY CONTROL REVIEW  
25 OF CIRM'S ANNUAL AUDIT AND TO ISSUE A PUBLIC REPORT

## BARRISTERS' REPORTING SERVICE

1 OF THAT REVIEW.

2 WE COMPARED THE AUDIT WORK PERFORMED BY  
3 THE FIRM AS DOCUMENTED IN THE WORKING PAPERS WITH  
4 APPLICABLE AUDITING STANDARDS AND REQUIREMENTS,  
5 WHICH INCLUDE GOVERNMENT AUDITING STANDARDS,  
6 GENERALLY ACCEPTED AUDITING STANDARDS, AND  
7 CALIFORNIA BUSINESS AND PROFESSION CODE'S  
8 REQUIREMENTS. AND WE DETERMINED THAT THE AUDIT WAS  
9 PERFORMED IN ACCORDANCE WITH ALL APPLICABLE AUDITING  
10 STANDARDS AND REQUIREMENTS, AND NO DEFICIENCIES WERE  
11 NOTED. ANY QUESTIONS?

12 CHAIRMAN CHIANG: VERY GOOD. ARE THERE  
13 ANY COMMENTS FROM THE PUBLIC? THANK YOU, CAROLYN.

14 SEEING NONE, NOW WE'LL PROCEED TO THE NEXT  
15 ITEM, WHICH IS NO. 7. STATUS UPDATE OF CIRM'S  
16 FINANCIAL PERFORMANCE, UPDATE OF THE GRANTS AWARDED  
17 AND GRANT PROCESS. LET ME INVITE A REPRESENTATIVE  
18 FROM CIRM TO ADDRESS THIS ITEM.

19 AS YOU BRING US UP TO DATE, WE WOULD  
20 PARTICULARLY LIKE TO HEAR ABOUT YOUR CURRENT AND  
21 PROJECTED BUDGETS AND STATUS OF BOND FUNDING.

22 MS. SILVA-MARTIN: GOOD AFTERNOON, MR.  
23 CHAIRMAN, MEMBERS OF THE BOARD. MY NAME IS CHI LA  
24 SILVA-MARTIN. I'M A FINANCIAL SERVICES OFFICER WITH  
25 THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE.

## BARRISTERS' REPORTING SERVICE

1 I WILL PRESENT THE FINAL OVERVIEW FOR THE 2009-10  
2 OPERATING BUDGET AND REPORT ON THE CURRENT YEAR  
3 EXPENDITURES THROUGH DECEMBER 31ST.

4 IN YOUR BINDER YOU WILL FIND SOME GRAPHS  
5 AND CHARTS WITH SUPPORTING DETAILS -- AND I  
6 APOLOGIZE BECAUSE I DID HAVE A POWERPOINT  
7 PRESENTATION, BUT MY FLASH DRIVE ISN'T WORKING -- IN  
8 THE BINDER THAT WE PROVIDED YOU. FIRST THING THAT I  
9 WILL COVER ARE THE FINAL EXPENDITURES FOR THE  
10 2009-10 FISCAL YEAR.

11 YOU HAVE A GRAPH WITH THREE SETS OF BARS;  
12 AND FOR EACH SET OF GRAPHS, THE FIRST BAR, THE BLUE  
13 BAR, REPRESENTS OUR ALLOCATION OR OUR BUDGET. THE  
14 GREEN BAR REPRESENTS WHAT WE EXPENDED FOR THE  
15 2009-10 FISCAL YEAR. AND THE ORANGE BAR REPRESENTS  
16 OUR BALANCE AT JUNE 30, 2010.

17 SO LOOKING AT THE FIRST SET OF BARS, WHICH  
18 REPRESENTS OUR SALARIES AND WAGES -- SALARIES AND  
19 BENEFITS, EXCUSE ME, WE WERE ALLOCATED A TOTAL OF  
20 \$7.4 MILLION FOR SALARIES AND WAGES AND BENEFITS.  
21 OF THAT AMOUNT WE SPENT 6,925,000 OR 94 PERCENT OF  
22 OUR BUDGET, LEAVING A BALANCE OF \$476,000 OR 6  
23 PERCENT.

24 MOVING ON TO OUR OPERATING EXPENDITURES,  
25 IN THAT CATEGORY WE WERE ALLOCATED A TOTAL OF

## BARRISTERS' REPORTING SERVICE

1 \$5,545,000. WE SPENT \$5,361,000, LEAVING A BALANCE  
2 OF \$184,000 IN OPERATING EXPENSES. SO OVERALL OUR  
3 OVERALL EXPENDITURES, WHICH IS REFLECTED IN THE LAST  
4 GROUP OF BARS, WE WERE ALLOCATED \$12,945,000 FOR THE  
5 FISCAL YEAR. WE SPENT \$12,286,000, LEAVING A  
6 BALANCE OF \$660,000, WHICH IS ROUGHLY ABOUT 5  
7 PERCENT.

8 I CAN EITHER TAKE QUESTIONS NOW FOR THE  
9 2009-10, OR I CAN MOVE ON TO THE CURRENT YEAR AND  
10 THEN TAKE QUESTIONS AT THE END. IT'S UP TO YOU.

11 CHAIRMAN CHIANG: WHY DON'T YOU DO THAT.

12 MS. SILVA-MARTIN: SO THEN MOVING ON TO  
13 THE NEXT SET OF GRAPHS. NOW, THERE ARE ACTUALLY TWO  
14 GRAPHS FOR THE 2010-11 FISCAL YEAR. AND WHAT WE'VE  
15 DONE IS THE FIRST GRAPH REPRESENTS OUR BUDGET FOR A  
16 PARTICULAR REPORTING PERIOD. SO IN THIS CASE IT  
17 WOULD BE THE BUDGET AND WHAT'S BEEN POSTED TO THE  
18 FINANCIAL STATEMENTS FROM JULY 1ST, 2010, THROUGH  
19 DECEMBER 31, 2010.

20 AND IT'S THIS CHART RIGHT HERE WITH THE  
21 LITTLE SMALL GREEN BARS THAT REPRESENT OUR LAGS.  
22 AGAIN, THERE ARE THREE GROUPINGS OF BARS. THE FIRST  
23 BAR, THE BLUE BAR, WILL REPRESENT THE AMOUNT THAT  
24 WE'VE BEEN ALLOCATED FOR THAT REPORTING PERIOD, AND  
25 THE ORANGE BAR REPRESENTS WHAT WE HAVE POSTED TO THE

## BARRISTERS' REPORTING SERVICE

1 FINANCIAL STATEMENTS. AND IN THE CASE OF THE  
2 OPERATING EXPENDITURES, THE GREEN BAR REPRESENTS OUR  
3 LAGS FOR DECEMBER.

4 SO FOR THE JULY THROUGH DECEMBER REPORTING  
5 PERIOD, AS THE FIRST SET OF BARS REPRESENTS FOR  
6 SALARIES AND BENEFITS, WE'VE BEEN BUDGETED  
7 \$4,254,000. WE HAVE SPENT \$3,841,000. AND OUR  
8 OPERATING EXPENSES, WE WERE ALLOCATED \$2,558,000.  
9 WE HAVE POSTED TO THE FINANCIAL STATEMENTS AS OF  
10 DECEMBER \$1.6 MILLION, BUT HAVE ABOUT \$700,000 WORTH  
11 OF LAGS FOR THOSE INVOICES WHERE WE RECEIVED  
12 SERVICES, INVOICES HAVE BEEN RECEIVED, BUT THEY JUST  
13 HAVEN'T BEEN POSTED TO THE FINANCIAL STATEMENTS. SO  
14 TAKING INTO CONSIDERATION THE LAGS, WE HAVE ACTUALLY  
15 EXPENDED ABOUT \$2.3 MILLION OF THE \$2.5 MILLION THAT  
16 WE WERE ALLOCATED.

17 SO OVERALL, IN LOOKING AT OUR BUDGET AND  
18 LOOKING AT THE LAST SET OF BARS, WE WERE ALLOCATED  
19 FOR THIS REPORTING PERIOD \$6.8 MILLION AND HAVE  
20 POSTED EXPENDITURES OF A LITTLE BIT UNDER \$6.2  
21 MILLION, SO ABOUT 90 PERCENT OF OUR BUDGET.

22 AND THAT BASICALLY CONCLUDES OUR FINANCIAL  
23 STATEMENTS. I'M HAPPY TO TAKE ANY QUESTIONS YOU MAY  
24 HAVE.

25 CHAIRMAN CHIANG: ANY MEMBERS HAVE ANY

## BARRISTERS' REPORTING SERVICE

1 QUESTIONS?

2 MEMBER LIPSON: I HAVE ONE. IT LOOKS LIKE  
3 SALARIES AND BENEFITS HAVE GONE UP CONSIDERABLY IN  
4 THE PAST YEAR; IS THAT CORRECT?

5 MS. SILVA-MARTIN: WE HAD SOME VACANCIES  
6 FROM PRIOR YEAR END, AND WE HAVE FILLED SOME OF THE  
7 VACANCIES IN THE CURRENT YEAR. SO THAT ACCOUNTS FOR  
8 SOME OF THE INCREASE IN THE SALARIES AND BENEFITS.  
9 AND THE OTHER THING THAT IS CAUSING THE BENEFITS TO  
10 GO UP AS WELL IS THAT, AS YOU KNOW, IN GOVERNMENT,  
11 WHEN EMPLOYEES FIRST START CIVIL SERVICE, FOR THE  
12 FIRST TWO YEARS, THE STATE RETIREMENT IS DIFFERENT  
13 FOR EMPLOYEES. ONCE THEY HAVE BEEN IN STATE  
14 GOVERNMENT FOR MORE THAN TWO YEARS AND THEY VEST  
15 INTO THE PERS RETIREMENT SYSTEM, AT THAT TIME THE  
16 BENEFIT COST TO THE STATE GOES UP, SO SOME OF THAT  
17 IS ALSO CAUSING OUR BENEFITS TO GO UP.

18 MEMBER LIPSON: IS THERE A CHANGE IN  
19 NUMBERS OF PERSONNEL?

20 MS. SILVA-MARTIN: NO. WELL, THAT'S NOT  
21 TRUE. IN 2009-10 I BELIEVE WE HAD 47 POSITIONS; IS  
22 THAT CORRECT, MARGARET? AND IN THIS BUDGET YEAR, WE  
23 HAVE 50. BUT AS OF THIS REPORTING PERIOD, WE HAD 45  
24 POSITIONS FILLED.

25 MEMBER LIPSON: IT LOOKS LIKE IT'S A \$1.4

## BARRISTERS' REPORTING SERVICE

1 MILLION INCREASE. AM I CORRECT?

2 DR. ROBSON: SO I'M JOHN ROBSON. I'M THE  
3 VICE PRESIDENT OPERATIONS. JUST THE ONE POINT, I'D  
4 LIKE TO GO BACK ON THE RETIREMENT BENEFIT BECAUSE OF  
5 THAT 1.4 MILLION, \$400,000 OF THAT IS BECAUSE PEOPLE  
6 HAVE -- WE ARE A NEW ORGANIZATION. SO PEOPLE HAVE  
7 BEEN IN THERE FOR TWO YEARS, AND THE SALARY  
8 CONTRIBUTION HAS KICKED IN. SO THAT'S A FAIRLY  
9 SIGNIFICANT PART OF THAT INCREASE.

10 THE OTHER PART OF THE INCREASE IS RELATED  
11 TO PERSONNEL, THAT NEW PERSONNEL WE'VE MOVED UP FROM  
12 47 TO 50 POSITIONS. ONE OF THOSE IS THE VICE  
13 PRESIDENT FOR RESEARCH AND DEVELOPMENT, AN EXPENSIVE  
14 POSITION.

15 MEMBER KOVACH: DO YOU HAVE A NUMBER OF  
16 WHAT PERCENTAGE OF SALARY THAT YOUR BENEFITS ARE?

17 DR. ROBSON: IT'S 25.

18 MS. SILVA-MARTIN: IT'S ACTUALLY LOWER  
19 THAN THE TYPICAL STATE AGENCY. I THINK WHEN I WAS  
20 WORKING AT OTHER STATE AGENCIES, OUR BENEFITS WERE  
21 ANYWHERE BETWEEN 35 AND 40, AND HERE IT'S ABOUT 25.  
22 BECAUSE OF THAT ONE FACTOR, I THINK THAT IS DRIVING  
23 THE NUMBER DOWN.

24 CHAIRMAN CHIANG: WHAT'S THE RETIREMENT  
25 FORMULA?

**BARRISTERS' REPORTING SERVICE**

1 MS. SILVA-MARTIN: IT'S THE SAME  
2 RETIREMENT AS WHAT OTHER STATE AGENCIES PAY.

3 CHAIRMAN CHIANG: BUT THEY WOULD BE IN  
4 CERTAIN CLASSIFICATIONS. WHAT CLASSIFICATIONS ARE  
5 THEY IN, SO WHICH TRIGGERS THEIR REQUIREMENT?

6 MS. SILVA-MARTIN: THEY TRIGGER THE  
7 RETIREMENT AT THE TWO-YEAR PERIOD. ALL OF OUR  
8 POSITIONS DO.

9 CHAIRMAN CHIANG: I JUST WONDERED BECAUSE  
10 WE HAVE MULTIPLE JOB CLASSIFICATIONS IN STATE  
11 GOVERNMENT. SO THEY HAVE A CERTAIN RETIREMENT  
12 FORMULA ATTACHED TO WHAT THEIR CLASSIFICATION IS.

13 MS. SILVA-MARTIN: IT'S 2 PERCENT AT 55.

14 CHAIRMAN CHIANG: CAN YOU ELABORATE A  
15 LITTLE BIT MORE ABOUT THE CONTRACTS BUDGET? THE CAP  
16 HAS BEEN LIFTED ON THE NUMBER OF EMPLOYEES YOU CAN  
17 HAVE. SO WE HAVE STILL SIGNIFICANT CONTRACTS WITH  
18 EXTERNAL PARTIES. AND SO I'M TRYING TO GET A SENSE  
19 OF WHAT WE EXPECT IN TERMS OF THE SALARIES AND  
20 EXTERNAL CONTRACTS.

21 DR. ROBSON: I'LL TRY TO ADDRESS THAT. SO  
22 THE CAP WAS JUST LIFTED AS OF JANUARY THE 1ST. SO  
23 WE'VE BEEN WORKING UNDER THAT CAP UNTIL THEN. MOST  
24 OF THE PEOPLE WHO WE HAVE ON CONTRACT NOW ARE  
25 SOFTWARE DEVELOPERS. THIS IS RELATED TO OUR GRANTS

## BARRISTERS' REPORTING SERVICE

1 MANAGEMENT SYSTEM THAT WE'RE BUILDING. THOSE  
2 PEOPLE, I DON'T REALLY FEEL IT WOULD BE APPROPRIATE  
3 TO HIRE THEM AS FULL-TIME EMPLOYEES BECAUSE THEY'RE  
4 SHORT-TERMERS. WE ONLY EXPECT TO HAVE THEM FOR THE  
5 NEXT 18 TO 24 MONTHS. AT THAT POINT WE PROBABLY  
6 WILL REPLACE THEM WITH SOME I.T. PEOPLE WHO WOULD BE  
7 FULL-TIME STAFF, BUT THEY WOULD NOT BE DEVELOPERS.  
8 THEY WOULD BE REALLY INVOLVED WITH MAINTAINING THE  
9 SOFTWARE SYSTEMS WE HAVE. THAT'S A LOWER SALARY  
10 LEVEL. SO WE WOULD BRING THEM IN AT A LOWER LEVEL.

11 SO THAT'S SOMETHING WE HAVE IN OUR PLANS  
12 FOR THE FUTURE, BUT WE DON'T REALLY WANT TO BRING  
13 IN -- WE DON'T WANT TO END THOSE CONTRACTS NOW. I  
14 DON'T THINK THAT WOULD BE APPROPRIATE.

15 MEMBER LOTT: MR. CHAIRMAN, ON THAT POINT,  
16 IF I MAY. I KNOW YOU HAVEN'T BEEN HERE SINCE THE  
17 BEGINNING, BUT THIS HAS BEEN A SIX-YEAR-OLD -- THIS  
18 IS A SIX-YEAR-OLD PROGRAM. WE'RE JUST NOW GETTING  
19 TO A GRANTS MANAGEMENT PROGRAM?

20 DR. ROBSON: WELL, THIS IS -- I CAN GO  
21 THROUGH THE HISTORY OF THIS IF YOU LIKE. MOST OF IT  
22 PREDATES ME.

23 MEMBER LOTT: IT MIGHT BE HELPFUL TO  
24 UNDERSTAND.

25 DR. ROBSON: SO WHEN WE BEGAN, THE FIRST

## BARRISTERS' REPORTING SERVICE

1 GRANTS WERE REALLY JUST DONE ON EXCEL SPREADSHEETS  
2 AND PDF FORMS AND PEOPLE SENT THE THINGS IN. WE  
3 KNEW WE HAD TO DEVELOP A SYSTEM THAT WOULD BE A SORT  
4 OF CRADLE-TO-GRAVE SYSTEM SO THAT WE COULD TRACK A  
5 GRANT RIGHT FROM THE INITIATION OF THE RFA THROUGH  
6 THE WHOLE PERIOD OF THE AWARD THROUGH ANNUAL  
7 ACCOUNTING AND THEN EVEN AFTERWARDS TO FOLLOW IT.

8 MEMBER LOTT: LET ME INTERRUPT YOU AND ASK  
9 THIS QUESTION. I'M SORRY. WE'VE GOT A NUMBER OF  
10 NGO'S, NOT-FOR-PROFIT ORGANIZATIONS, THROUGHOUT THIS  
11 COUNTRY THAT'S GOT THESE THINGS. I GOT TO BELIEVE  
12 THAT YOU CAN GET THESE OFF THE SHELF. WHY ARE WE  
13 BUILDING THIS?

14 DR. ROBSON: AGAIN, WE HAVE TRIED TWICE  
15 WITH COMMERCIAL PRODUCTS, AND BOTH OF THOSE FAILED.  
16 AND THE REASON THEY FAILED IS BECAUSE WE ARE -- WE  
17 HAVE BEEN AN EVOLVING ORGANIZATION WITH EVOLVING  
18 PROCESSES AND POLICIES. AND IT HAS JUST NOT BEEN  
19 POSSIBLE TO FIND A SYSTEM THAT COULD KEEP UP WITH  
20 THE CHANGES WE WERE MAKING. WE WOULD CONTINUALLY  
21 HAVE TO BE GOING BACK TO THE VENDOR TO SAY WE NEED  
22 TO MODIFY THIS PART. THAT GETS VERY EXPENSIVE.

23 AS ART JUST POINTED OUT, WE HAVEN'T BEEN  
24 GIVING OUT GRANTS FOR SIX YEARS. WE'VE BEEN GIVING  
25 THEM OUT FOR FOUR. OUR FIRST GRANTS WENT OUT AT THE

## BARRISTERS' REPORTING SERVICE

1 END OF 2006. SO IT HASN'T BEEN QUITE THAT LONG.

2 WE WENT THROUGH AN EXHAUSTIVE PROCESS OVER  
3 ABOUT NINE MONTHS TRYING TO EVALUATE WHAT WE SHOULD  
4 DO ABOUT OUR GRANTS MANAGEMENT SYSTEM WHEN OUR LAST  
5 VENDOR THAT WE WERE WORKING WITH WHEN WE REALIZED  
6 THAT SYSTEM WASN'T GOING TO WORK FOR US.

7 I HAVE TO TELL YOU I WAS -- I AGREE WITH  
8 YOU. I THOUGHT WE SHOULD BE ABLE TO FIND SOMETHING  
9 THAT WE COULD BRING IN AND ADAPT EASILY TO OUR  
10 SYSTEM, BUT WE HAD SOME CONSULTANTS WORK WITH US.  
11 THE CONSULTANT THAT I TALKED ABOUT THIS, HE SAID  
12 CERTAINLY WE SHOULD BE ABLE TO FIND SOMETHING. BY  
13 THE TIME WE WENT THROUGH THE EXERCISE AND LOOKED AT  
14 WHAT WE WERE DOING, THE COMPLEXITY OF OUR GRANT  
15 APPLICATION PROCESS AND THE TRACKING THAT WE HAVE TO  
16 DO, WE ALL AGREED THAT WE REALLY HAD TO DO THIS ON  
17 OUR OWN. WE COULDN'T FIND SOMETHING THAT WAS GOING  
18 TO BE EFFICIENT AND WOULD WORK WELL FOR US. THERE  
19 WERE JUST TOO MANY COMPROMISES THAT WE WERE GOING TO  
20 HAVE TO MAKE.

21 MEMBER KOVACH: DID YOU FIND ALSO A LACK  
22 OF VENDORS? MEANING IT'S -- IF I CAN SAY FROM  
23 PERSONAL EXPERIENCE AT THE BUCK INSTITUTE, WE HAD  
24 SOME OF THE SAME ISSUES IN THE SENSE WE WERE TOO  
25 SMALL FOR LIKE AN ORACLE SYSTEM, BUT OTHER COMPANIES

## BARRISTERS' REPORTING SERVICE

1 BASI CALLY I T' S A VERY SPECIALI ZED AREA.

2 DR. ROBSON: I T' S A SPECIALI ZED AREA AND  
3 THEY WORK IN THI S PARTICULAR NICHE, AND WE TENDED  
4 TO, YOU KNOW, ONE PART OF OUR SYSTEM WOULD WORK WITH  
5 THEIRS, BUT OTHER THINGS THAT WE WERE DOING  
6 WOULDN' T.

7 WE HAVE USED ONE COMMERCIAL PRODUCT FOR  
8 POSTAWARD TRACKING, AND WE' VE BEEN USING THAT. WE  
9 WILL PROBABLY EXPAND THAT OR MAYBE EVEN REPLACE THAT  
10 AS OUR NEW DATABASE BECOMES COMPLETE, BUT THAT' S A  
11 DECISION THAT WE WILL HAVE TO MAKE. WE HAVE USED  
12 COMMERCIAL PRODUCTS WHEN WE CAN. AND MOST OF THE  
13 UNDERLYING SOFTWARE WE USE I S COMMERCIAL LY  
14 AVAI LABLE. WE' RE NOT DOING THI S FROM SCRATCH.  
15 WE' RE BUYING PIECES AND PUTTING THEM TOGETHER AS WE  
16 NEED TO, WRITING CODE TO DO THAT EFFECTIVELY.

17 MEMBER LIPSON: WHAT ABOUT THE MONEY SPENT  
18 ON OUTSIDE CONTRACTS IN OTHER AREAS, SUCH AS  
19 COMMUNI CATIONS, WHATEVER THAT' S SUPPOSED TO BE?  
20 SINCE YOU HAVE AN OFFICE OF COMMUNI CATIONS FOR LEGAL  
21 SERVICES WHEN YOU HAVE AN OFFICE OF LEGAL SERVICES?

22 DR. ROBSON: WE HAVE A COMMUNI CATIONS  
23 OFFICE. I T' S VERY SMALL. WE FEEL THAT WE HAVE A  
24 VERY LARGE COMMUNI CATIONS MANDATE. WE MAINTAIN OUR  
25 OWN WEBSI TE. WE DO VIDEOS FOR THAT WEBSI TE. WE

## BARRISTERS' REPORTING SERVICE

1 HAVE A TEAM OF PEOPLE WHO DO THOSE KINDS OF THINGS.  
2 WE HAVE OUTSIDE CONTRACTS THROUGH -- WELL, WE USE  
3 THEM FOR A NUMBER OF THINGS. WE HAVE A MANDATE TO  
4 PROVIDE SOME EDUCATIONAL SERVICES. SO WE'VE HELPED  
5 DEVELOP A CURRICULUM ON STEM CELLS THAT WOULD BE  
6 APPLICABLE FOR CALIFORNIA HIGH SCHOOLS. WE HAD A  
7 CONSULTANT HELP US, EDUCATIONAL EXPERTS, HELP US  
8 DEVELOP THAT. WE FEEL IT'S IMPORTANT.

9 IN FACT, IF YOU READ THE EXTERNAL, THE  
10 REPORT FROM THE EXTERNAL REVIEW PANEL, YOU WILL SEE  
11 ONE OF THE THINGS THAT THEY EMPHASIZE IS THAT WE  
12 SHOULD BE WORKING WITH THE PUBLIC AND WITH PATIENT  
13 ADVOCACY GROUPS SO THAT THEY UNDERSTAND EXACTLY WHAT  
14 WE'RE DOING. WE'VE HIRED A CONSULTANT TO DO THAT.  
15 THIS IS A HUSBAND AND WIFE TEAM, AND THEY REALLY ARE  
16 OUR REPRESENTATIVES GOING AROUND THE STATE MEETING  
17 WITH PATIENT ADVOCATE GROUPS. WE DON'T HAVE A  
18 CAPACITY WITH THE THREE PEOPLE IN THAT OFFICE TO DO  
19 EVERYTHING.

20 MEMBER LIPSON: NOW YOU'LL BE ABLE TO HIRE  
21 PEOPLE.

22 DR. ROBSON: THAT'S A DECISION WE WILL  
23 HAVE TO MAKE, WHETHER OR NOT WE SHOULD HIRE  
24 FULL-TIME PEOPLE OR HAVE CONSULTANTS WHO WORK ON A  
25 PART-TIME BASIS DOING SOME OF THESE THINGS. I THINK

## BARRISTERS' REPORTING SERVICE

1 THOSE ARE DECISIONS WE'LL MAKE NOW GOING FORWARD,  
2 AND WE'LL DO IT BASED ON WHAT'S BEST FOR THE AGENCY,  
3 BEST FOR OUR BUDGET.

4 MEMBER LIPSON: WHAT ABOUT THE LEGAL  
5 CONTRACTS?

6 DR. ROBSON: THE LEGAL CONTRACTS, THE MAIN  
7 LEGAL CONTRACT WE HAVE IS FOR THE LEGAL ADVICE FOR  
8 THE BOARD. AND THAT'S BEEN HISTORIC AS LONG AS THE  
9 AGENCY -- BEFORE THE AGENCY BEGAN AS FAR AS I KNOW.

10 MEMBER LIPSON: IS IT NECESSARY TO HAVE  
11 THAT BIG A CONTRACT?

12 DR. ROBSON: I GUESS I WOULD DEFER TO THE  
13 VICE CHAIR TO SPEAK TO THAT.

14 MR. TORRES: MR. CHAIRMAN AND MEMBERS, ART  
15 TORRES, VICE CHAIR OF THE GOVERNING BOARD OF ICOC.  
16 ONE OF THE MAIN PRIORITIES IN TERMS OF THE LEGAL  
17 REPRESENTATION THE BOARD REQUIRES IS, NO. 1, DEALING  
18 INITIALLY WITH MANY OF THE LAWSUITS THAT OCCURRED  
19 WHEN THE INITIATIVE FIRST PASSED. THAT REQUIRED  
20 EXTENSIVE REVIEW AND EXTENSIVE DEFENSE OF WHERE WE  
21 WERE HEADING TO PROTECT THE INITIATIVE'S VALIDITY  
22 AND INTEGRITY.

23 IN RESPECT TO THE BOARD ITSELF, MANY OF  
24 THE DECISIONS THAT COME BY THE BOARD HAVE TO BE  
25 REVIEWED BY COUNSEL TO GIVE THE BOARD AN INDEPENDENT

## BARRISTERS' REPORTING SERVICE

1 VIEW OF, FOR EXAMPLE, IP REGULATIONS; FOR EXAMPLE,  
2 THE IMPACT CERTAIN LEGISLATIVE INITIATIVES MIGHT  
3 HAVE ON THAT. I WORK VERY CLOSELY WITH JAMES  
4 HARRISON, OUR LEGAL COUNSEL, ON THOSE ISSUES, AS  
5 WELL AS DEALING WITH THE CONSTANT REPORTING  
6 REQUIREMENTS THAT WE HAVE UNDER THE LAW, WHETHER 700  
7 ECONOMIC FORM OR ANY OTHER REPORTING REQUIREMENTS.  
8 AND WE'LL TALK ABOUT THAT A LITTLE BIT LATER IN THE  
9 PRESENTATION.

10 MEMBER KOVACH: THERE'S A REFERENCE TO A  
11 6-PERCENT RATIO OF, I BELIEVE, LIKE ADMINISTRATIVE  
12 COST.

13 MR. TORRES: YES. IT'S IN THE INITIATIVE.  
14 IT'S A 6-PERCENT CAP OF EXPENDITURES. WE CANNOT  
15 EXCEED THAT. THAT, THEREFORE, REQUIRES US TO BE  
16 VERY VIGILANT IN TERMS OF HOW WE SPEND THE MONEY.

17 MEMBER KOVACH: ARE YOU GOING TO REPORT ON  
18 THAT, WHERE YOU ARE -- WHAT YOUR EXPERIENCE IS  
19 RELATING TO THAT?

20 MR. TORRES: OUR EXPERIENCE IS VERY  
21 SIMPLE. WE DON'T EXCEED IT.

22 DR. ROBSON: I CAN PROVIDE YOU NUMBERS, IF  
23 YOU LIKE. I HAVE THEM WITH ME IF YOU WANT TO SEE  
24 THEM.

25 CHAIRMAN CHIANG: IT WAS HINTED IN AN

## BARRISTERS' REPORTING SERVICE

1 EARLIER COMMENT THAT MOST OF THE EXTERNAL CONTRACTS  
2 INVOLVE I.T., BUT WHEN I'M LOOKING AT THE INTERNAL  
3 CONTRACTS FROM THE DOCUMENT FROM THE JUNE 22D, 23D,  
4 2010, ICOC MEETING, IT ARTICULATES OR STATES  
5 ADVOCACY EDUCATION, COMMUNICATION/MEDIA SERVICES,  
6 LEGAL SERVICES, PROFESSIONAL SERVICES, SCIENTIFIC  
7 CONSULTING. SO HOW WOULD WE DETERMINE THE I.T.  
8 COSTS?

9 DR. ROBSON: I'M SORRY. WHEN YOU ASKED  
10 THAT, WE WERE TALKING ABOUT SALARIES, I WAS THINKING  
11 IN TERMS OF NUMBERS OF INDIVIDUALS, NOT NECESSARILY  
12 ALL CONTRACTS. SO THE CONTRACTORS THAT WE HAVE WHO  
13 WORK -- COME IN AND WORK AT CIRM TO HELP ON THESE  
14 PROJECTS, THE BULK OF THEM ARE RELATED TO I.T.  
15 THAT'S WHERE I WAS COMING WITH ON THAT.

16 WE CAN -- WE HAVE INFORMATION THAT  
17 SUBDIVIDES. I THINK IT'S IN THE BINDERS. WE HAVE  
18 SOME -- THERE SHOULD BE IN YOUR BINDERS SOME DETAILS  
19 THAT SHOW HOW ALL THOSE CONTRACTS ARE DIVIDED UP.

20 CHAIRMAN CHIANG: IS THERE -- I HAVEN'T  
21 HAD A CHANCE TO GO THROUGH IT. DO YOU HAVE THE  
22 BUDGET BY FUNCTION?

23 DR. ROBSON: WELL, WE DO BY OFFICE AND BY  
24 FUNCTION.

25 CHAIRMAN CHIANG: OKAY. IS THAT IN THE

## BARRISTERS' REPORTING SERVICE

1 BUDGET INFORMATION?

2 DR. ROBSON: YES. YOU HAVE A NUMBER OF  
3 DOCUMENTS IN YOUR BINDER. I'M SORRY.

4 CHAIRMAN CHIANG: DON'T APOLOGIZE. AND  
5 THEN WE SAW THAT \$649,000 WAS ALLOCATED FOR OTHER  
6 OPERATING EXPENSES. CAN I HAVE ADDITIONAL DETAILS  
7 AS TO WHAT THAT IS?

8 DR. ROBSON: JUST A SECOND. CHI LA WILL  
9 SPEAK ON THAT.

10 MS. SILVA-MARTIN: SO REALLY FOR OUR OTHER  
11 OPERATING EXPENSES, THE BULK OF EXPENDITURES IN THAT  
12 AREA ARE FOR SOME OF OUR FURNITURE, GENERAL OFFICE  
13 SUPPLIES, MINOR EQUIPMENT. WE ALSO HAVE ALL OF OUR  
14 MAINTENANCE CONTRACTS UNDER OTHER OPERATING  
15 EXPENSES. AND THOSE ARE THE COSTS THAT WE HAVE IN  
16 THAT OTHER OPERATING EXPENSES.

17 CHAIRMAN CHIANG: ANYTHING ELSE?

18 MS. SILVA-MARTIN: MAINTENANCE FOR LIKE  
19 OUR PHOTOCOPIERS.

20 CHAIRMAN CHIANG: YOU SAID OFFICE  
21 FURNITURE, MAINTENANCE --

22 MS. SILVA-MARTIN: GENERAL EXPENSES.

23 CHAIRMAN CHIANG: GENERAL EXPENSES  
24 INCLUDE -- \$645,000.

25 MS. SILVA-MARTIN: ONE BIG COST UNDER

## BARRISTERS' REPORTING SERVICE

1 THERE, WE HAVE LIKE OUR BACKUP FOR OUR INFORMATION  
2 TECHNOLOGY. WE HAVE SOMEONE WHO PROVIDES I.T.  
3 SUPPORT, AND THAT COST COMES OUT OF THAT.

4 CHAIRMAN CHIANG: I.T. SUPPORT. AND WHAT  
5 PERCENTAGE OF THE 649,000 WOULD THAT REPRESENT?

6 MS. SILVA-MARTIN: I THINK IT'S ABOUT  
7 \$120,000.

8 CHAIRMAN CHIANG: I'M JUST -- I JUST DON'T  
9 KNOW HOW YOU GET TO 649. IT'S JUST HUGE.

10 MEMBER KOVACH: DO YOU HAVE INTERNAL I.T.  
11 PEOPLE THAT YOU CALL NETWORK SUPPORT, OR DO YOU  
12 OUTSOURCE ALL THAT?

13 MS. SILVA-MARTIN: ALL OF THAT IS  
14 OUTSOURCED.

15 MEMBER LOTT: MR. CHAIRMAN, I'M GOING TO  
16 BE JUMPING AHEAD.

17 MS. FERGUSON: IN THAT \$650,000 WE DO HAVE  
18 GENERAL EXPENSE, JUST LIKE SHE SAID, WHICH WOULD  
19 INCLUDE ALL OUR COMMUNICATION COSTS, IT WOULD  
20 INCLUDE ALSO --

21 CHAIRMAN CHIANG: SO HOW MUCH ARE THE  
22 COMMUNICATION COSTS? JUST A RANGE. 649, YOU  
23 SAID --

24 MS. FERGUSON: 150,000 OF THE 600,000  
25 INCLUDES OUR COMMUNICATION COSTS, INCLUDES ALL OUR

## BARRISTERS' REPORTING SERVICE

1 SUPPLIES, INCLUDES MAINTENANCE CONTRACTS, SOME  
2 MAINTENANCE CONTRACTS, NOT ALL OF THEM FOR INTERNAL  
3 THINGS, AND --

4 CHAIRMAN CHIANG: SO MAINTENANCE CONTRACTS  
5 FOR WHAT SPECIFICALLY?

6 MS. FERGUSON: ALL OUR COPIERS, ANY  
7 REPAIRS THAT WE MIGHT HAVE TO HAVE DONE, ANY MODULAR  
8 CHANGES IN OUR FURNITURE OR OFFICE CONFIGURATIONS.  
9 THAT'S A HUNDRED FIFTY THOUSAND.

10 MS. SILVA-MARTIN: WHICH ALSO INCLUDES  
11 \$250,000 FOR A CHIEF INFORMATION ADVISOR. SO THAT'S  
12 A BIG PORTION OF IT THERE.

13 CHAIRMAN CHIANG: YOU ALSO HAVE A CATEGORY  
14 FOR INFORMATION TECHNOLOGY. HOW COME THE 250 IS IN  
15 THE OTHER VERSUS IN THE INFORMATION?

16 MS. SILVA-MARTIN: BECAUSE WE SEGREGATED  
17 THE ACTUAL PROGRAMMING, THE DEVELOPERS FROM THE  
18 PERSON WHO'S JUST PROVIDING US WITH OVERSIGHT OVER  
19 ALL OF OUR INFORMATION TECHNOLOGY. AND SO THAT'S  
20 WHAT WE HAVE IN OUR OPERATING EXPENDITURES, GENERAL  
21 OPERATING EXPENDITURES. MAYBE IT'S NOT THE RIGHT  
22 CATEGORY TO PUT IT IN AND WE SHOULD MOVE IT UP, AND  
23 WE'D BE HAPPY TO DO THAT. BUT WHEN WE DEVELOPED THE  
24 BUDGET THIS YEAR, THAT IS WHERE WE PUT IT. SO THAT  
25 IS THE BIG BULK OF THAT. THE I.T. SUPPORT, PEOPLE

## BARRISTERS' REPORTING SERVICE

1 WHO PROVIDE EVERYDAY SUPPORT FOR MY COMPUTER'S NOT  
2 WORKING, I CAN'T LOG ON, THAT'S ALSO CODED IN THAT  
3 GENERAL EXPENSE.

4 MS. FERGUSON: INCLUDED IN THAT 650 AS  
5 WELL IS OUR TRAINING, ANY TRAINING THAT WE HAVE, AS  
6 WELL AS ANY MEMBERSHIPS THAT WE MAINTAIN.

7 MEMBER KOVACH: MY COMMENT, I GUESS, WOULD  
8 BE YOU HAVE ABOUT A BILLION DOLLARS THAT'S BEEN AT  
9 LEAST AVAILABLE, AND A MILLION AND A HALF FOR  
10 INFORMATION, I WOULD SAY THAT WHEN ONE OF YOUR  
11 BIGGEST ASSETS AND CHALLENGES IS IN THE INFORMATION  
12 AREA, KEEPING TRACK OF IT AND MAKING SURE THAT IT'S  
13 REALLY IN THE KIND OF ENVIRONMENT THAT YOU'RE ABLE  
14 TO ACCESS IT. SO I WOULD ADVISE TO ME SEEMS LIKE A  
15 REASONABLE AMOUNT, MILLION AND A HALF OVER A  
16 BILLION. BUT KEEP YOUR EFFORTS UP TO -- IT SEEMS  
17 LIKE THE ENVIRONMENT IS CHANGING AND WILL CONTINUE  
18 TO CHANGE. YOU JUST HAVE TO STAY AFTER IT.

19 MEMBER LOTT: I COULD BE JUMPING AHEAD. I  
20 APOLOGIZE IF I AM. STOP ME. THE STRATEGIC PLAN  
21 REVIEW, 180 GRANTS FOR THAT. STRATEGIC PLAN REVIEW,  
22 CIRM'S STRATEGIC PLAN REVIEW.

23 MR. TORRES: THAT'S COMING NEXT.

24 MEMBER LOTT: WHAT'S THE 180 GRAND FOR?

25 MS. SILVA-MARTIN: JOHN CAN ACTUALLY

## BARRISTERS' REPORTING SERVICE

1 RESPOND TO THAT, I THINK.

2 DR. ROBSON: SO THAT WAS AN EXTERNAL  
3 REVIEW OF THE SCIENTIFIC PROGRAMS AND PROGRESS OF  
4 THE ORGANIZATION MEASURED AGAINST THE STRATEGIC AIMS  
5 THAT WERE ESTABLISHED IN 2006. IT WAS MANDATED IN  
6 THAT STRATEGIC PLAN IN 2006 THAT WE WOULD DO THAT  
7 THIS YEAR, AND WE DID THAT IN THE FALL. WE'LL HAVE  
8 A REPORT ON THAT.

9 MEMBER LOTT: MY LAST QUESTION, MR.  
10 CHAIRMAN, IS ON THE BUDGET FOR THE BOARD. WHAT'S  
11 THE 60,000 CONTINGENCY FUND FOR?

12 MS. SILVA-MARTIN: 60,000, WHERE WAS THAT  
13 AGAIN?

14 MEMBER LOTT: 60,000 I SAW HERE FOR  
15 BUDGET, BOARD ACTIVITY. GOVERNING BOARD  
16 CONTINGENCY, 60,000.

17 MS. FERGUSON: I CAN RESPOND TO THAT.

18 MEMBER LOTT: I WATCH THE PENNIES, AND  
19 DOLLARS TAKE CARE OF THEMSELVES.

20 MS. FERGUSON: BUT A CONTINGENCY WAS PUT  
21 IN THERE BECAUSE THERE WAS GOING TO BE A CHANGE, AS  
22 YOU ARE WELL AWARE, OF NEW BOARD MEMBERS COMING ON  
23 AND CHANGES IN THE BOARD ITSELF, AND WE WANTED TO  
24 ENSURE THAT WE HAD SUFFICIENT FUNDS IN THERE SHOULD  
25 WE BE REQUIRED TO DO ANYTHING ADDITIONAL IN TERMS OF

**BARRISTERS' REPORTING SERVICE**

1 MEETING WITH NEW MEMBERS, PROVIDING SERVICES THAT WE  
2 DIDN'T ANTICIPATE WITH THIS CHANGE IN THE BOARD. SO  
3 WE PUT IN A CERTAIN AMOUNT OF MONEY JUST TO ENSURE  
4 THAT WE DIDN'T COME UP SHORT SHOULD WE NEED IT.

5 MEMBER LOTT: ONE LAST, AND THIS IS FOR MY  
6 GOOD FRIEND, MR. TORRES. HE'S THE BEST ADVOCATE YOU  
7 COULD POSSIBLY HAVE IN YOUR PROGRAM. SO I'M TRYING  
8 TO FIGURE OUT WHY 50 GRAND FOR NIELSON MERKSAMER TO  
9 DO ADVOCACY FOR YOU. WHAT CAN THEY DO THAT MR.  
10 TORRES CAN'T DO FOR YOU?

11 CHAIRMAN CHIANG: THAT'S A GREAT QUESTION.

12 MR. TORRES: THANKS. I'D BE HAPPY TO  
13 RESPOND TO THAT. CONSTITUTIONALLY THE VICE CHAIR IS  
14 IN CHARGE OF THE RELATIONSHIPS WITH THE NATIONAL AND  
15 STATE GOVERNMENT AND LOCAL GOVERNMENTS AS WELL. BUT  
16 MANY TIMES THIS DEMOCRAT CAN'T ALWAYS TALK TO  
17 CERTAIN REPUBLICANS THAT WE MAY NEED TO EDUCATE  
18 ABOUT WHAT'S GOING ON ON THOSE ISSUES. AND THAT'S  
19 WHERE NIELSON MERKSAMER --

20 MEMBER LOTT: I'M JUST RIPPING YOU, MAN.

21 MR. TORRES: I'M TRYING TO BE DIRECT TO  
22 YOU, MR. LOTT. AND I DO NOT INTEND TO BECOME A  
23 REGISTERED LOBBYIST.

24 MEMBER BRUNNER: I HAVE A GENERAL  
25 QUESTION. I'M NOT SURE WHO TO DIRECT THIS TO. IF

## BARRISTERS' REPORTING SERVICE

1 I'M READING THE FINANCIALS CORRECTLY, WE'RE SHOWING  
2 A 21-PERCENT INCREASE YEAR OVER YEAR IN THE  
3 OPERATING EXPENDITURES. LOOKING OUT NEXT YEAR AND  
4 THE YEARS AFTER, WHAT DOES THE TREND LINE LOOK LIKE?  
5 DOES THIS KIND OF PEAK AND IT'S GOING TO START TO  
6 DROP, OR IS IT LEVELING OFF?

7 DR. ROBSON: SO LET ME START BY ANSWERING  
8 A QUESTION THAT DR. KOVACH ASKED A LITTLE EARLIER  
9 BECAUSE I THINK IT RELATES TO THIS BECAUSE HE ASKED  
10 ABOUT OUR 6-PERCENT ADMINISTRATIVE LIMIT WHICH WE  
11 HAVE. THE CHANGE WITH SB 1064 LIFTED THE 50-PERSON  
12 CAP, BUT IT LEFT THE 6-PERCENT LIMIT, WHICH IS THE  
13 REAL CONTROL. THAT'S THE IMPORTANT ONE IS HOW MUCH  
14 MONEY DO WE HAVE AVAILABLE TO SPEND ON  
15 ADMINISTRATION. THAT CAP IS A BIT COMPLICATED.

16 ESSENTIALLY WHAT IT MEANS IS WE HAVE \$180  
17 MILLION, 6 PERCENT OF 3 BILLION, FOR OUR OVERHEAD  
18 FOR OUR ADMINISTRATIVE TO RUN THE ORGANIZATION. AND  
19 WE HAVE TO DO THIS IN A WAY THAT WE MEASURE OUR  
20 ADMINISTRATIVE COSTS AGAINST THE DISTRIBUTION OF OUR  
21 GRANTS. SO WE DON'T WANT OUR ADMINISTRATIVE MONEY  
22 TO RUN OUT AND WE STILL HAVE GRANTS TO GIVE, NOR DO  
23 WE WANT TO HAVE GRANTS RUN OUT AND WE STILL HAVE  
24 MONEY LEFT FOR ADMINISTRATIVE PERSONS. THAT'S NOT  
25 LIKELY TO BE THE CASE.

## BARRISTERS' REPORTING SERVICE

1 SO WE HAVE KEPT TRACK OF THIS, AND WE TRY  
2 TO MAKE PROJECTIONS ON HOW LONG DO WE EXPECT THESE  
3 PROGRAMS TO CONTINUE GOING, AND THEN HOW MUCH MONEY  
4 WILL WE NEED FOR ADMINISTRATIVE SERVICES. THERE'S  
5 GOING TO BE A POINT, IF THERE'S NOT ADDITIONAL  
6 FUNDING THAT COMES AVAILABLE, WHEN WE WILL STOP  
7 GIVING OUT NEW GRANTS, BUT WE WILL STILL HAVE GRANTS  
8 TO MONITOR AND MAINTAIN. AND AT THAT PERIOD OF  
9 TIME, OUR ADMINISTRATIVE COSTS SHOULD START TO FALL  
10 BECAUSE WE WON'T NEED AS MANY PERSONNEL, WE WON'T  
11 NEED AS MANY CONTRACTS, ETC., ETC.

12 AND SO THE IDEA IS TO HAVE THOSE TWO  
13 THINGS COME DOWN AT THE SAME TIME. SO WE KEEP VERY  
14 CLOSE TRACK ON THESE. AND JIM'S QUESTION WAS WHERE  
15 ARE WE IN THAT 6 PERCENT, HOW MUCH HAVE WE SPENT.  
16 WE HAVE SPENT ABOUT, AT THE END OF THIS FISCAL YEAR,  
17 I THINK WE'LL BE AT ABOUT 40 MILLION OF THE 140 --  
18 OF THE 180. AND SO THAT'S WHAT WE HAVE REMAINING.

19 NOW, WHAT WE ANTICIPATE, WHEN WE LOOKED AT  
20 MODELING OUR EMPLOYEES, WHAT WE THOUGHT WE COULD  
21 ACCOMMODATE IN TERMS OF OUR OFFICE SPACE AND THEN  
22 ALSO THIS 6-PERCENT BUDGET LIMIT IS THAT WE COULD  
23 BUILD UP TO ABOUT 60 EMPLOYEES OR THE EQUIVALENT OF  
24 60 EMPLOYEES AND A COUPLE OF CONTRACTORS IF WE STILL  
25 HAVE SOME SOFTWARE DEVELOPERS WORKING WITH US. AND

## BARRISTERS' REPORTING SERVICE

1 WE COULD MAINTAIN THAT 60 PROBABLY UNTIL ABOUT 2016  
2 OR SO. AT THAT POINT OUR GRANT ACTIVITY WOULD START  
3 TO DECLINE, AT LEAST THE WORK IN GETTING PREPARED TO  
4 ISSUE NEW GRANTS WOULD START TO DECLINE, AND THEN  
5 THOSE NUMBERS WOULD THEN START TO DECLINE.

6 I WOULD SAY THIS BUDGET IS LIKELY TO RISE  
7 FOR THE NEXT YEAR OR TWO, AND THEN IT PROBABLY WILL  
8 FLATTEN OFF OTHER THAN INFLATIONARY KINDS OF THINGS,  
9 AND THEN IT SHOULD START TO GO DOWN IN ABOUT 2015 OR  
10 SO.

11 MEMBER BRUNNER: THANK YOU. JUST SO I  
12 UNDERSTAND IT, I KNOW THERE'S A 6-PERCENT CAP. BUT  
13 TO THE EXTENT YOU ARE BELOW THE 6 PERCENT, WHAT  
14 HAPPENS TO THAT MONEY? IS THAT AVAILABLE FOR  
15 GRANTS?

16 DR. ROBSON: IT WOULD BE.

17 MEMBER BRUNNER: SO THE IDEA WOULD BE TO  
18 RUN IT AS EFFICIENTLY AS POSSIBLE. PURPOSE OF THE  
19 PROGRAM IS NOT ADMINISTRATION; IT'S TO GET GRANT  
20 MONEY OUT THE DOOR.

21 DR. ROBSON: ABSOLUTELY. WE DO RUN, I  
22 THINK, AN EFFICIENT ORGANIZATION COMPARED TO OTHER  
23 ORGANIZATIONS THAT HANDLE GRANTS AND BUDGETS OF OUR  
24 SIZE. I THINK WE'RE WELL UNDER WHAT IS THE NATIONAL  
25 AVERAGE.

## BARRISTERS' REPORTING SERVICE

1 MEMBER KOVACH: ANOTHER PURPOSE IS TO  
2 CREATE THERAPIES THAT ARE TAKEN UP BY BUSINESSES.  
3 SO AS TIME MOVES FORWARD, I CAN UNDERSTAND THE BASIC  
4 RESEARCH BEING REDUCED, BUT THEN THE INTELLECTUAL  
5 PROPERTY COULD INCREASE. DO YOU INTEND TO RELY ON  
6 BASICALLY KIND OF THE MARKET ESSENTIALLY TO DO THAT,  
7 OR ARE YOU GOING TO ACTUALLY HAVE SOME INDIVIDUALS  
8 THAT YOU HIRE THAT ACTUALLY PUSH THAT TECHNOLOGY  
9 OUT?

10 DR. ROBSON: THAT'S A COMPLICATED  
11 QUESTION. I'LL GIVE A SHOT AT IT, AND PERHAPS ALAN  
12 TROUNSON WOULD LIKE TO TALK ABOUT THAT AS WELL.

13 SO FIRST OF ALL, WE DON'T ANTICIPATE THAT  
14 WE WOULD EVER STOP FUNDING BASIC RESEARCH. THAT'S  
15 ALWAYS GOING TO BE AN ENGINE FOR THIS PROGRAM AND  
16 FOR STEM CELL RESEARCH ONCE THIS ORGANIZATION NO  
17 LONGER EXISTS, ASSUMING WE DON'T GET ADDITIONAL  
18 MONEY. WE ARE STARTING TO SHIFT OUR EMPHASIS. IF  
19 YOU DO READ THE EXTERNAL REVIEW, THE REPORT WHICH  
20 YOU'LL HEAR ABOUT IN A MINUTE, YOU WILL SEE THAT  
21 THEY EMPHASIZE THESE ISSUES, THAT WE NEED TO -- NOW  
22 THAT WE'VE GONE THROUGH SORT OF OUR START-UP PHASE,  
23 WE NEED TO START SHIFTING OUR FOCUS AND OUR EMPHASIS  
24 ON TRANSLATION AND CLINICAL ISSUES. AND THAT'S  
25 COMPLICATED. IT INVOLVES REGULATORY AGENCIES, IT

## BARRISTERS' REPORTING SERVICE

1 INVOLVES THE PRIVATE SECTOR, SO FORTH.

2 NOW, IF YOU WERE REFERRING TO MONEY THAT  
3 MIGHT BE CREATED DUE TO SOME COMPANY DEVELOPING A  
4 PRODUCT THAT IS A BIG HIT AND THAT WE'VE HELPED  
5 SUPPORT, IF THAT HAS BEEN SUPPORTED THROUGH A GRANT  
6 AND THERE ARE ROYALTIES THAT COME, WE DO HAVE A  
7 POLICY THAT WE WILL GET SOME OF THOSE ROYALTIES  
8 BACK. THEY DON'T COME TO CIRM. THEY GO DIRECTLY TO  
9 THE GENERAL FUND.

10 WE ALSO HAVE A PROGRAM WHERE WE GIVE OUT  
11 LOANS. THAT IS REALLY -- WE'VE HAD A LITTLE TROUBLE  
12 KIND OF GETTING TRACTION WITH THAT. WE HAVE ONE  
13 LOAN OUT NOW AND WE HAVE ANOTHER ONE WE HOPE TO  
14 FINALIZE IN FEBRUARY. THE RETURN ON THE LOAN, THAT  
15 IS, THE REPAYMENT OF THE LOAN, AND THESE LOANS --  
16 THE ONE WE HAVE OUT RIGHT NOW COMES WITH A CERTAIN  
17 PERCENTAGE OF WARRANTS. IF THERE'S MONEY THROUGH  
18 THE WARRANTS OR THROUGH THE REPAYMENT OF THE LOAN,  
19 THAT DOES COME BACK TO CIRM AND THAT WOULD BE  
20 RECYCLED.

21 JUST BECAUSE OF THE QUESTION THAT CAME UP  
22 ABOUT ADMINISTRATIVE VERSUS, THAT MONEY COULD BE  
23 RECYCLED, BUT RECYCLED FOR GRANTS OR FOR SOME  
24 SERVICES RELATED TO THE BONDS, BUT NOT FOR GENERAL  
25 ADMINISTRATION.

## BARRISTERS' REPORTING SERVICE

1 MEMBER LOTT: PR, TALK TO ME ABOUT PR.  
2 I'M TRYING TO FIGURE OUT. YOU GOT A MONOPOLY ON THE  
3 MARKET HERE. GOVERNMENT AGENCY, QUASI GOVERNMENT  
4 AGENCY, HOWEVER YOU WANT TO CLASSIFY IT, WHAT ARE  
5 YOU SPENDING PR MONEY TO DO?

6 DR. ROBSON: WE DO IT AS EDUCATION.

7 MEMBER LOTT: EDUCATION FOR WHOM?

8 DR. ROBSON: FOR THE PUBLIC. WE FEEL IT'S  
9 PART OF OUR OBLIGATION AS A STATE AGENCY TO INFORM  
10 PEOPLE WHAT'S HAPPENING WITH THEIR MONEY.

11 MEMBER LOTT: AND YOU NEED TO HAVE A PR,  
12 AN EXTERNAL PR FIRM TO GET OUT EDUCATIONAL MATERIAL?

13 DR. ROBSON: THEY PROVIDE US -- THAT'S  
14 FLEISHMAN. PRIMARILY WHAT THEY DO -- WELL, THEY DO  
15 A COUPLE OF THINGS. THEY PROVIDE US WHAT WE CALL  
16 OUR CLIP SERVICE THEY SEND US. DAILY WE GET -- THEY  
17 PROVIDE NEWS FROM AROUND THE WORLD.

18 MEMBER LOTT: I KNOW THAT. THAT DOESN'T  
19 COST 125,000.

20 DR. ROBSON: NO. NO. THAT DOESN'T.

21 MEMBER LOTT: SO I'M TRYING TO FIGURE OUT  
22 WHAT TYPE OF SPIN YOU'VE GOT TO USE TO EDUCATE THE  
23 PUBLIC. THAT'S WHAT PR FIRMS DO. THEY PUT A SPIN  
24 ON IT.

25 DR. TROUNSON: I THINK THE TEAM ARE DOING

## BARRISTERS' REPORTING SERVICE

1 PERFECTLY WELL IN ANSWERING YOUR QUESTIONS. IN THE  
2 AREA OF THE PUBLIC RELATIONS, THIS IS AN UNUSUAL  
3 ORGANIZATION. IT WAS BUILT ON SOME VERY STRONG  
4 CRITICISM FROM CERTAIN SECTORS IN THE COMMUNITY, AND  
5 THERE REMAINS A VERY STRONG UNDERFLOW OF NEGATIVITY.  
6 IF YOU READ DOWN INTO THAT LITERATURE, IF YOU EVER  
7 GO DOWN THERE, YOU FIND THAT IT'S A VERY STRONG  
8 NEGATIVE FLOW. SO THAT BURSTS OUT EVERY NOW AND  
9 AGAIN, AND IT'S SOMETHING THAT WE TRY AND GET SOME  
10 MORE PROFESSIONAL ADVICE ON FROM TIME TO TIME.

11 AND THAT MAY BE RELATED TO ACTIVITIES IN  
12 THE COURTS WHERE EMBRYONIC STEM CELLS JUST RECENTLY  
13 HAVE BEEN FOUND TO NOT BE INTERPRETED AS BEING  
14 APPROPRIATE FOR FEDERAL GOVERNMENT FUNDING. WHAT  
15 SHOULD OUR RESPONSE BE TO THAT? BECAUSE WE ARE  
16 CONCERNED THAT WHAT WE SHOULD HAVE IS REASONABLE  
17 RESPONSES TO THESE KIND OF THINGS. SO IN THE SENSE  
18 THAT THERE'S BEEN A PUBLIC RELATIONS FIRM, THEY HAVE  
19 BEEN TRYING TO HELP US DO THE RIGHT THING AND MAKE  
20 SURE THE STATE AGENCY WITHIN THE CALIFORNIA STATE IS  
21 BEING POSITIONED IN A REASONABLE FRAME.

22 AND THERE IS A CONTINUOUS STREAM OF ADVICE  
23 ABOUT WHETHER WE SHOULD DO SOMETHING WHEN ARTICLES  
24 APPEAR, EITHER IN NEWSPAPERS OR IN OTHER STATES OR  
25 IN THE FEDERAL SPHERE OR EVEN IN THE STATE, SHOULD

## BARRISTERS' REPORTING SERVICE

1 WE BE RESPONSIVE TO THAT OR SHOULD WE JUST MARCH ON  
2 WITH OUR SCIENCE? I THINK THERE'S PART OF -- I  
3 THINK SOME QUESTIONS MIGHT HAVE BEEN ASKED LAST  
4 YEAR. THE IMPORTANT PART IS TO MAKE SURE THE  
5 COMMUNITY FEELS VERY SUPPORTIVE ABOUT THIS  
6 ORGANIZATION. SO WE NEED TO BE CAREFUL ABOUT IT,  
7 KNOWING THAT IT DOES HAVE THIS SORT OF STRONG  
8 UNDERCURRENT THAT GOES BACK A LONG TIME  
9 HISTORICALLY.

10 MEMBER LOTT: HOW WOULD THAT PAIR THEN OR  
11 MATCH WITH COMMUNITY OUTREACH? YOU'VE GOT A  
12 SEPARATE LINE ITEM FOR THAT.

13 DR. TROUNSON: WELL, THE COMMUNITY  
14 OUTREACH IS MORE FOR THE PATIENT ADVOCACY TYPE OF  
15 ACTIVITIES. THAT IS, TO REPORT THE SCIENCE  
16 PROCESSES MORE INTO THE PATIENT ADVOCACY SYSTEMS,  
17 INTO THE HIGH SCHOOLS. WE SUPPORT SCIENTISTS GOING,  
18 PARTICULARLY GRANTEES, GOING OFF TO GIVE TALKS TO  
19 HIGH SCHOOL GROUPS, CHURCH GROUPS, WHATEVER. WE DO  
20 A LOT OF THAT OURSELVES AS WELL. SO COMMUNITY  
21 OUTREACH IS TO TRY AND PROVIDE FROM OUR BASIC FLOOR  
22 THE INFORMATION WHICH IS MUCH MORE LOCALIZED.

23 MEMBER LOTT: ONE GENERAL QUESTION, MR.  
24 CHAIRMAN. ALL OF OUR QUESTIONS ARE FOCUSING ON ONE  
25 POINT, AND THAT IS THAT WE HAVE A VAST AND

## BARRISTERS' REPORTING SERVICE

1 WELL-DEVELOPED STATE GOVERNMENT INFRASTRUCTURE. AND  
2 IT WOULD SEEM TO ME THAT WE MAY NOT BE TAKING FULL  
3 ADVANTAGE OF THE SERVICES THAT WE HAVE WITHIN  
4 GOVERNMENT TO BE ABLE TO ACCOMPLISH A LOT OF WHAT IT  
5 IS I'M SEEING HERE IN EXTERNAL RELATIONSHIPS.

6 DR. TROUNSON: OKAY. SO I THINK THAT'S  
7 ALSO PART OF THE EXTERNAL REVIEW REPORTED TO US ON  
8 COMMUNICATIONS, SAYING ESSENTIALLY THE CABBY IN THE  
9 STREET OUGHT TO BE VERY WELL AWARE OF CIRM BECAUSE  
10 IT'S A BIG INVESTMENT BY THE STATE, AND THEY SHOULD  
11 HAVE A VERY GOOD KNOWLEDGE OF WHAT WE'RE DOING. SO  
12 OUR COMMUNICATIONS NEED TO BE EVEN MORE EFFECTIVE.

13 MEMBER LOTT: I'M JUST ASKING THE QUESTION  
14 WHY ARE WE SPENDING SO MUCH DEALING WITH OUTSIDE  
15 ENTITIES, PURCHASING SERVICES FROM OUTSIDE ENTITIES,  
16 WHEN WE'VE GOT THIS VAST STATE INFRASTRUCTURE WITH A  
17 HUGE AMOUNT OF TALENT THAT WE'RE ALREADY PAYING FOR  
18 AS TAXPAYERS. I'M TRYING TO FIGURE OUT WHY YOU'RE  
19 GOING SO MUCH, ALL THESE EXTERNAL LEGAL SERVICES  
20 COST THAT WAS ENUMERATED EARLIER, WHAT I JUST GOT  
21 THROUGH ASKING. WHY ARE WE NOT USING THE STATE  
22 GOVERNMENT MORE?

23 DR. TROUNSON: WE ARE USING THEM AS MUCH  
24 AS WE CAN. WE DO APPROACH OTHER STATE AGENCIES,  
25 SISTER AGENCIES TO ASSIST WHERE IT'S APPROPRIATE.

## BARRISTERS' REPORTING SERVICE

1 MEMBER LOTT: WHY CAN'T THE DOJ, WHY CAN'T  
2 THE DOJ DO A LOT OF WHAT YOU ARE ASKING THOSE  
3 EXTERNAL LAWYERS TO DO?

4 DR. TROUNSON: WELL, MAYBE I'LL ASK  
5 SENATOR TORRES TO RESPOND TO THAT BECAUSE THAT'S A  
6 REASONED QUESTION, BUT MAYBE HE WOULD GIVE A BETTER  
7 ANSWER THAN I WOULD.

8 MEMBER KOVACH: DOES THAT MEAN DEPARTMENT  
9 OF JUSTICE?

10 MEMBER LOTT: YES, SIR. ATTORNEY  
11 GENERAL'S OFFICE.

12 MR. TORRES: THE ATTORNEY GENERAL'S OFFICE  
13 HAS OVER 65,000 ACTIVE CASES RIGHT NOW. THEY ARE  
14 BURDENED AS THEY ARE ALREADY. ANY OTHER LAWYER,  
15 WHETHER THEY'RE GENERAL SERVICES OR THE DEPARTMENT  
16 OF HEALTH, AREN'T AVAILABLE TO US BECAUSE OF THEIR  
17 OWN TREMENDOUSLY STRAPPED OPERATIONS.

18 BUT SPEAKING TO YOUR POINT SPECIFICALLY,  
19 ONE OF THE RECOMMENDATIONS THAT CAME FROM THE  
20 EXTERNAL REVIEW, AND DR. ROBSON REVEALED THIS  
21 REORGANIZATION BASED UPON HIS OWN EVALUATION AND  
22 WHERE HE THINKS THE AGENCY SHOULD MOVE TO THE BOARD  
23 YESTERDAY IN SAN FRANCISCO AND APPROVED BY THE  
24 BOARD, AND HE PRESENTED THAT TO THE STAFF THIS  
25 MORNING. DR. TROUNSON DID, YES, TO THE BOARD AND TO

## BARRISTERS' REPORTING SERVICE

1 THE STAFF, INDICATING THAT WE NEED TO REORGANIZE.  
2 AND PART OF THAT REORGANIZATION IS LESS RELIANCE ON  
3 EXTERNAL PR PEOPLE, FOR EXAMPLE. BECAUSE THERE WILL  
4 BE AN EFFECTIVE, I THINK, WHAT HE HAS RECOMMENDED AN  
5 EFFECTIVE DIVISION BETWEEN SCIENCE COMMUNICATIONS  
6 AND COMMUNICATIONS FOR THE AGENCY AS A WHOLE, TO  
7 PATIENT ADVOCATES THAT HE INDICATED, THE OUTREACH  
8 THAT WE HAVE, BUT ALSO TO GET AN INTERNAL PERSON  
9 RATHER THAN RELYING ON A PUBLIC RELATIONS FIRM TO  
10 ESTABLISH THAT.

11 AND WHAT THEY HAVE RECOMMENDED, DR.  
12 TROUNSON AND MR. KLEIN IN CONJUNCTION AND APPROVED  
13 BY THE BOARD YESTERDAY, WAS SPECIFICALLY TO HAVE THE  
14 VICE CHAIR INTERFACE WITH THAT NEW PERSON THAT WE  
15 ARE ABOUT TO HIRE FOR COMMUNICATIONS THAT WILL GIVE  
16 US LESS RELIANCE ON THE PR FIRM. I'M NOT HAPPY WITH  
17 WHAT'S BEEN UTILIZED AT THIS POINT.

18 THE OTHER THING ON THE CAP, REMOVING THE  
19 CAP ALSO ALLOWS US TO DIMINISH THE AMOUNT OF EFFORT  
20 THAT WE RELY UPON EXTERNAL CONSULTANTS. SO AS WE  
21 MOVE FORWARD IN A VERY DIFFICULT PHASE WITH HUMAN  
22 TRIALS COMING UP VERY QUICKLY, SOME ALREADY ARE  
23 OPERATIONAL, IS TO MAKE SURE THAT WE HAVE INTERNAL  
24 CONTROLS OF OUR COMMUNICATIONS EFFORT RATHER THAN  
25 RELYING ON A PR FIRM THAT MAY NOT REALLY HAVE ALL OF

## BARRISTERS' REPORTING SERVICE

1 OUR BEST INTERESTS IN MIND AND REALLY DOESN' T KNOW,  
2 FOR THE MOST PART, JUST HOW TO FASHI ON THE MESSAGE.

3 SO LEEZA GIBBONS, WHO' S ON OUR BOARD,  
4 SHERRY LANSING, WHO' S ON OUR BOARD, MYSELF, ARE PART  
5 OF A COMMUNICATIONS SUBCOMMITTEE THAT WILL BE  
6 LOOKING AT THIS OPERATION ONCE WE HIRE THIS PERSON.  
7 I' LL WORK VERY CLOSELY WITH THEM AND UTILIZE THE  
8 EFFORTS, AS YOU SAID, WHY AREN' T WE UTILIZING. HERE  
9 WE HAVE TWO INCREDIBLE PEOPLE FROM THE MEDIA, LEEZA  
10 AND SHERRY, TO BE USED AS VALUABLE TOOLS FOR AN  
11 AGENDA. I' M LOOKING FORWARD TO DOING THAT.

12 CHAIRMAN CHIANG: I THINK THAT' S VERY  
13 IMPORTANT.

14 I JUST, ALAN, WITH ALL DUE RESPECT, I  
15 DON' T SEE SPENDING \$125,000 TO RESPOND TO A BUNCH OF  
16 ARTICLES BY PEOPLE WHO AREN' T SUPPORTIVE OF  
17 EMBRYONIC STEM CELL RESEARCH. I MAY BE MISSING  
18 SOMETHING. MAYBE THERE' S INTENSITY, BUT THAT' S BEEN  
19 IN EXISTENCE FOR A WHILE. AND THERE OUGHT TO BE  
20 EFFICIENCIES AND, FRANKLY, IT' S NOT LIKE WE' RE  
21 CREATING NEW MESSAGES EVERY TIME THEY COME UP. SO  
22 THE ARGUMENTS ARE PRETTY STANDARD.

23 DR. TROUNSON: I TAKE YOUR POINT, CHAIR,  
24 AND WE' LL TAKE THAT BACK TO REVIEW IT. AS SENATOR  
25 TORRES SAYS, THAT THERE IS GOING TO BE A

## BARRISTERS' REPORTING SERVICE

1 READJUSTMENT IN THIS AREA OF COMMUNICATION. WE'RE  
2 ALL VERY KEEN TO MAKE IT MORE EFFECTIVE FOR THE  
3 COMMUNITY BROADLY. I JUST WANTED FOR YOU TO KNOW  
4 THAT EVERY DAY YOU WALK INTO OUR OFFICE, THERE'S  
5 SOMETHING THAT YOU REALLY HAVE TO -- VERY OFTEN  
6 EVERY DAY YOU HAVE TO LOOK AT SOME ARTICLE AND  
7 DECIDE WHETHER YOU WANT TO ADDRESS IT OR NOT. HOW  
8 DO YOU POSITION YOURSELF TO AT LEAST MAKE THE  
9 COMMUNITY FEEL THAT WE'RE RESPONSIVE? BUT WE'RE NOT  
10 BEING RESPONSIVE TO ABSOLUTELY EVERYTHING THAT'S OUT  
11 THERE BECAUSE IT'S PRETTY CONTINUAL.

12 CHAIRMAN CHIANG: THERE WAS REFERENCE  
13 EARLIER TO THE GRANTS. THE FACT THAT THE GOVERNOR  
14 IS NOT PLANNING ON SELLING ANY BONDS NOW, HOW IS  
15 THAT GOING TO IMPACT GRANTS?

16 DR. TROUNSON: THAT WON'T AFFECT ANY OF  
17 THE GRANTS UP UNTIL THE MIDDLE OF NEXT YEAR. I'VE  
18 HAD DR. ROBSON TAKE A VERY CLOSE LOOK AT THE  
19 EXPENDITURE AND COMMITMENT. AND REALLY BY JUNE,  
20 JULY NEXT YEAR WE'LL BE REALLY NEEDING TO LOOK AT  
21 HAVING ADDITIONAL FUNDS. SO THE FIRST SIX MONTHS  
22 WON'T AFFECT US NOT BEING ABLE TO SELL BONDS IN THIS  
23 FIRST SIX MONTHS, BUT IN THE SECOND SIX MONTHS OR  
24 INTO SOMETIME NEXT YEAR IT MAY.

25 CHAIRMAN CHIANG: IF I CAN INTERJECT, I'M

## BARRISTERS' REPORTING SERVICE

1 TRYING TO GET A LITTLE BIT MORE DETAIL. TO WHAT  
2 EXTENT DO YOU THINK IT'S GOING TO IMPACT US?

3 DR. TROUNSON: I DON'T THINK IT'S GOING TO  
4 IMPACT AT ALL AT THIS STAGE AT ALL FOR THE SIX  
5 MONTHS, NONE AT ALL.

6 CHAIRMAN CHIANG: OKAY. VERY GOOD.

7 THINKING ABOUT THE LOANS, OBVIOUSLY  
8 THERE'S GOING TO BE A CERTAIN RETURN TO CIRM. I'M  
9 TRYING TO GET A BREAKDOWN. OBVIOUSLY WE'RE TRYING  
10 TO PROTECT THE TAXPAYERS' INTEREST HERE TOO. I WANT  
11 TO GET A DEEPER SENSE OF THE VIEWS ON THE LOANS IN  
12 FROM PRIVATE INDUSTRY.

13 DR. TROUNSON: THERE'S BEEN 380 PROJECTS  
14 AWARDED AND THERE'S ONE LOAN. IT'S ONE LOAN IN ONE  
15 OF THE MAJOR GRANTS, ONE OF THE ONES THAT WAS WORTH  
16 \$20 MILLION. SO THAT'S SUBSTANTIVE IN ITSELF, BY  
17 ITSELF, BUT IT IS EXTREMELY SMALL IN TERMS OF THE  
18 NUMERICAL COMPONENT.

19 THE IMPORTANT PART, WE HOPE, IS  
20 ADJUSTMENTS JUST MADE YESTERDAY REALLY BY THE BOARD  
21 TO MAKE THOSE LOANS MORE ATTRACTIVE TO THE BUSINESS  
22 SECTOR. YOU MIGHT APPRECIATE THAT EVERY TIME YOU  
23 HAVE AN INTERACTION WITH THE PRIVATE SECTOR, IT'S  
24 OFTEN A NEGOTIATION, BUT VERY FREQUENTLY IT'S OVER  
25 SOME COMPONENT PART THAT A CHIEF FINANCIAL OFFICER

## BARRISTERS' REPORTING SERVICE

1 IN THAT ORGANIZATION WILL FIND UNACCEPTABLE. BUT I  
2 THINK WE HAVE AS CLOSE AS WE CAN GET AT THE PRESENT  
3 TIME, WITH REMOVAL OF THE WARRANTS, OPPORTUNITIES  
4 FOR BRINGING IN THE PRIVATE SECTOR.

5 AND WE'RE ABOUT TO REVIEW THE MOST  
6 ADVANCED GRANTS. THOSE ARE GRANTS THAT ARE ALREADY  
7 IN THE CLINIC OR ALREADY HAVE WHAT IS CALLED AN IND,  
8 A REGISTRATION FOR A CLINICAL TRIAL. AND IN THOSE  
9 STUDIES, THERE ARE FOUR. THOSE FOUR STUDIES INVOLVE  
10 COMPANIES AS THE PRIMARY COMPONENTS. THEY WILL ALL  
11 INVOLVE LOANS. THOSE LOANS WILL RETURN THE MONEY  
12 PLUS AN INTEREST RATE TO THE INSTITUTE.

13 CHAIRMAN CHIANG: SORRY TO INTERRUPT. I'M  
14 INTERESTED IN THE TERMS. I UNDERSTAND YOU WANT TO  
15 ASSIST BUSINESS, BUT OFTENTIMES, AS I SAW WITH WHAT  
16 HAPPENED A COUPLE YEARS AGO ON WALL STREET, THE  
17 TERMS WALL STREET WILL CHARGE GOVERNMENT ARE TERMS  
18 THAT WALL STREET ITSELF -- I'M NOT TRYING TO BE  
19 PEJORATIVE ABOUT ALL OF WALL STREET -- BUT TERMS  
20 THEY WON'T ACCEPT THEMSELVES.

21 SO MY INTEREST HERE IS TO MAKE SURE THAT  
22 CIRM DOES WELL, THE TAXPAYERS DO WELL. IT'S NOT OUR  
23 JOB TO PROVIDE SUBSIDIES. THAT'S NOT THE CHOICE  
24 HERE. THIS IS A LOAN ON TERMS THAT ARE NOT POSITIVE  
25 FOR CIRM OR THE TAXPAYERS OF CALIFORNIA.

## BARRISTERS' REPORTING SERVICE

1 DR. TROUNSON: I APPRECIATE THAT. IN  
2 TERMS OF THE GRANTS, THERE'S A RETURN IF THEY'RE  
3 VERY SUCCESSFUL AND THEY GET COMMERCIALIZED AND  
4 THERE'S AN IP COMPONENT THAT WILL RETURN AGAIN IF  
5 IT'S UTILIZED. ALL OF THOSE ARE PROBABILITIES THAT  
6 ARE ATTACHED WHENEVER YOU INVEST IN A GRANT.

7 IN TERMS OF A LOAN, THE MONEY WILL COME  
8 BACK BECAUSE IT'S A LOAN TO THE COMPANY, AND THAT  
9 WILL BE REINVESTED FOR THE TAXPAYER, FOR THE  
10 COMMUNITY AS IF IT HADN'T BEEN INVESTED IN THE FIRST  
11 PLACE. AND SO ONE WOULD HOPE THE BENEFITS THAT ARE  
12 ACCRUING FROM THOSE DEVELOPMENTS HAVE A BETTER  
13 EFFECT ON THE BOTTOM LINE FOR HEALTHCARE BECAUSE  
14 THAT IS THE LARGEST COMPONENT OF BENEFIT IN THE  
15 LONGER TERM.

16 MR. TORRES: I THINK IT'S IN YOUR PACKET,  
17 A ONE-PAGER WHICH WAS APPROVED BY THE BOARD  
18 YESTERDAY, WHICH DR. TROUNSON IS REFERENCING, IN  
19 RESPECT TO WHAT'S GOING TO BE RETURNED.

20 MEMBER KOVACH: WELL, THE PROOF WILL BE IN  
21 HOW MANY LOANS ARE ACTUALLY DONE, RIGHT?

22 DR. TROUNSON: YES.

23 MEMBER KOVACH: BECAUSE YOU CAN'T FORCE  
24 THE COMPANIES TO TAKE IT; BUT AT THE SAME TIME, YOU  
25 PROBABLY -- DO YOU DISCUSS THE SUBJECT MATTER OF THE

## BARRISTERS' REPORTING SERVICE

1 LOAN ITSELF?

2 DR. TROUNSON: YES. WE INVEST A LOT OF  
3 TIME THROUGH THE GENERAL COUNSEL IN THOSE  
4 DISCUSSIONS AND NEGOTIATIONS EACH AND EVERY TIME.  
5 IF THERE'S MORE THAN A \$3 MILLION GRANT, THEN THE  
6 ONUS IS ON THE COMPANY TO TAKE THE LOAN RATHER THAN  
7 THE GRANT. AND AT THIS STAGE, IF THEY'VE BEEN  
8 AWARDED, THEY TAKE THE LOAN, BUT IT'S ONLY ONE THAT  
9 HAS BEEN TAKEN. PROBABLY IN SOME CIRCUMSTANCES  
10 COMPANIES HAVE AVOIDED MAKING AN APPLICATION BECAUSE  
11 OF THE CONCERNS ABOUT IN THE PAST THE CONDITION OF  
12 THE LOAN.

13 MEMBER KOVACH: RIGHT. SO IT SEEMS LIKE  
14 IT'S A BALANCE. ON THE ONE HAND, YOU WANT TO PLACE  
15 THESE LOANS. ON THE OTHER HAND, YOU HAVE TO DO IT  
16 AT A RATE THAT PROVIDES CERTAINTY THAT A COMPANY  
17 WILL ACTUALLY BE WILLING TO DO IT.

18 DR. TROUNSON: YES. THAT'S EXACTLY RIGHT.

19 MEMBER LIPSON: NOW, DIDN'T YOU GET  
20 WARRANTS? YOU MENTIONED THE IDEA OF GETTING  
21 WARRANTS ALSO. IN A WAY THAT'S ROYALTIES  
22 INDIRECTLY.

23 DR. TROUNSON: WITH WARRANTS, WE HAVE ONE  
24 LOAN THAT INVOLVES WARRANTS. BUT WE HAD A VERY  
25 STRONG PUSHBACK FROM INDUSTRY GENERALLY AGAINST USE

## BARRISTERS' REPORTING SERVICE

1 OF WARRANTS BECAUSE IT HAS A VERY DETRIMENTAL  
2 EFFECT, ACCORDING TO THEIR FINANCIAL OFFICERS, ON  
3 THEIR ACCOUNTS THAT IS CARRIED AS A DEBT. SO THEY  
4 AVOID THAT, MOST COMPANIES. MOST OF THE COMPANIES  
5 THAT WE TALKED TO WANT TO AVOID THAT AT ANY COST.

6 CHAIRMAN CHIANG: HOW WOULD THE TERMS THAT  
7 CIRM SET YESTERDAY COMPARE TO THE PRIVATE SECTOR?

8 DR. TROUNSON: DO YOU WANT TO ANSWER THAT,  
9 JAMES? YOU DID SOME OF THE PRESENTATION.

10 MR. HARRISON: JAMES HARRISON. FIRST  
11 THING THAT YOU SHOULD UNDERSTAND IS THAT CIRM'S  
12 TARGET FOR THESE LOANS ARE NOT NECESSARILY COMPANIES  
13 THAT CAN GO OUT AND GET LOANS FROM ANY BANK. WHAT  
14 CIRM IS TRYING TO ADDRESS IS WHAT'S KNOWN AS THE  
15 VALLEY OF DEATH WHERE COMPANIES MAY HAVE A TERRIFIC  
16 IDEA, BUT BECAUSE IT'S SO NEW AND NOVEL, BECAUSE OF  
17 THE UNCERTAINTY ASSOCIATED WITH IT, THEY CAN'T GET  
18 THE MONEY NECESSARY TO PUSH IT THROUGH PHASE I OR  
19 PHASE II TO PROVE EFFICACY AND BRING IT TO THE  
20 MARKET EVENTUALLY.

21 SO CIRM IS REALLY TARGETING A DIFFERENT  
22 MARKET. IN TERMS OF TERMS OF THE LOANS THEMSELVES,  
23 THE OPTION THAT THE BOARD ADOPTED YESTERDAY, WHICH  
24 REQUIRES A RISK PREMIUM PAYBACK, WORKS AS FOLLOWS.  
25 FOR WHAT'S KNOWN AS A PRODUCT-BACKED LOAN, A LOAN

## BARRISTERS' REPORTING SERVICE

1 WHERE REPAYMENT OF THE PRINCIPAL AND INTEREST IS  
2 CONTINGENT UPON SUCCESS OF THE CIRM-FUNDED PROJECT,  
3 THEY WOULD BE REQUIRED TO PAY UP TO 500 PERCENT OF  
4 THE PRINCIPAL OF THE LOAN BACK TO CIRM IN ADDITION  
5 TO THE PRINCIPAL AND INTEREST ITSELF.

6 THERE'S ANOTHER CATEGORY OF LOANS,  
7 COMPANY-BACKED LOANS, WHERE THE COMPANY IS REQUIRED  
8 TO REPAY THE LOAN REGARDLESS OF WHETHER THE PRODUCT  
9 THAT CIRM HAS FUNDED IS SUCCESSFUL OR NOT.  
10 DEPENDING UPON REVENUE THRESHOLDS THAT ARE MET FOR  
11 THE PURPOSES OF THAT LOAN, THEY WOULD BE REQUIRED TO  
12 REPAY A RISK PREMIUM UP TO 300 PERCENT OF THE AMOUNT  
13 OF THE LOAN, AGAIN IN ADDITION TO PAYING THE  
14 PRINCIPAL AND INTEREST OF THE LOAN.

15 THIS PROGRAM IS ACTUALLY VERY SIMILAR TO  
16 ONE THAT THE JUVENILE DIABETES RESEARCH FOUNDATION  
17 HAS INSTITUTED. AND IT'S WORKED VERY WELL. AS  
18 SOMEONE SAID, DR. KOVACH, THE PROOF WILL BE IN  
19 WHETHER WE'RE ACTUALLY ABLE TO IMPLEMENT THE PROGRAM  
20 IN A WAY THAT WORKS BOTH FROM CIRM'S PERSPECTIVE AS  
21 WELL AS THE COMPANY'S PERSPECTIVE SO THAT WE HAVE  
22 MORE OF A VOLUME OF LOANS THAN WE HAVE CURRENTLY.

23 MEMBER LIPSON: HOW IS THE TAXPAYER PAID  
24 BACK?

25 MR. HARRISON: WELL, THE TAXPAYER IS PAID

## BARRISTERS' REPORTING SERVICE

1 BECAUSE THE MONEY GOES BACK TO CIRM FOR THE EXPRESS  
2 PURPOSE OF USING FOR ADDITIONAL GRANTS AND LOANS TO  
3 FURTHER THE MISSION OF THE AGENCY.

4 MEMBER LIPSON: BUT NO MONEY GOES BACK TO  
5 THE BONDS?

6 MR. HARRISON: WITH RESPECT TO THE LOANS,  
7 NO. WITH RESPECT TO GRANTS, CIRM HAS ADOPTED  
8 INTELLECTUAL PROPERTY PROVISIONS AS SUPPLEMENTED BY  
9 SB 1064, WHICH WAS ENACTED LAST YEAR, THAT  
10 SPECIFICALLY REQUIRES REVENUE SHARING TO GO DIRECTLY  
11 TO THE GENERAL FUND. LOANS UNDER THE LAW ITSELF,  
12 THE RETURN IS TO CIRM TO PROVIDE ADDITIONAL GRANTS  
13 AND LOANS.

14 MEMBER LIPSON: SO BASICALLY IT'S TO THE  
15 ADVANTAGE OF CIRM AS AN INSTITUTION IN AND OF ITSELF  
16 TO GET LOANS.

17 MR. HARRISON: WELL, I THINK CIRM  
18 RECOGNIZES IT HAS AN OBLIGATION TO THE TAXPAYERS.  
19 AND OBVIOUSLY THE FACTS SPEAK FOR THEMSELVES. TO  
20 DATE CIRM HAS ISSUED ONLY ONE LOAN. THE REST HAVE  
21 BEEN IN THE FORM OF GRANTS.

22 MEMBER KOVACH: I WOULD EMPHASIZE THE  
23 BENEFIT OF THERAPIES. THEY DON'T CALL IT THE VALLEY  
24 OF DEATH FOR NOTHING. AND WHEREAS GENERAL MAJOR  
25 PHARMACEUTICAL COMPANIES WITH SMALL MOLECULES

## BARRISTERS' REPORTING SERVICE

1 INNOVATE BY GOING FROM A FOUR-HOUR RELEASE TO AN  
2 EIGHT-HOUR RELEASE AND 20 MORE YEARS OF PATENT,  
3 WE'RE TALKING ABOUT THERAPIES THAT ARE IN THE --  
4 THAT IN MANY CASES HAVE FANTASTIC POTENTIAL, BUT  
5 COMPANIES, IF THEY DON'T HAVE THE CERTAINTY, THEY  
6 WILL NOT INVEST THE MONEY.

7 MR. HARRISON: THAT'S A VERY GOOD POINT.  
8 I SHOULD ADD THAT WHEN THE INITIAL ECONOMIC  
9 PROJECTIONS WERE DONE OF THIS PROGRAM, THE ESTIMATES  
10 WERE THAT 90 PERCENT OF THE BENEFIT WOULD COME IN  
11 THE FORM OF HEALTHCARE SAVINGS FROM THE EVENTUAL  
12 THERAPIES THAT HOPEFULLY ARISE OUT OF THIS, NOT FROM  
13 THE ROYALTIES THAT WOULD FLOW TO THE STATE. THE  
14 FOCUS REALLY IS ON GETTING THE THERAPIES TO THE  
15 MARKET AND TO PATIENTS AS QUICKLY AND AS EFFICIENTLY  
16 AS POSSIBLE.

17 CHAIRMAN CHIANG: ANY OTHER QUESTIONS?

18 MR. TORRES: WITH YOUR INDULGENCE, TO MOVE  
19 TO THE NEXT ITEM.

20 CHAIRMAN CHIANG: GOING TO THE NEXT ITEM.  
21 YOU HAVE SOMETHING?

22 MR. TORRES: RELATED TO THE NEXT ITEM.

23 CHAIRMAN CHIANG: NEXT ITEM IS  
24 PRESENTATION OF CIRM'S REPORT OF THE EXTERNAL  
25 ADVISORY COMMITTEE.

## BARRISTERS' REPORTING SERVICE

1 MR. TORRES: BEFORE DR. TROUNSON PRESENTS  
2 THAT, I WANTED TO EDUCATE THE MEMBERS OF THE  
3 COMMITTEE THAT WE TOOK VERY SERIOUSLY THE TRANSCRIPT  
4 FROM LAST YEAR'S MEETING, AND ESPECIALLY THE  
5 CONCERNS OF THE CONTROLLER IN RESPECT TO OUR  
6 INTERNAL OPERATIONS. AND WE HAVE ABIDED BY ALL THE  
7 RECOMMENDATIONS WHERE WE COULD. AND THE REMAINDER  
8 OF THE RECOMMENDATIONS THAT WE ABIDED BY WERE WITHIN  
9 THE LEGISLATION KNOWN AS SB 1064 BY SENATOR ALQUIST.

10 WE'RE ALSO MOVING AHEAD, AND I'M WORKING  
11 WITH MR. ROBSON ON MOVING AHEAD TO ESTABLISH THE  
12 PERFORMANCE AUDIT PARAMETERS AS REQUESTED BY THE  
13 LEGISLATION. SO THAT WILL BE REVIEWED BY 2010 AND  
14 2011. WE'VE ALSO ADOPTED THE IP PROVISIONS, WHICH  
15 YOUR COMMITTEE HAD CONCERNS ABOUT LAST YEAR AS WELL,  
16 WHICH WERE ALSO PUT AS AN MANDATE WITHIN THE ALQUIST  
17 LEGISLATION.

18 WE'VE ALREADY TALKED ABOUT THE 50-PERSON  
19 CAP. AND ALSO YOU ASKED TO PUBLISH THE TALLIES OF  
20 ICOC VOTE TALLIES AND CONFLICTS OF INTEREST IN THE  
21 MINUTES OF THE ICOC MEETINGS. YOU ALSO ASKED US AND  
22 WE FINALLY DID BEGIN POSTING OUR FORM 700 ON OUR  
23 WEBSITE AS WELL AS WE WILL BE POSTING ON A QUARTERLY  
24 BASIS AND WORKING WITH YOUR OFFICE TO DETERMINE  
25 EXACTLY SPECIFICALLY WHAT YOU WANTED US TO POST ON

## BARRISTERS' REPORTING SERVICE

1 TRAVEL CLAIMS AND OTHER EXPENSES THAT OUR SENIOR  
2 MANAGEMENT AND THE CHAIR AND VICE CHAIR AS WELL AS  
3 OUR EMPLOYEES WILL BE SUBJECT TO DO.

4 DR. TROUNSON REPORTED THAT TO US, TO THE  
5 BOARD, YESTERDAY ABOUT HOW WE SHOULD PROCEED. AND  
6 WE ALL AGREE THAT THAT WAS A VERY APPROPRIATE WAY TO  
7 GO.

8 THE OTHER ISSUE --

9 CHAIRMAN CHIANG: CAN I PUT YOU ON THE  
10 SPOT ON THAT? WE REQUESTED THAT LAST YEAR. IT JUST  
11 CAME UP YESTERDAY?

12 MR. TORRES: YES. IT TAKES A WHILE TO  
13 BUILD CONSENSUS ON A BOARD OF THIS NATURE  
14 UNFORTUNATELY.

15 WE ALSO WANTED TO MAKE NOTE OF THE  
16 CONCERNS THAT MS. LANSING, AS CHAIR OF OUR  
17 GOVERNANCE COMMITTEE, EXPRESSED TO YOU, MR.  
18 CONTROLLER, ABOUT TWO WEEKS AGO OUTLINING OUR  
19 EFFORTS ON THE GOVERNANCE COMMITTEE TO ESTABLISH A  
20 TRANSPARENT PROCESS IN THE SELECTION -- RATHER THE  
21 NOMINATION AND ELECTION OF A NEW CHAIR TO REPLACE  
22 MR. KLEIN, WHO HAS INDICATED HE WILL STEP DOWN  
23 WITHIN SIX MONTHS. WE HAVE TAKEN THOSE STEPS  
24 YESTERDAY MUCH MORE QUICKLY THAN WE HAVE TAKEN OTHER  
25 STEPS, AS NOTED BY THE CONTROLLER.

## BARRISTERS' REPORTING SERVICE

1 AND WE ARE BASICALLY INCORPORATING THE  
2 SUGGESTIONS OF DR. POMEROY, WHO'S ON OUR BOARD, TO  
3 MAKE SURE THAT, NO. 1, WE PROVIDE A SELF-ASSESSMENT  
4 OF OUR FUNCTION, OF OUR BOARD PERFORMANCE AND  
5 FUNCTION; THAT WE, SECONDLY, PROVIDE INDIVIDUAL  
6 BOARD MEMBERS TO EVALUATE THEMSELVES FOR THE  
7 PURPOSES OF THE BOARD TO REVIEW; AND, THIRDLY, TO  
8 DETERMINE BY SURVEY BY BOARD MEMBERSHIP AS TO WHAT  
9 KIND OF CHAIR THEY REALLY WANT.

10 I THINK THAT DEBATE WAS STIRRED IN THE  
11 LAST FEW WEEKS, AND YOU WERE VERY MUCH AWARE OF  
12 THAT. SHOULD THE NEW CHAIR BE A SCIENTIST? SHOULD  
13 THE NEW CHAIR BE A LAYPERSON? WHAT ARE THE  
14 QUALITIES OTHER THAN ARE MANDATED BY THE  
15 CONSTITUTION SHOULD WE LOOK AT IN TERMS OF A NEW  
16 CHAIR? AND THAT WAS ALSO DISCUSSED. AND WE HOPE TO  
17 COMPLETE THAT SURVEY WITHIN TWO WEEKS AND REPORT  
18 THAT TO YOU, MR. CONTROLLER, BASED UPON THE  
19 CONVERSATIONS, THE COMMITMENTS THAT I AND SHERRY  
20 LANSING MADE TO YOU DIRECTLY IN RESPECT TO  
21 IMPLEMENTING THOSE ELEMENTS.

22 I'D NOW LIKE TO ASK DR. TROUNSON TO  
23 PRESENT A REPORT OF THE EXTERNAL ADVISORY PANEL,  
24 WHICH YOU WERE VERY CONCERNED ABOUT AS WELL, TO LET  
25 YOU KNOW WHO PARTICIPATED AND WHAT THEIR RESULTS

## BARRISTERS' REPORTING SERVICE

1 AND, MORE IMPORTANTLY, WHAT DR. TROUNSON'S REACTION  
2 WAS TO THAT ADVISORY PANEL.

3 CHAIRMAN CHIANG: ART, I JUST WANT TO GET  
4 A CLARIFICATION. THE SURVEY, THE MEMBERS OF THE  
5 GOVERNING BOARD HAVE TO RETURN THE SURVEY WITHIN TWO  
6 WEEKS, AND THEN WHEN WILL BE GET THE REPORT?

7 MR. TORRES: I WOULD PREFER TO SHARE THAT  
8 INFORMATION WITH YOU AS SOON AS WE RECEIVE IT. IT  
9 WILL BE ANONYMOUSLY DONE BY THE BOARD MEMBERS. I  
10 DON'T THINK THERE'S ANY PROBLEM IN SHARING THAT WITH  
11 YOU, AND THAT WOULD BE MY COMMITMENT TO YOU.

12 MEMBER LOTT: MR. CHAIRMAN, WITH THE  
13 TRANSITION FROM THE EXISTING CHAIR TO A NEW CHAIR,  
14 THERE SEEMS TO BE AN OPPORTUNITY, I THINK, HERE TO  
15 CLARIFY THE ROLE BETWEEN THE PRESIDENT AND THE  
16 CHAIRPERSON OF CIRM. BECAUSE IT'S INTERESTING, TO  
17 PUT IT MILDLY. AND WHAT YOU ALL ARE REVIEWING AND  
18 PREPARING TO DO FOR THIS TRANSITION, IS THAT A  
19 CONSIDERATION?

20 MR. TORRES: YES, ABSOLUTELY. IN FACT, IT  
21 WAS DR. TROUNSON, WHO AS PART OF HIS EVALUATION AS  
22 PRESIDENT OF OUR INSTITUTION, BROUGHT FORWARD A  
23 REORGANIZATION PLAN THAT ADDRESSES THAT. THANK GOD  
24 HE AND MR. KLEIN HAVE HAD AN INCREDIBLE  
25 RELATIONSHIP. YES, THEY ARGUED OVER POINTS HERE AND

## BARRISTERS' REPORTING SERVICE

1 THERE, BUT NEVER PUBLICLY, BUT RESOLVED THEM. I  
2 THINK THAT WAS TO THE BOARD'S TREMENDOUS EMBRACE  
3 YESTERDAY.

4 SO PART OF THAT REORGANIZATION THAT DR.  
5 TROUNSON PRESENTED TO OUR BOARD AND PRESENTED TO  
6 STAFF THIS MORNING IS SPEAKING ABOUT THAT  
7 INTERACTION. A LOT OF IT IS ON COMMUNICATIONS  
8 ISSUES, AS DR. TROUNSON ARTICULATED, AS WELL AS  
9 MAKING SURE THAT THERE'S A CLEAR DIVISION OF LABOR  
10 AND JURISDICTION SO THAT WHEN A NEW CHAIR COMES IN,  
11 AT THAT APPROPRIATE TIME THE GROUND RULES ARE PRETTY  
12 MUCH LAID AS TO HOW THOSE TWO INDIVIDUALS ARE GOING  
13 TO BE INTERACTING AND THE JURISDICTION OF THEIR  
14 INTERACTIONS. DR. TROUNSON.

15 DR. TROUNSON: THANK YOU VERY MUCH. I  
16 GUESS YOU COULDN'T IMAGINE ME EVER ARGUING WITH BOB  
17 KLEIN, WOULD YOU? THE WHOLE IDEA IS NEVER TO DO IN  
18 PUBLIC IF YOU HAVE A DISAGREEMENT, TO RESOLVE IT. I  
19 THINK YOU MADE GOOD POINTS, AND IN MANY RESPECTS IT  
20 DEPENDS ON WHO GETS APPOINTED TO BE THE NEW CHAIR,  
21 OF COURSE, AND WHAT BACKGROUND CAPACITY THEY HAVE  
22 AND HOW THEY WANT TO ACT AS CHAIR. IT MAY WELL BE  
23 DIFFERENT THAN MR. KLEIN.

24 MEMBER LOTT: I'M GOING A LITTLE BIT  
25 FURTHER THAN THAT. WHO GETS IT, AND THAT HE OR SHE

## BARRISTERS' REPORTING SERVICE

1 MAY MAKE IT DIFFERENT, WILL THERE BE SOME DIVISION  
2 OF LABOR THAT'S PRESCRIBED? WHOEVER THE HECK IT IS  
3 THAT COMES ON BOARD UNDERSTANDS THAT HE OR SHE HAS  
4 CERTAIN POWERS.

5 DR. TROUNSON: YES. I THINK THERE IS  
6 PRETTY CLEAR BOUNDARIES AT THE PRESENT STAGE.

7 MEMBER LOTT: NO, THERE ISN'T. I KNOW  
8 THERE AREN'T. I'M SORRY. RIGHT NOW, RIGHT NOW IT'S  
9 NOT CLEAR AT ALL. AND THE CHAIRMAN, GOD BLESS HIM,  
10 IS DOING MORE OF THE HANDS-ON RUNNING OF THE  
11 ORGANIZATION THAN CHAIRMEN OF MOST ORGANIZATIONS DO.  
12 WE JUST NEED TO BE REAL CLEAR ABOUT THAT.

13 DR. TROUNSON: I APPRECIATE YOUR CONCERN.  
14 I ACTUALLY WORK IN THAT OFFICE IN THE INTERACTION  
15 WITH HIM, SO I ABSOLUTELY KNOW HOW MUCH HE IMPACTS  
16 ON THE ORGANIZATION. SO YOU'RE RIGHT. COMPARED TO  
17 WHAT YOU'D EXPECT OF A CONVENTIONAL BOARD, IT'S VERY  
18 DIFFERENT. IT'S MORE LIKE AT TIMES AN EXECUTIVE  
19 CHAIR. BUT I TOOK THE JOB TO WORK TOGETHER WITH  
20 MR. KLEIN AS PRESIDENT AND I HAVE. AND I WOULD HOPE  
21 THAT THE FURTHER CLARITY THAT YOU ARE SEEKING WOULD  
22 ALSO HAPPEN, BUT WE ARE VERY CLEAR AT THE MOMENT  
23 WHERE THE DIVISION OCCURS. BETWEEN HE AND I, WE ARE  
24 VERY CLEAR ABOUT THAT. WE DON'T ALWAYS AGREE, BUT  
25 WE'RE CLEAR ABOUT THAT.

## BARRISTERS' REPORTING SERVICE

1 IF I COULD GO TO THE NEXT SLIDE, IF I MAY.  
2 THE PURPOSE OF THIS REVIEW WAS SET UP REALLY IN THE  
3 2006 STRATEGIC PLAN, AND IT WAS RECOMMENDED IN THAT  
4 PLAN THAT A FORMAL ASSESSMENT BY AN OUTSIDE PANEL  
5 WAS MADE AT YEAR THREE AND YEAR SEVEN. LAST YEAR  
6 WAS YEAR THREE OF OPERATIONS.

7 AND SO THE GOALS OF THE EVALUATION WERE TO  
8 LOOK AT CIRM'S PROGRAMS, PROGRESS IN ITS PROGRAMS  
9 AGAINST ITS GOALS, ASSESS THE EFFECTIVENESS OF  
10 MOVING CIRM TOWARDS MEETING THOSE GOALS, AND  
11 ACCOMPLISHING THE OVERALL MISSION, AND RECOMMENDING  
12 CHANGES IN THE FUNDING PRIORITIES TO ENSURE THAT  
13 CIRM IS REALLY SUPPORTING THE MOST PROMISING  
14 ADVANCES IN THE WHOLE FIELD OF REGENERATIVE  
15 MEDICINE, AND OTHER FEEDBACK AS WAS NECESSARY. SO  
16 THAT WAS THE PURPOSE OF THE REVIEW.

17 THESE ARE THE PANELISTS THAT WERE ASKED TO  
18 BE THE REVIEW PANEL. DR. ALAN BERNSTEIN, WHO WAS  
19 THE CHAIR, IS THE FOUNDING EXECUTIVE DIRECTOR OF THE  
20 CANADIAN INSTITUTES OF HEALTH RESEARCH, RETIRED FROM  
21 THAT, BUT HE IS THE HEAD OF -- CHAIRMAN OF THE  
22 GLOBAL HIV VACCINE ENTERPRISE, AND HE'S SITED IN NEW  
23 YORK.

24 DR. GEORGE DALEY IS ONE OF THE MOST  
25 PROMINENT MEDICAL RESEARCHERS IN STEM CELLS AT

## BARRISTERS' REPORTING SERVICE

1 HARVARD. HE WORKS IN STEM CELLS. HE WOULD BE  
2 RANKED AMONGST THE TOP THREE OR FOUR SCIENTISTS IN  
3 THE WORLD.

4 PROFESSOR SIR MARTIN EVANS IS A NOBEL  
5 LAUREATE, WAS AWARDED THE NOBEL LAUREATE IN STEM  
6 CELLS. HE HOLDS A PROFESSORIAL POSITION AT CARDIFF  
7 UNIVERSITY IN WALES.

8 DR. IGOR GONDA, CEO ARADIGM CORPORATION.  
9 PROFESSOR JUDY ILLES, NEUROLOGY AND NEUROETHICS AT  
10 THE UNIVERSITY OF BRITISH COLUMBIA. DR. RICHARD  
11 INSEL IS THE CHIEF SCIENTIFIC OFFICER AND EXECUTIVE  
12 VICE PRESIDENT OF RESEARCH AT THE JUNIOR DIABETES  
13 RESEARCH FOUNDATION. DR. RICK KLAUSNER FROM THE  
14 COLUMN GROUP AND IS THE EX-EXECUTIVE DIRECTOR OF THE  
15 GATES FOUNDATION FOR GLOBAL HEALTH, AND WAS ALSO THE  
16 DIRECTOR OF THE NATIONAL CANCER INSTITUTE AT NIH.  
17 AND FINALLY, DR. NANCY WEXLER IS PRESIDENT OF THE  
18 HEREDITARY DISEASE FOUNDATION AND PROFESSOR OF  
19 NEUROPSYCHOLOGY AT COLUMBIA UNIVERSITY.

20 SO THE PROCESS THAT WE DEVELOPED WAS THAT  
21 IN OCTOBER WE HAD THE EXTERNAL REVIEW PANEL MEET  
22 WITH US IN SAN FRANCISCO OVER THREE DAYS. AND THEY  
23 ALSO MET WITH THE COMMUNITY, THEY MET WITH THE  
24 SCIENTISTS OF CALIFORNIA, THEY MET WITH PATIENT  
25 ADVOCATES OF CALIFORNIA, THEY MET WITH THE BUSINESS

## BARRISTERS' REPORTING SERVICE

1 INDUSTRY OF CALIFORNIA. AND THEY ALSO HAD SEVERAL  
2 MEETINGS IN PUBLIC WITH PEOPLE WHO HAD INTEREST FROM  
3 THE PUBLIC.

4 IN DECEMBER THE 8TH THE REVIEW WAS  
5 PRESENTED TO THE ICOC IN OPEN DISCUSSION BY PUBLIC  
6 WITH THE BOARD. ON DECEMBER 9TH MANAGEMENT BEGAN  
7 MEETINGS TO DISCUSS THE REPORT AND RESPONSE.  
8 FEBRUARY 14TH MANAGEMENT WILL BE PROVIDING DRAFT  
9 OPERATIONAL DOCUMENTS TO THE CHAIR AND VICE CHAIRS  
10 FOR COMMENTS ON THE REVIEW. AND IN MARCH WE'LL MAKE  
11 THE FINAL REVISIONS AFTER GETTING OUR FEEDBACK, AND  
12 WE'LL POST THE DOCUMENT ON OUR WEBSITE, AND MARCH  
13 10TH PRESENT TO THE ICOC FOR DISCUSSION AND ACTION.  
14 AND THEN BY MARCH 20TH FINALIZE AND POST DOCUMENTS  
15 AND BEGIN IMPLEMENTATION. SO THAT'S THE AGREED  
16 PROCESS TO THE REVIEW, WHICH IS CRITICAL.

17 SO LOOKING AT THE PARTICULAR ISSUES, I  
18 WANTED TO GO JUST THROUGH THOSE PARTICULAR ISSUES.  
19 AND THIS IS MY RESPONSE, AND IT WAS REALLY MY  
20 RESPONSE TO THE BOARD RATHER THAN THE WHOLE OF  
21 MANAGEMENT'S RESPONSE BECAUSE AT THAT STAGE I HADN'T  
22 HAD THE OPPORTUNITY TO GET ALL THE RESPONSE BECAUSE  
23 WE'D ONLY JUST RECEIVED THE DOCUMENT.

24 NO. 1 WAS TO MAINTAIN FOCUS ON MEANINGFUL  
25 SCIENTIFIC EXCELLENCE. AND THAT REALLY, THE RED

## BARRISTERS' REPORTING SERVICE

1 MEANS, AS WE INTERPRET IT, ENSURE THE SCIENTIFIC  
2 INTEGRITY OF THE GRANTS REVIEW IS MAINTAINED AND  
3 IMPROVED. AND SO WE WOULD BE ADDRESSING THAT IN  
4 THAT REGARD.

5 SECONDLY, TO SUSTAIN FUNDAMENTAL  
6 DISCOVERY. THAT'S IN THE BASIC RESEARCH. THAT  
7 MEANS TO MAINTAIN STRONG BASIC SCIENCE DISCOVERY AND  
8 TRAINING PROGRAMS, WHICH WE WILL CONTINUE.

9 THIRD, HAVING A PATH FROM FUNDAMENTAL TO  
10 TRANSCRIPTIONAL RESEARCH. THAT IS, TAKE TO THE  
11 CLINIC TRANSLATIONAL MEDICINE, PRODUCT DEVELOPMENT,  
12 AND HEALTHCARE DELIVERY, WHICH IS THE MOST  
13 MEANINGFUL PART, TO THE CALIFORNIA COMMUNITY,  
14 GENERAL COMMUNITY.

15 SO REALLY THIS IS TO DEVELOP A MORE  
16 AGGRESSIVE, PROACTIVE APPROACH TO IDENTIFY  
17 INNOVATION ACROSS THE WHOLE THERAPEUTIC LANDSCAPE  
18 AND FULLY ENGAGE INDUSTRY IN THE DELIVERY OF THE  
19 THERAPEUTICS. THAT WAS REALLY WHAT THEY WERE  
20 SEEKING. SO WE ARE GATHERING INTELLIGENCE ON THE  
21 RAPIDLY MOVING RESEARCH AND TRANSLATION THROUGH KEY  
22 CONFERENCES, SCIENTISTS REVIEWING HOT AREAS OF  
23 BREAKING SCIENCE, SCIENCE AND INDUSTRY ADVISORY  
24 GROUPS, AND COLLABORATING FUNDING PARTNERS THAT WE  
25 HAVE ACROSS THE U.S. IN DIFFERENT STATES AND

## BARRISTERS' REPORTING SERVICE

1 INTERNATIONALLY IN DIFFERENT COUNTRIES. AND WE ARE  
2 IDENTIFYING CALIFORNIA PARTNERS FOR THESE NEW  
3 DEVELOPERS AND ARRANGING APPROPRIATE LINKAGE.

4 WE WANT TO ENABLE APPROPRIATE ENTRY OF  
5 THESE NEW ADVANCES INTO THE PROCESS. SO THEY WANTED  
6 TO BE MORE PROACTIVE, GO OUT AND GET THE BEST, BRING  
7 IT TO CALIFORNIA, AND MAKE IT HAPPEN. THEY'VE GIVEN  
8 US A VERY STRONG ENDORSEMENT TO WHAT WE'VE BEEN  
9 DOING, BUT THEY SAID IN PHASE II REALLY GET OUT OF  
10 THE BLOCKS AND REALLY PERFORM WAY ABOVE ALL  
11 EXPECTATIONS.

12 A PORTFOLIO PRIORITIZATION PROCESS, THEY  
13 DIRECTED US TO LOOK AT OUR PORTFOLIO BECAUSE THEY  
14 FELT THAT IT WAS EXTREMELY BROAD AND WIDE ACROSS THE  
15 SPACE. AND IN THEIR VIEW, IT WAS UNLIKELY TO  
16 PRODUCE THE SAME OUTCOMES THAT SOME MORE FOCUS WOULD  
17 ACHIEVE. SO EMBEDDED IN THAT IS TO CREATE AN  
18 ADVISORY GROUP, INCLUDING OUTSIDE INTERDISCIPLINARY  
19 EXPERTS, TO CONDUCT A CRITICAL ASSESSMENT OF OUR  
20 CURRENT PORTFOLIO WITH OBJECTIVE BENCHMARKS TO  
21 IDENTIFY PROGRAMS THAT DESERVE SOME SUPPORT AND MOVE  
22 FORWARD THOSE THAT SHOULD NOT.

23 SO YOU WILL RECOGNIZE ACROSS KIND OF THE  
24 SPACE WE'VE GOT AND A VARIETY OF ADVOCATES ON OUR  
25 BOARD AND ADVOCATES INPUTTING INTO US THAT THE

## BARRISTERS' REPORTING SERVICE

1 PRESSURE IS TO KEEP US SO OPEN AND SO BROAD, AND  
2 THEY' RE WANTING US TO NARROW DOWN AND GET THE BEST  
3 DEVELOPMENTS AND TAKE THEM FORWARD BECAUSE THERE' S A  
4 LIMIT. \$3 BILLION IS A LOT OF MONEY, NO DOUBT; BUT  
5 IF YOU ARE GOING TO AFFECT A VERY LARGE SPACE, YOU  
6 WILL POSSIBLY HAVE A SMALL IMPACT; BUT IF YOU CAN  
7 GET IT NARROWED DOWN, YOU' RE LIKELY TO HAVE A BIGGER  
8 IMPACT. THAT WAS THEIR FEELINGS.

9 FOCUS ON A NUMBER OF PROJECTS TO THOSE  
10 THAT BELIEVE MAY HAVE THE GREATEST CHANCE OF  
11 DEVELOPMENT AND CLINICAL SUCCESS GIVEN A REASONABLE  
12 TIMELINE AND BUDGET. AND SO WE' VE GOT TO CONSIDER  
13 HOW TO SUPPORT CRITICAL NEEDS IN TRANSLATION THAT  
14 ENCOMPASS A WIDER SPECTRUM THAN A SINGLE DISEASE.  
15 WHAT I MEAN BY THAT IS IN THE NEURODEGENERATIVE  
16 DISEASES, FOR EXAMPLE, AND JIM WILL UNDERSTAND THIS  
17 PERFECTLY, THE NEURODEGENERATIVE DISEASES LIKE  
18 PARKINSON' S, ALZHEIMER' S, HUNTINGTON' S DISEASE,  
19 MULTIPLE SCLEROSIS, THEY OFTEN HAVE A COMMON STOCK,  
20 A COMMON ELEMENT. YOU COULD TAKE INFLAMMATION IN  
21 THOSE DISEASES. INFLAMMATION WILL DRIVE THAT AS  
22 PHENOTYPES, THE DISEASE CONDITION STRONGLY. IF YOU  
23 CAN CONTROL THE INFLAMMATORY COMPONENT, YOU WOULD  
24 MAYBE PUT OFF THE PHENOTYPE, THE BAD DISEASE,  
25 OCCURRING FOR SOME TIME. IT' D STILL THERE, BUT YOU

## BARRISTERS' REPORTING SERVICE

1 WOULD PUT OFF THE SEVERITY OF THE CONDITION AND  
2 MAYBE THE TIME FRAME.

3 SO IF YOU WORK ON A SINGLE STOCK PROCESS,  
4 YOU COULD HAVE A PRETTY BIG IMPACT; WHEREAS, IF  
5 YOU'RE WORKING ON EVERY INDIVIDUAL ONE AND BROADLY  
6 ACROSS THE SPECTRUM, YOU MAY HAVE LESS IMPACT. SO  
7 THERE'S JUST AN EXAMPLE OF WHAT WE MIGHT BE ABLE TO  
8 ACHIEVE BY SORT OF NARROWING OUR FOCUS ON ONE  
9 COMPONENT PART. I'M NOT SUGGESTING THAT THAT'S WHAT  
10 WE DO, BUT WHAT WE NEED TO DO IS THINK ABOUT HOW TO  
11 MAKE IT MORE EFFECTIVE.

12 SO THEY WANT AN OPEN INNOVATION, POROUS  
13 PIPELINE. THE PIPELINE I'M TALKING ABOUT IS BASIC  
14 RESEARCH THROUGH TO THE CLINIC. DISCOVERY AND THEN  
15 YOU'VE GOT TO TURN IT INTO TRANSLATION, MAKE IT WORK  
16 SO THAT IT CAN BECOME A TREATMENT FOR PATIENTS, AND  
17 YOU'VE GOT TO ADDRESS THE ISSUES THAT THE REGULATOR  
18 WANTS IN TRANSLATION IN TERMS OF PRECLINICAL WORK  
19 AND THEN CLINICAL STUDIES. SO THAT'S THE PIPELINE  
20 I'M TALKING ABOUT.

21 THEY WANT IT TO BE MUCH MORE OPEN AND  
22 POROUS, ALLOWING ENTRY INTO THE PIPELINE IN A MUCH  
23 MORE POROUS AND EFFECTIVE WAY AND ALLOW INDUSTRY  
24 PARTICULARLY TO COME INTO THAT PIPELINE IN A MORE  
25 FACILITATED MANNER.

## BARRISTERS' REPORTING SERVICE

1 SO CLINICAL PROJECTS COME FROM INSIDE OR  
2 OUTSIDE CIRM-FUNDED RESEARCH, INCLUDING OUT OF  
3 INDUSTRY OR EVEN OUTSIDE CALIFORNIA. THEY WANTED US  
4 TO BROADEN THE PROSPECTS WHILE BRINGING A FOCAL  
5 POINT TO CALIFORNIA, BRINGING IN THE BEST WORK, AND  
6 ALLOW IT TO ENTER THAT PIPELINE. SO TO BE MORE  
7 FLEXIBLE IN OUR FUNDING PROCESSES WITH LESS  
8 ADMINISTRATIVE DOCUMENTATION, ROLLING FUNDING CYCLES  
9 THAT COULD ALLOW FOR INNOVATIVE PROJECTS TO BE  
10 CAPTURED, PARTICULARLY FROM INDUSTRY THAT MAY BE  
11 OUTSIDE THE ESTABLISHED CYCLES BECAUSE A BUSINESS  
12 REQUIRES MONEY AT A CERTAIN POINT OF TIME AND CAN'T  
13 WAIT FOR A YEAR OR TWO YEARS TO GET THEIR FUNDING.  
14 THE COMPANY WILL HAVE GONE BUT ESSENTIALLY. SO  
15 THERE HAS TO BE SOME CONSIDERATION FOR THEIR  
16 PARTICULAR NEEDS.

17 AND THE PROJECTS COULD ENTER THE CIRM  
18 PIPELINE AT ANY STAGE OF PRECLINICAL AND CLINICAL  
19 DEVELOPMENT, AND WE'VE BEEN ENABLING THAT TO HAPPEN  
20 NOW.

21 SO THIS IS THE PIPELINE I'M TALKING ABOUT:  
22 BASIC RESEARCH THROUGH TO THE CLINICAL TRIALS, WHICH  
23 ARE OUT IN THE ORANGE ON THE OTHER SIDE. SO OFTEN  
24 CIRM IS IN THE PROCESS OF RUNNING THE PROJECTS  
25 THROUGH THE CENTRAL PIPELINE, BUT ALSO BRINGING IN

## BARRISTERS' REPORTING SERVICE

1 PROJECTS FROM CALIFORNIA INTO EACH PART OF THAT  
2 PIPELINE AT DIFFERENT SPOTS, BUT ALSO SOME EXTERNAL  
3 AND INTERNATIONAL ENTRY POINTS INTO THAT. THIS THE  
4 REVIEW COMMITTEE FELT THAT WE SHOULD HAVE A VERY  
5 POROUS PIPELINE, IN THEIR VIEW, TO ENABLE THESE  
6 THINGS TO REALLY, REALLY HAPPEN IN A VERY EFFECTIVE  
7 WAY.

8 THEY WANTED US TO LOOK AT THE SOCIAL,  
9 ETHICAL, AND HEALTHCARE DELIVERY AND REGULATORY  
10 ISSUES, IDENTIFY AND STIMULATE RESEARCH IN CRITICAL  
11 ETHICAL, ECONOMIC, MANUFACTURING, HEALTH DELIVERY,  
12 AND SOCIAL ISSUES NEEDED FOR TRANSLATION INTO POLICY  
13 AND PRACTICE, TO ESTABLISH AN ADVISORY GROUP TO  
14 IDENTIFY THE CRITICAL ISSUES AND THE PRIMARY  
15 ACTIVITIES NEEDED TO RESOLVE THESE, AND TAKE A  
16 LEADERSHIP ROLE IN DEVELOPING STANDARDS FOR  
17 MANUFACTURING, CELL INTEGRITY FOR RESEARCH AND  
18 CLINICAL USE, POSSIBLY PROVIDE THERAPEUTIC DELIVERY  
19 THROUGH CIRM-SPONSORED STEM CELL UNITS.

20 FOR EXAMPLE, I HAVE A VIEW THAT THE NORMAL  
21 DRUG DELIVERY MODEL DOESN'T WORK PERFECTLY FOR WHAT  
22 WE WANT TO DO WITH CELL THERAPIES. CELL THERAPY  
23 ISN'T REALLY A DRUG. GIVE A DRUG TO A PATIENT, THE  
24 DRUG DECAYS AWAY. GIVE A CELL TO A PATIENT, AND IT  
25 INTEGRATES. THE CELL WILL BE THERE FOR THEIR

## BARRISTERS' REPORTING SERVICE

1 LIFETIME, REGENERATIVE. YOU HAVE TO LOOK AT THAT  
2 QUITE DIFFERENTLY. AND IF YOU ARE GIVING PATIENTS  
3 CELLS, I THINK YOU NEED TO THINK MORE ABOUT THE BONE  
4 MARROW TRANSPLANTATION MODEL PERHAPS, A CLINIC UNIT  
5 MODEL, CANCER CENTER MODEL, EVEN THE ONE THAT I KNOW  
6 BEST, THE IVF MODEL WHERE YOU HAVE CLINICIANS AND  
7 YOU HAVE CELL BIOLOGISTS AND MOLECULAR BIOLOGISTS  
8 AND NURSING STAFF AND COUNSELORS ALL WORKING IN ONE  
9 PLACE.

10 THAT'S WHAT I CALL AN ALPHA CLINIC,  
11 SOMEWHERE THEY COULD DEVELOP THESE STEM CELL  
12 THERAPIES, PROVIDE THEM FOR THE PATIENTS BECAUSE  
13 THERE'S A LARGE NUMBER OF PATIENTS IN CALIFORNIA  
14 GOING OUTSIDE TO GET TREATMENTS WHICH ARE NOT GOOD,  
15 WHICH ARE NOT PROVEN, WHICH ARE NOT GOOD FOR THEIR  
16 HEALTH, WHICH ARE DANGEROUS IN SOME INSTANCES. AND,  
17 OF COURSE, YOU CAN UNDERSTAND WHY THEY DO IT.  
18 BECAUSE THERE'S BETTER OPTIONS FOR THEM. WE SHOULD  
19 BE ABLE TO NOW BRING THEM INTO STEM CELL CLINICS,  
20 ALPHA CLINICS, WE SET UP THROUGH CALIFORNIA. I'M  
21 HOPING THAT WE CAN DO THAT AND PROVIDE A PROPER  
22 SERVICE BECAUSE THERE'S ENOUGH NOW ADULT STEM CELL  
23 THERAPIES AVAILABLE, AND I THINK IF WE COULD GO TO  
24 THE FDA SAYING THAT WE HAVE MAJOR CLINICAL SCIENCE,  
25 THEY WOULD FEEL MUCH MORE COMFORTABLE ABOUT THE

## BARRISTERS' REPORTING SERVICE

1 MANAGEMENT AND THE CARE OF THE PATIENT IN THAT  
2 ENVIRONMENT THAN IN THE SO-CALLED DRUG ENVIRONMENT  
3 WHERE A DRUG IS GIVEN REALLY OUT OF THE PHARMACY AND  
4 YOU MAY OR MAY NOT SEE THE PATIENT THEREAFTER.

5 SO THE WHOLE COST OF DELIVERING THESE  
6 THERAPIES MIGHT BE REMODELED IN A WAY WHICH WOULD BE  
7 MORE EFFECTIVE. SO I WANT TO LOOK AT THAT. AND  
8 I'VE GOT A LOT OF SUPPORT INTERNALLY IN CALIFORNIA  
9 TO DO THAT. AND THE REVIEW COMMITTEE FELT THAT THIS  
10 WAS A VERY GOOD OPPORTUNITY TO LOOK AT, TO LOOK AT  
11 IT, PROPERLY ANALYZE IT, LOOK AT IT IN DETAIL, AND  
12 SEE IF IT WAS REALLY VIABLE.

13 SO DIVERSITY IN CIRM ACTIVITIES NEED TO BE  
14 CONTINUOUSLY EXAMINED. STRATEGIES ADDRESSING  
15 ECONOMIC BARRIERS THAT ARE IN EARLY DEVELOPMENT  
16 SHOULD BE ACTIVELY PURSUED. I HAVE A VERY STRONG  
17 VIEW MYSELF IN THAT TO ENSURE THAT WHEN WE DEVELOP  
18 THESE THERAPIES, THAT WE NEED TO ABSOLUTELY MAKE  
19 THEM AVAILABLE TO ALL THE PEOPLE OF CALIFORNIA. BUT  
20 IN MY VIEW, IF WE DEVELOP A CURE FOR HIV, I'D LIKE  
21 TO SEE IT GO ON TO END UP AS A THERAPY THAT CAN BE  
22 DELIVERED TO THE WORLD IN TERMS OF A VACCINE. SO I  
23 DON'T WANT TO STOP AT A CURE IN CALIFORNIA. I WANT  
24 TO MAKE SURE IT ROLLS ONWARD TO THE WHOLE WORLD.

25 INDUSTRY ENGAGEMENT, WHICH IS WHERE THEY

## BARRISTERS' REPORTING SERVICE

1 FELT OUR MAJOR -- WHICH WAS OUR POOREST PERFORMANCE,  
2 I THINK, IN THEIR ASSESSMENT. THEY WANTED US TO  
3 HAVE A MORE SIGNIFICANT ENGAGEMENT WITH THE  
4 BIOPHARMACEUTICAL INDUSTRY, MORE ACCOMMODATING TO  
5 THEIR TIMELINES AND FINANCIAL RESTRAINTS AND TO  
6 ESTABLISH THE SCOPE AND INTEREST OF ALL SECTORS IN  
7 THE BIOPHARMA INDUSTRY IN PROVIDING SERVICES,  
8 PARTNERING WITH CIRM AND ACADEMIA, DEVELOPING MAJOR  
9 CRITICAL CAPACITY IN CELL MANUFACTURING.

10 YOU MIGHT BE INTERESTED THAT SOME OF THE  
11 MAJOR COMPANIES IN CELL MANUFACTURING ARE NOW  
12 LOOKING AT ENTERING INTO CALIFORNIA. THAT WOULD BE  
13 A VERY BIG BONUS FOR CALIFORNIA TO HAVE THEM COME  
14 IN.

15 MEMBER LOTT: MAY I STOP YOU THERE? HOW  
16 WOULD YOU MANAGE THE POTENTIAL CONFLICT ISSUE?

17 DR. TROUNSON: WITH THE INDUSTRY?

18 MEMBER LOTT: YEAH. HOW WOULD YOU MANAGE  
19 THAT?

20 DR. TROUNSON: THE CONFLICT IS FOR THE  
21 SHAREHOLDER INFLUENCES. I'M UNDERSTANDING YOUR  
22 MEANING, THERE WOULD BE SHAREHOLDER INTEREST IN THE  
23 INDUSTRY; WHEREAS, WE'RE TRYING TO PROVIDE THE  
24 INDUSTRY BROADLY FOR ALL CALIFORNIANS. I THINK WHAT  
25 HAS HAPPENED IS THESE TWO THINGS HAVE TO COME TO AN

## BARRISTERS' REPORTING SERVICE

1 INTERSECTION. THE BIOPHARMACEUTICAL INDUSTRY HAS  
2 GOT A BIG PROBLEM. THE COST OF DELIVERING NEW DRUGS  
3 IS NOW -- PEOPLE SAY IT'S A BILLION DOLLARS. THAT'S  
4 NOT TRUE. IT'S CLOSER TO \$4 BILLION A DRUG. NOW  
5 THAT'S JUST NOT SUSTAINABLE. IT CANNOT BE. SO  
6 THEY'VE GOT TO ACTUALLY REINVENT THEMSELVES IN SOME  
7 WAY, OR THE COMPANIES HAVE GOT TO REINVENT  
8 THEMSELVES AND COME BACK AND ADOPT A MORE COMMUNITY  
9 ORIENTED VIEW FOR THEIR SURVIVAL.

10 MEMBER LOTT: I UNDERSTAND IT. I  
11 UNDERSTAND THAT THAT'S THEIR CHALLENGE, BUT YOU ARE  
12 GOING TO BRING THEM INTO THE FOLD, WHICH I DON'T --  
13 I'M NOT COMMENTING ON IT AS BEING BAD. BUT BECAUSE  
14 OF THE WAY THIS WHOLE INDUSTRY AND ALL OF WHAT WE DO  
15 RELATE TO ONE ANOTHER, THERE'S A LOT OF CROSS  
16 POLLENIZATION OF INTEREST. YOU HAVE PEOPLE INVOLVED  
17 WITH SOME OF THESE ENTITIES WHO WILL BE INVOLVED  
18 WITH UNIVERSITIES WHOM WE DEAL WITH AND GRANTS THAT  
19 WE MAKE. HOW DO YOU MAKE CERTAIN THAT WE'RE NOT  
20 CREATING A PROBLEM FOR OURSELVES BY BRINGING THESE  
21 PEOPLE CLOSER TO US WHO MIGHT HAVE INTEREST IN OTHER  
22 AREAS THAT WE DO BUSINESS WITH?

23 DR. TROUNSON: I THINK IN THE FIRST PLACE  
24 WE'RE CHARGED WITH INTERSECTING WITH THE BIOTECH  
25 INDUSTRY. THAT WAS WRITTEN INTO PROPOSITION 71. SO

## BARRISTERS' REPORTING SERVICE

1 IN THE SENSE THAT WE NEED TO CONNECT WITH THE  
2 SMALLER BIOTECH COMPANIES OR MEDIUM SIZED BIOTECH  
3 COMPANIES, THAT'S REQUIRED. AND THAT IS PART OF  
4 STIMULATING WHAT WOULD HAPPEN IN CALIFORNIA. SO WE  
5 HAVE TO NEGOTIATE, WE HAVE TO BRING FORWARD  
6 AGREEMENTS THAT RESPECT THE NEEDS FOR THE CALIFORNIA  
7 COMMUNITY.

8 MEMBER LOTT: YOU'RE NOT ANSWERING MY  
9 QUESTION. YOU'RE NOT ANSWERING MY QUESTION. I  
10 UNDERSTAND THAT WE HAVE TO DO IT AND WE WANT TO DO  
11 MORE OF IT AND DO IT BETTER. I'M ASKING THE  
12 QUESTION THOUGH FOR HOW WE MANAGE POTENTIAL  
13 CONFLICTS.

14 DR. TROUNSON: THE CONFLICTS, I THINK --  
15 WHAT I'M TRYING TO GET THROUGH IS TO THE CONFLICT, I  
16 GUESS, IS THE CONFLICT OF THE COMPANY WANTING TO  
17 MAKE MONEY AND THE COMMUNITY NEEDING TO HAVE  
18 TREATMENTS MADE AVAILABLE TO THEM AT A REASONABLE  
19 COST. AND THAT IS THE CONFLICT THAT I'M TRYING TO  
20 ADDRESS, I THINK. IF THERE'S SOME OTHER FORM OF  
21 CONFLICT THAT IS PRIMARY --

22 MEMBER LOTT: MAYBE I'M JUST NOT GETTING  
23 IT. IT COULD BE MY PROBLEM.

24 DR. TROUNSON: WELL, MAYBE I'M NOT  
25 EXPLAINING IT WELL ENOUGH, AND I APOLOGIZE FOR THAT.

## BARRISTERS' REPORTING SERVICE

1 BUT WE'RE ACTUALLY SEEING A CONVERGENCE OF INTEREST.  
2 SO THE DISCUSSION THAT WE'RE HAVING WITH THE WHOLE  
3 SECTOR IS LET'S TRY AND DO THESE THINGS TOGETHER TO  
4 MAKE IT MORE EFFECTIVE. THAT MEANS THAT IT'S  
5 MADE -- THESE TREATMENTS ARE MADE AVAILABLE TO THE  
6 PATIENTS AT A REASONABLE COST AND A COST TO THE  
7 COMMUNITY THAT'S BENEFICIAL, BUT ALSO ALLOWS FOR THE  
8 SURVIVAL OF THE COMPANIES OR THE CONTINUANCE OF THE  
9 COMPANIES.

10 AND WE HAVE -- WHAT WE'VE DONE IN THIS  
11 SPACE IS REALLY TO DRAW ACADEMICS TOGETHER WITH THE  
12 COMPANIES SO THE MAJORITY OF THE STUDIES THAT WE'RE  
13 FUNDING IN THE TRANSLATIONAL AREA ARE ACTUALLY A  
14 COMBINATION OF ACADEMICS TOGETHER WITH COMPANIES.  
15 AND IN THAT INTERSECTION, WE ARE LOOKING AFTER THE  
16 INTERESTS FOR CALIFORNIA, THE ACADEMICS ARE LOOKING  
17 AFTER THEIR INTERESTS AT UNIVERSITIES AND MEDICAL  
18 CENTERS, AND THE COMPANIES ARE TRYING TO LOOK AFTER  
19 THEIRS.

20 SO WHAT WE'RE TRYING TO DO IS A SENSE OF  
21 LET'S ALL GET TOGETHER AND MAKE THIS MORE EFFECTIVE,  
22 AND THERE IS A CLIMATE OF WANTING TO DO THAT BECAUSE  
23 IT'S NOT SO GOOD OUTSIDE THIS PARTNERSHIP. IT  
24 ISN'T. IT'S MUCH BETTER TO BE IN IT AND TO ACCEPT  
25 SOME OF THE --

## BARRISTERS' REPORTING SERVICE

1 MEMBER LOTT: I'M NOT ARGUING THAT POINT.  
2 THAT MAKES ALL THE SENSE IN THE WORLD. HOW DO WE  
3 ASSURE THE PUBLIC THAT WE REPRESENT THAT THERE ISN'T  
4 ANYTHING BEING -- THAT WE'RE NOT COMPROMISING THE  
5 GRANT-MAKING PROCESS, FOR EXAMPLE?

6 DR. TROUNSON: WELL, I THINK BEING  
7 TRANSPARENT AND AS TRANSPARENT AS POSSIBLE. WE'RE  
8 AS TRANSPARENT AS WE CAN BE. WE'RE CLEARLY HERE TO  
9 ADDRESS YOUR QUESTIONS AS BEST WE CAN. WE ALLOW FOR  
10 ALL THE PUBLIC DISCUSSION. ALL THE DECISIONS IN  
11 THESE MATTERS ARE DONE AT OUR BOARD. AND I ASSURE  
12 YOU THERE'S A LOT OF BLOGGING THAT GOES IN  
13 ASSOCIATION WITH ALL THOSE DECISIONS. THEY'RE  
14 BROADLY RECOGNIZED, AND THE SENSE -- MY OWN SENSE OF  
15 IT IS THAT WE'VE GOT A VERY POSITIVE CLIMATE OF  
16 WORKING TOGETHER.

17 NOW, WE KNOW WE ARE REQUIRED TO MEET THE  
18 INTERESTS OF CALIFORNIA. THAT'S WHAT YOU DID IN  
19 SETTING UP PROPOSITION 71. AND WE NEED TO MEET THAT  
20 AS ABSOLUTELY BEST WE CAN, AND WE ARE ENDEAVORING TO  
21 DO THAT. WE BELIEVE THAT THE BIGGEST BENEFIT THAT  
22 YOU CAN PROVIDE FOR CALIFORNIANS IS IMPROVED  
23 HEALTHCARE AND REDUCED HEALTHCARE COSTS. THAT HAS  
24 BEEN THE NO. 1. BUT IF WE STIMULATE JOBS AND  
25 INDUSTRIES, THAT WILL WORK TOO. THAT IS OKAY. AND

## BARRISTERS' REPORTING SERVICE

1 IF WE IMPROVE UNIVERSITIES AND OUR EDUCATION SYSTEMS  
2 AND WE'RE RECOGNIZED AS WORLD LEADERS IN DOING THIS,  
3 THAT WON'T HURT EITHER.

4 SO, NO. 1, WE WANT TO MAKE SURE WE DELIVER  
5 AS BEST AS POSSIBLE THE TREATMENTS FOR THE PATIENT,  
6 NO. 1 BENEFIT, BUT THEN THOSE OTHER BENEFITS ARE  
7 WORTHWHILE ACHIEVING AS WELL.

8 MEMBER LIPSON: SO BASICALLY YOU'RE  
9 CHANGING THE MAJOR FOCUS THAT WAS ENGENDERED IN  
10 PROPOSITION 71. IN PROPOSITION 71 THE OPPONENTS  
11 SAID THIS WOULD BE A WINDFALL FOR INDUSTRY. AND THE  
12 RESPONSE WAS THAT 71 FOCUSES ON RESEARCH BY  
13 NONPROFIT INSTITUTIONS, NOT CORPORATIONS. IT'S  
14 SPECIFICALLY DESIGNED TO SUPPORT THE TYPE OF  
15 BREAKTHROUGH RESEARCH CONDUCTED BY UNIVERSITIES,  
16 MEDICAL SCHOOLS, HOSPITALS, AND OTHER NONPROFIT  
17 INSTITUTIONS.

18 DR. TROUNSON: WELL, THAT IS STILL TRUE.  
19 IF YOU ARE GOING TO TAKE A TREATMENT TO A CLINIC,  
20 YOU NEED A LOT MORE MONEY THAN WE'VE GOT FOR EVERY  
21 ONE OF THESE TREATMENTS. SO WE CAN ONLY GO IN THAT  
22 PIPELINE AS FAR AS PHASE II. WE CAN'T GET BEYOND  
23 THAT BECAUSE THE QUANTUM OF FINANCES REQUIRED IS WAY  
24 BEYOND US. SO YOU HAVE TO ACTUALLY INTEGRATE WITH  
25 THE DELIVERERS, WHETHER IT BE MEDICAL DELIVERERS,

## BARRISTERS' REPORTING SERVICE

1 THE MEDICAL CENTERS, OR INDUSTRY. IF IT'S A SMALL  
2 MOLECULE OR BIOLOGICAL, YOU'VE GOT TO INTEGRATE WITH  
3 THEM. OTHERWISE IT'S NOT GOING TO GO. IT'S NO GOOD  
4 US PUSHING DISCOVERY AND NOT GETTING IT TO GO TO THE  
5 PATIENTS.

6 SO THE COMPONENT PART IS TO TAKE THE  
7 PATHWAY TO THE PATIENTS, WE HAVE TO INTERACT WITH  
8 THEM. WE HAVE TO BECOME PARTNERS WITH THEM.

9 MEMBER LOTT: IT'S NOT THE GOAL. IT'S THE  
10 PROCESS. IT'S THE STRUCTURE AND THE PROCESS THAT  
11 NEEDS SOME CLARIFICATION.

12 DR. TROUNSON: OKAY. BUT I'M SAYING IS  
13 THAT THE BROADER AIM OF PROPOSITION 71 WAS TO TAKE  
14 THE DISCOVERIES AND TURN THEM INTO CURES. THE  
15 BOTTOM LINE THAT THE PEOPLE UNDERSTOOD WAS THAT THEY  
16 WOULD GET CURES FROM THIS. AND THERE WAS A  
17 PROBABILITY THAT THESE DEVELOPMENTS, THESE  
18 DISCOVERIES, WOULD PERCOLATE INTO CLINICAL  
19 TREATMENTS WITH CURES.

20 MEMBER LOTT: I GOT TO TELL YOU, YOU AND I  
21 ARE NOT ANYWHERE NEAR TALKING ABOUT THE SAME THING.

22 DR. TROUNSON: I'M SORRY. I WAS  
23 ADDRESSING --

24 MEMBER LOTT: WE'RE ASKING THE SAME  
25 QUESTION. I'M TRYING TO FIGURE OUT WHY ARE YOU

## BARRISTERS' REPORTING SERVICE

1 TELLING ME ABOUT THE GOAL AND NOT ABOUT THE PROCESS.

2 DR. TROUNSON: WELL, THE PROCESS IS A  
3 MATTER OF CREATING THE PARTNERSHIPS. AND SO WHILE  
4 WE HAVEN'T LAID DOWN HOW WE'RE GOING TO DO THAT NOW  
5 IN ENOUGH DETAIL, BECAUSE THAT'S PART OF THE PROCESS  
6 THAT WE'RE GOING THROUGH, WHAT WE NEED TO DO TO BE  
7 ABLE TO SIT DOWN AND CREATE A MORE COLLABORATIVE  
8 COMPONENT. THIS IS WHAT THE EXTERNAL REVIEW WANTED  
9 US TO DO, TO BE MORE CREATIVE. THIS IS THEIR -- I'M  
10 RESPONDING TO THEIR RESPONSE. THEY WANT TO BE MORE  
11 CREATIVE, MORE FACILITATIVE FOR INDUSTRY IN OUR  
12 SECTOR. SO WE'VE GOT TO ACTUALLY LOOK AT WHAT WE  
13 CAN DO WITH THEIR NEEDS TO ENABLE US TO MEET OUR  
14 NEEDS AND THE NEEDS OF CALIFORNIANS.

15 SO IT IS A PROCESS, AND IT'S A PROCESS  
16 SITTING DOWN AND WORKING OUR WAY THROUGH INDIVIDUAL,  
17 MANY OF THE TIMES, NEGOTIATION.

18 MEMBER LOTT: HOW ARE YOU GOING TO DO THAT  
19 WITHOUT TRIPPING OVER POTENTIAL CONFLICTS?

20 MEMBER KOVACH: LET ME USE AN EXAMPLE  
21 PERHAPS, AT LEAST AS A WAY TO TRY TO FURTHER THE  
22 DISCUSSION.

23 MEMBER LOTT: PLEASE.

24 MEMBER KOVACH: AND IT WOULD BE PERHAPS IN  
25 TRYING TO FACILITATE INTERACTIONS BETWEEN COMPANIES

## BARRISTERS' REPORTING SERVICE

1 AND ACADEMIC CENTERS THAT ARE FUNDED BY CIRM, THAT A  
2 CONFLICT OR AN UNFAIR ADVANTAGE WOULD BE CREATED  
3 AMONG A COMPANY THROUGH DISCUSSIONS THAT WERE  
4 FACILITATED. AND ESSENTIALLY IT GOES, AS I'M  
5 INTERPRETING IT, TO THE FACT THAT AN IDEA,  
6 INTELLECTUAL PROPERTY, IS SOMETHING THAT CAN BE  
7 TALKED ABOUT OVER A COFFEE TABLE. I THINK IT'S A  
8 LEGITIMATE CONCERN; HOWEVER, THE REALITY IS THOSE  
9 DISCUSSIONS HAVE TO TAKE PLACE. I THINK THE REASON  
10 THAT IT COSTS SO MUCH TO DEVELOP A THERAPEUTIC IS  
11 THE COMPLEXITY, ESPECIALLY WITH CELLS AS A DRUG.  
12 THERE IS SO MANY DIFFERENT ASPECTS, THAT IT BECOMES  
13 MUCH MORE COMPLEX THAN ONE COMPANY CAN HANDLE.

14 MY OWN FEELING IS A GOOD WAY TO ADDRESS  
15 THAT IS THE AGE-OLD YOU DISCLOSE CONFLICTS. NO. 1,  
16 YOU BASICALLY UP FRONT ORIENT YOURSELVES. AND THEN  
17 THE SECOND THING THAT I WOULD ADVISE IS TO TRY TO  
18 CREATE THE GROUND RULES UP FRONT THAT ESSENTIALLY  
19 INCENTIVIZE FOR DISCLOSURE, MEANING A COMPANY, IT'S  
20 GOT ITS OWN INTELLECTUAL PROPERTY AS WELL. AND SO  
21 IT SHOULD -- WE SHOULD CREATE A FORUM TO WHERE  
22 INFORMATION CAN BE EXCHANGED WITHOUT ANY EXPECTATION  
23 OF PATENTS. IT'S LIKE THROW IT ALL IN THE POOL AND  
24 DISCUSS IT.

25 BECAUSE I THOUGHT ABOUT THIS A LOT.

## BARRISTERS' REPORTING SERVICE

1 THERE' S SO MUCH INNOVATION THAT NEEDS TO TAKE PLACE  
2 LATER. THERE' S ALWAYS TIME FOR PATENT LATER. WHAT  
3 WE TEND TO DO IS OVERPATENT, I THINK. THE COMPANIES  
4 TEND TO OVERPATENT. JUST LIKE WE CAN EDUCATE OUR  
5 ACADEMIC INVESTIGATORS, WE NEED TO EDUCATE THE  
6 COMPANIES AS WELL, THAT THEY' RE JUST HURTING  
7 THEMSELVES BY ALL THIS EARLY PATENTING.

8 AND SO TO DR. TROUNSON' S POINT, I THINK  
9 THAT WHAT HE' S TALKING ABOUT IS CREATING AN  
10 ENVIRONMENT THAT SOMEWHAT MIRRORS CONSORTIA IN OTHER  
11 INDUSTRY. IT' S A CONSORTIUM THAT WE' RE TALKING  
12 ABOUT. A PRECOMPETITIVE CONSORTIA THAT HAVE  
13 OCCURRED IN OTHER INDUSTRIES, LIKE CHIPS. SEMATECH,  
14 FOR EXAMPLE, IS A CONSORTIA. IT' S A PRECOMPETITIVE  
15 CONSORTIA WHERE COMPETITORS FIGURE OUT, HEY, WE' RE  
16 BETTER OFF TO SHARE INFORMATION PRECOMPETITIVELY.

17 SO I THINK THE WAY, IT' S ALMOST  
18 PARADOXICAL, THE WAY TO ADDRESS IT IS TO MAKE SURE  
19 YOU' RE TALKING AS MUCH AS POSSIBLE.

20 MEMBER LIPSON: LAST YEAR I BROUGHT UP  
21 QUESTIONS WHICH WERE NEVER REALLY ANSWERED ABOUT HOW  
22 DO YOU SELECT WHICH COMPANY TO WORK WITH? HOW DO  
23 YOU -- YOU SELECT SOMEONE WHO GAVE MONEY TO GETTING  
24 PROPOSITION 71 PUT ON THE BALLOT, OR DO YOU  
25 SELECT --

## BARRISTERS' REPORTING SERVICE

1 DR. TROUNSON: NO. NO. THEY HAVE TO WORK  
2 THROUGH THE REVIEW PROCESS. THEY HAVE TO APPLY AS  
3 IF THEY WERE AN INSTITUTION OF ANY KIND. SO WE  
4 DON'T -- EXCEPT FOR TRAINING GRANTS AND SOME  
5 SPECIFIC ACADEMIC GRANTS, LIKE THE LEADERSHIP  
6 GRANTS, THE COMPANIES CAN COME INTO BASIC SCIENCE,  
7 THEY CAN COME INTO TOOLS AND TECHNOLOGIES, AND  
8 THEY'RE VERY INTERESTED IN TRANSLATION AND CLINICAL  
9 WORK. SO THEY APPLY AS A UNIVERSITY WOULD.

10 WHAT WE'VE DONE, IN ORDER TO MAKE THESE  
11 MORE EFFECTIVE, IS OFTEN TO GET THE ACADEMICS TO  
12 WORK TOGETHER WITH COMPANIES BECAUSE ACADEMICS  
13 HAVEN'T NECESSARILY HAD A LOT OF EXPERIENCE OF  
14 WORKING IN TRANSLATION AND EARLY CLINICAL WORK AND  
15 COMPANIES HAVE. BUT YOU NEED THE DEPTH OF  
16 INTELLIGENCE AND RESEARCH TO ACTUALLY FIGURE OUT HOW  
17 TO DO THIS IN A VERY NEW AREA. SO THE COMBINATION  
18 OF THE TWO IS PROVING VERY EFFECTIVE AT THE MOMENT.

19 NOW, YOU COULD COME IN AS ONLY A COMPANY,  
20 OR YOU CAN COME IN AS ONLY AN ACADEMIC, BUT YOU  
21 ACTUALLY ARE SUBJECT TO EXACTLY THE SAME  
22 REQUIREMENTS AS IF YOU WERE APPLYING FROM A  
23 UNIVERSITY, EXACTLY.

24 MEMBER LIPSON: EXCEPT I GUESS, YOU KNOW,  
25 ARE YOU GOING TO GIVE FAVORITISM TO CERTAIN

## BARRISTERS' REPORTING SERVICE

1 COMPANIES, OR HOW DO WE --

2 DR. TROUNSON: NO FAVORITISM AT ALL. YOU  
3 HAVE TO HAVE THE BEST APPLICANT AS JUDGED BY THE  
4 GRANTS REVIEW TEAM, THE 15 SCIENTISTS DRAWN FROM  
5 OUTSIDE CALIFORNIA SITTING TOGETHER WITH THE PATIENT  
6 ADVOCATES, A GROUP OF PATIENT ADVOCATES OFF THE  
7 BOARD. YOU HAVE TO UNDERGO THE REVIEW THAT'S  
8 FOCUSED ON IS THIS THE BEST SCIENCE, IS THIS BEST  
9 ADDRESSING THE REQUIREMENTS THAT WE LOOK FOR WHEN WE  
10 ADVERTISE THE RFA, AND HAS THIS GOT THE BEST  
11 OPPORTUNITY OF EITHER ACHIEVING THE BASIC SCIENCE  
12 PROGRAM THAT THEY'VE PUT FORWARD OR THE  
13 TRANSLATIONAL GET TO THE CLINIC. SO THEY HAVE TO  
14 MEET THOSE CRITERIA AS IF THEY WERE ACADEMICS.

15 AND SOME COMPANIES HAVE PERFORMED BETTER.  
16 SOME COMPANIES HAVE APPLIED -- I THINK THERE'S ONE  
17 COMPANY TOLD ME THE OTHER DAY THEY APPLIED NINE  
18 TIMES AND GOT ZERO GRANTS. SOME COMPANIES  
19 WELL-KNOWN IN CALIFORNIA HAVE NEVER APPLIED, AND  
20 THAT MAY CHANGE AS WE MOVE ALONG IN TIME. BUT THEY  
21 APPLY AND WE FUND THEM IF THEY'VE GOT THE BEST WORK.  
22 AND OFTEN, PARTICULARLY WHEN WE'RE WORKING TOWARDS  
23 THE CLINIC IN TRANSLATION, THERE'S OFTEN A COMPANY  
24 OR OFTEN SEVERAL COMPANIES ASSOCIATED WITH AN  
25 ACADEMIC GROUP TO TAKE THAT PROGRAM THROUGH.

## BARRISTERS' REPORTING SERVICE

1 MEMBER LOTT: HOW WILL THE ADVISORY PANEL  
2 BE SELECTED, CONSTRUCTED, OPERATED?

3 DR. TROUNSON: I'M SORRY. I DIDN'T GET  
4 THE FIRST.

5 MEMBER LOTT: THE ADVISORY, HOW WILL THAT  
6 ADVISORY PANEL BE SELECTED, CONSTRUCTED, MANAGED,  
7 ALL THAT KIND OF STUFF?

8 DR. TROUNSON: THE ADVISORY PANEL, WE'VE  
9 APPOINTED A VICE PRESIDENT WHO'S REALLY BEEN --  
10 ELLEN FEIGAL IS HER NAME. SHE'S STARTING ON MONDAY.  
11 SHE'S COME FROM AMGEN AS HER LAST APPOINTMENT, BUT  
12 SHE'S IN ACADEMIA. SHE'S BEEN AT THE NATIONAL  
13 CANCER INSTITUTE AT THE NIH. SHE'S ACTUALLY TAUGHT  
14 FDA COURSES FOR UCSF. SHE DID HER PRIMARY WORK WITH  
15 UCSD. WE'RE BRINGING HER ON BOARD, AND SHE'S GOING  
16 TO DEVELOP THAT ADVISORY BOARD.

17 SO THE ADVISORY BOARD THAT WE HAD IN MIND  
18 WOULD NEED TO BE MADE UP OF PEOPLE WHO HAD EXPERTISE  
19 IN A RANGE OF APPLICATIONS ACROSS THAT PRECLINICAL  
20 AND CLINICAL PHASE. AND THERE WILL BE A GROUP OF  
21 THOSE PEOPLE WHO HAVE REGULATORY EXPERIENCE AND  
22 EXPERIENCE IN THOSE PARTICULAR AREAS THAT WE'RE  
23 FUNDING WOULD BE AN EXTERNAL ADVISORY BOARD THAT  
24 WOULD LOOK AT THE PROGRESS AND THE MILESTONES BEING  
25 ACHIEVED BY THE TEAMS AND ALSO REVIEW THE GO/NO-GO

## BARRISTERS' REPORTING SERVICE

1 DECISIONS THAT WERE BUILT IN.

2 SO IF YOU CAN'T GET PAST THIS POINT,  
3 YOU'RE UNLIKELY TO GET TO THE END OF YOUR PROGRAM IF  
4 IT'S AN IND OR IF IT'S SOME OTHER THING. SO THAT  
5 GROUP WILL BE APPOINTED BY ELLEN FEIGAL, WHO'S THE  
6 NEW VICE PRESIDENT R&D. SHE COMES -- SHE'S GOT  
7 STRONG EXPERIENCE IN THAT SECTOR. WE'VE GOT SOME  
8 IDEA OF THE KIND OF PEOPLE THAT WE NEED, AND WE NEED  
9 STRONG REGULATORY PEOPLE IN THAT GROUP. AND THEY  
10 WILL BE FORMULATED AS AN ADVISORY GROUP TO GIVE US  
11 ADVICE THAT WE CAN THEN PASS ON TO THE ICOC.

12 MEMBER LOTT: THESE PEOPLE WILL BE FREE OF  
13 CONFLICT?

14 DR. TROUNSON: YES, THEY WILL.

15 MEMBER LOTT: HOW WILL WE KNOW THAT?

16 DR. TROUNSON: WE WILL ENSURE THAT THEY'RE  
17 NOT ASSOCIATED WITH ANY OF THE COMPANIES OR ANY OF  
18 THE INSTITUTES THAT ARE INVOLVED IN THESE STUDIES.  
19 AND IF THEY ARE, THEY CAN'T --

20 MEMBER LOTT: THEY WILL BE ASKED TO DO  
21 WHAT TO DEMONSTRATE THAT?

22 DR. TROUNSON: THEY'LL BE REQUIRED TO DO  
23 ALL OF THE CONFLICTS ASSESSMENTS THAT WE WOULD DO  
24 INTERNALLY AND ON THE GRANTS WORKING GROUP. SO THEY  
25 NEED TO IDENTIFY WHETHER THEY HAVE AN ECONOMIC OR A

## BARRISTERS' REPORTING SERVICE

1 WORKING RELATIONSHIP OR A RECENT PAST HISTORY OF ANY  
2 PARTICULAR ORGANIZATION THAT'S BEING ASSESSED,  
3 INCLUDING THE UNIVERSITY INSTITUTION.

4 MEMBER LIPSON: I THINK WHAT WE'RE ALL  
5 SAYING HERE IS YOU NEED TO PUT SOME BONES TOGETHER  
6 FIRST. WE'RE HEARING GENERALITIES RATHER THAN WHAT  
7 IS BEING DONE SPECIFICALLY TO MAKE CERTAIN WE DON'T  
8 HAVE CONFLICTS AND MAKE CERTAIN THINGS ARE DONE IN A  
9 CONSISTENT MANNER. AND I'M HEARING -- I UNDERSTAND  
10 WHAT YOU ARE SAYING, BUT YOU'RE NOT REALLY ANSWERING  
11 THE QUESTION IN AN ORGANIZED WAY, I GUESS.

12 DR. TROUNSON: I APOLOGIZE FOR BEING  
13 DISORGANIZED IN ANSWERING YOUR QUESTION. I GUESS  
14 I'M NOT UNDERSTANDING IT WELL ENOUGH, AND I  
15 APOLOGIZE FOR THAT. BUT SINCE SOME OF THESE  
16 ACTIVITIES WE HAVEN'T DONE YET, BUT THEY WILL HAVE  
17 TO FOLLOW ALL OUR CONFLICT OF INTEREST POLICIES FOR  
18 ANY ORGANIZATION THAT GIVES US THOSE KIND OF ADVICE.

19 MEMBER LIPSON: RIGHT. BUT THERE'S A  
20 PROBLEM ALSO IN THAT IT'S A SMALL FIELD AND PEOPLE  
21 KNOW PEOPLE. AND SO THERE ARE WAYS THAT PEOPLE CAN  
22 HAVE INFLUENCE AND IGNORE CONFLICT OF INTEREST  
23 SITUATIONS TO HELP A BUDDY.

24 MR. HARRISON: CAN I JUST RESPOND TO THE  
25 CONFLICT QUESTION DIRECTLY WITH RESPECT TO OUR GRANT

## BARRISTERS' REPORTING SERVICE

1 AND LOAN-MAKING PROCESS? FROM THE BOARD'S  
2 PERSPECTIVE, IT IS BLIND. BOARD MEMBERS ARE  
3 PRESENTED WITH AN APPLICATION NUMBER. THE IDENTITY  
4 OF THE APPLICANT, WHETHER A COMPANY OR A UNIVERSITY,  
5 IS NOT KNOWN TO THE BOARD MEMBERS. IN ADVANCE OF  
6 EACH MEETING, WE SEND A LIST TO EACH MEMBER OF THE  
7 BOARD WITH EACH OF THE ENTITIES WHO HAS A FINANCIAL  
8 INTEREST IN AN APPLICATION. IT'S DISAGGREGATED FROM  
9 ANY APPLICATION NUMBER. BOARD MEMBERS CHECK THE  
10 BOXES NEXT TO ANY ENTITY, WHETHER IT'S A COMPANY OR  
11 A UNIVERSITY, IN WHICH THEY HAVE A FINANCIAL  
12 INTEREST. WE THEN PROVIDE THEM, AFTER REVIEWING IT,  
13 WITH A LIST OF APPLICATIONS IN WHICH THEY CANNOT  
14 PARTICIPATE.

15 AND WHEN DECISIONS ARE MADE ON A  
16 PARTICULAR APPLICATION OR APPLICATIONS, THEY'RE MADE  
17 BLIND BY THE BOARD. AND THOSE MEMBERS WHO HAVE AN  
18 INTEREST ARE PRECLUDED FROM PARTICIPATING IN THAT  
19 DECISION. THAT'S OUR CURRENT GRANT-MAKING PROCESS.

20 WITH RESPECT TO THE QUESTIONS YOU'VE ASKED  
21 ABOUT THE PROCESS THAT DR. TROUNSON IS DESCRIBING,  
22 THIS PROCESS IS NOT IN PLACE YET. THIS IS A  
23 RESPONSE TO AN EXTERNAL ADVISORY REPORT THAT  
24 LITERALLY JUST CAME DOWN AT THE END OF THIS PAST  
25 YEAR.

## BARRISTERS' REPORTING SERVICE

1 AS WE PUT TOGETHER THE PROCESS FOR  
2 IMPLEMENTING THE EXTERNAL ADVISORY PANEL'S  
3 RECOMMENDATIONS, WE WILL TAKE INTO ACCOUNT ISSUES  
4 LIKE CONFLICT OF INTEREST, LIKE YOU IDENTIFIED, IN  
5 AN EFFORT TO ENSURE THAT WE ARE COMPLETELY  
6 TRANSPARENT AND THAT WE PREVENT ALL CONFLICTS OF  
7 INTEREST.

8 BUT YOU'RE RIGHT TO THE EXTENT THAT WE  
9 HAVEN'T PUT THOSE BONES TOGETHER YET BECAUSE WE'RE  
10 JUST NOW IN THE PROCESS OF EVALUATING THE REPORT AND  
11 DECIDING HOW TO PROCEED.

12 MEMBER LIPSON: I ASKED A SIMILAR QUESTION  
13 LAST YEAR.

14 MR. HARRISON: I TRIED AS BEST AS I COULD  
15 TO ANSWER THEM.

16 MEMBER LIPSON: THERE'S BEEN REALLY NO  
17 MOVEMENT HERE. CONSIDERING WORKING WITH INDUSTRY,  
18 YOU HAVE TO BE PREPARED TO WORK WITH INDUSTRY AND  
19 HAVE BASIC GUIDELINES IN PLACE. AND THEN YOU CAN  
20 WORK WITH EACH INDIVIDUAL COMPANY THAT IS  
21 MERITORIOUS.

22 MR. HARRISON: WE DO. COMPANIES APPLY IN  
23 THE SAME WAY THAT UNIVERSITIES DO, BLIND. SO  
24 MEMBERS OF THE BOARD, WHEN THEY MAKE DECISIONS ABOUT  
25 FUNDING AN APPLICATION FROM THE COMPANY, DON'T KNOW

## BARRISTERS' REPORTING SERVICE

1 WHETHER IT'S FROM A COMPANY OR A UNIVERSITY.  
2 THEY'RE MAKING DECISIONS BASED ON THE MERITS OF THE  
3 SCIENCE AND THE RECOMMENDATIONS OF THE GRANTS  
4 WORKING GROUP. SO WE DO HAVE A PROCESS IN PLACE,  
5 AND I THINK IT'S WORKED VERY WELL.

6 DR. TROUNSON: OKAY. I THINK WE CAN  
7 PROBABLY GO TO THE NEXT ONE.

8 THE INTERNATIONAL PARTNERSHIPS, WE HAVE  
9 COLLABORATIVE FUNDING ARRANGEMENTS WITH NINE  
10 COUNTRIES, WE'VE ADDED INDIA JUST RECENTLY, WHERE WE  
11 WORK TOGETHER WITH THOSE COUNTRIES. WHAT HAPPENS IN  
12 THOSE PARTICULAR INSTANCES IS THE COUNTRY THAT WOULD  
13 HAVE A SCIENTIFIC GROUP THAT WANTS TO WORK WITH A  
14 CALIFORNIA GROUP, THEY APPLY TOGETHER IN A SINGLE  
15 GRANT APPLICATION.

16 IF THAT MAKES ITS WAY THROUGH THE SYSTEM  
17 AND IS AWARDED AFTER GRANTS REVIEW AND AWARDED BY  
18 THE ICOC, WE PAY FOR THE IN-CALIFORNIA COMPONENT OF  
19 THE GRANT AND THE UK OR JAPAN PAYS THE  
20 OUT-OF-CALIFORNIA COMPONENT SO THAT THE GROUPS ARE  
21 WORKING TOGETHER, BUT THEY'RE FUNDED IN ONE PROJECT,  
22 BUT THEY'RE FUNDED SEPARATELY BY THE  
23 OUT-OF-CALIFORNIA AND WE PAY FOR THE IN-CALIFORNIA  
24 COMPONENT. AND THAT, I HAVE TO SAY, IS WORKING  
25 EXTREMELY WELL TODAY. THE PROJECTS ESSENTIALLY THAT

## BARRISTERS' REPORTING SERVICE

1 BRINGS NOW SOME OF THE BEST PEOPLE IN THE WORLD NOW  
2 WORKING TOGETHER WITH THE CALIFORNIANS. AND WE'RE  
3 NOW MAKING SOME ARRANGEMENTS WITH THE NIH TO BE ABLE  
4 TO WORK TOGETHER WITH THE NATIONAL INSTITUTES OF  
5 HEALTH IN THE SAME KIND OF WAY.

6 SO THIS PROGRAM THEY WANT US TO EXPAND BY  
7 IDENTIFYING EXCELLENCE, MISSING CAPACITY THAT MAY BE  
8 NOT HERE IN CALIFORNIA, FIND THE RAPID DEVELOPMENTS  
9 AND THE INTEREST TO COLLABORATE WITH CALIFORNIANS,  
10 PERHAPS MAKE MULTIPLE INTERNATIONAL/INTERSTATE  
11 PARTNERSHIPS. THEY'VE BEEN ONE TO ONE SO FAR, BUT  
12 YOU COULD DO MULTIPLE ARRANGEMENTS, SAY, WORK WITH  
13 TWO COUNTRIES OR TWO STATES.

14 EXPLORE INTERNATIONAL INDUSTRY  
15 PARTNERSHIPS THAT CAN ACCELERATE THE CLINICAL  
16 THERAPIES BECAUSE SOMETIMES YOU GET AN ACCELERANT  
17 HAPPENING AND ACCELERATION IN ONE PLACE THAT'S NOT  
18 CALIFORNIA. IT WOULD BE NICE TO PICK THAT UP AND  
19 MATCH IT BACK WITH CALIFORNIA AND GET OURS TO SORT  
20 OF TRAVEL AT THE SAME RATE OR ACCELERATE AS WELL AND  
21 CONNECTING PARTNERS WITH THE NIH.

22 SO THEY FELT THAT THIS WAS A STRONG  
23 PROGRAM. CURRENTLY \$58 MILLION HAS BEEN PUT INTO  
24 THE PROGRAM BY THE COLLABORATIVE FUNDING PARTNERS  
25 INTO COMPANY PROJECTS. SO IT WILL EXPAND, BUT DOES

## BARRISTERS' REPORTING SERVICE

1 TAKE SOME MANAGEMENT TO MAKE SURE EVERYTHING WORKS  
2 WELL. BUT FOR THE SCIENTIFIC POINT OF VIEW, THESE  
3 PROJECTS HAVE REALLY TAKEN OFF, THOSE COLLABORATIVE  
4 FUNDING PROJECTS HAVE REALLY SORT OF TAKEN OFF VERY  
5 RAPIDLY.

6 OUTREACH AND EDUCATION, I THINK THERE'S  
7 BEEN A LOT OF DISCUSSION OF THIS. I'M NOT SURE WE  
8 NEED MORE. THEY DID IDENTIFY A NEED TO INCREASE THE  
9 QUALITY AND THE BREADTH OF COMMUNITY OUTREACH. I  
10 THINK WE'VE DEALT WITH THAT PRETTY MUCH IN EARLIER  
11 DISCUSSION.

12 GOVERNANCE ISSUES, I THINK THAT WAS ALSO  
13 BROUGHT UP. REEXAMINE THE ROLE OF THE ICOC AND  
14 PRESIDENT AND MANAGEMENT IN DELIVERY OF THE STAGE II  
15 CIRM PROGRAM BASICALLY TO ENHANCE THE EFFECTIVENESS  
16 OF THE PROGRAM. SO I'M INTERESTED IN MAKING THIS  
17 PROGRAM WORK BETTER, MORE EFFICIENTLY, MORE  
18 EFFECTIVELY, AND UTILIZING THE EXPERIENCE THAT  
19 EXISTS ON THE BOARD AND IN THE CHAIR AND THE VICE  
20 CHAIRS TO THE BENEFIT OF THE AGENCY. AND SO I'LL BE  
21 PUSHING TO MAKE THIS AS EFFECTIVE AS I CAN, BUT IT  
22 WILL BE LIMITED TO WHAT THE BOARD AGREES TO IN THIS  
23 RESPECT.

24 THERE WERE SEVERAL OTHER ISSUES BEING LESS  
25 CONCERNED BY PROCESS DOCUMENTATION, MORE FLEXIBLE

## BARRISTERS' REPORTING SERVICE

1 FOR ENHANCED OUTCOMES. ANY ORGANIZATION CAN BE  
2 THOUGHT TO BECOME BUREAUCRATIC IN TIME. IT'S A BIT  
3 OF EFFORT TO STOP THAT BECAUSE IF YOU ARE GOING TO  
4 BE INNOVATIVE, YOU DON'T NEED TO BE BUREAUCRATIC.  
5 IT DOESN'T WORK SO WELL HAND IN HAND.

6 AND THE MANAGEMENT, FROM THEIR POINT OF  
7 VIEW, WAS WAY TOO LEAN TO DEVELOP -- FOR REALLY  
8 GETTING DELIVERY OF THE OPPORTUNITY. THEY FELT THAT  
9 WE'RE WAY TOO LEAN FOR DOING THAT. AND WE SAID THAT  
10 WE WILL TRY -- WE WERE GOING TO INCREASE, INCREASE  
11 THE NUMBER OF SCIENTIFIC STAFF BECAUSE WE ACTUALLY  
12 FEED BACK ON OUR PROJECTS. THE NIH DOES NOT FEED  
13 BACK ON THE PROJECTS, NOR DO MANY OF THE RESEARCH  
14 FOUNDATIONS. SO WHEN WE GET QUARTERLY REPORTS OR  
15 YEARLY REPORTS, WE'RE FEEDING BACK TO THOSE  
16 SCIENTISTS, SAYING, HEY, THAT'S NOT WHAT YOU REALLY  
17 AGREED TO, OR FANTASTIC. YOU'VE ACCELERATED. I  
18 THINK JIM HAS BEEN PART OF THAT IN THE PAST AND SEEN  
19 THAT WE HAVE A ONE-TO-ONE ON THE SCIENTISTS.

20 AND IF IT'S A COMPANY, WE ARE MAKING SURE  
21 THAT THEY ARE MEETING THOSE KIND OF DEADLINES THAT  
22 THEY PUT IN. THAT DOES NOT HAPPEN WITH NIH, NOR  
23 WITH MANY OF THE OTHER FUNDING BODIES. WE WANT IT  
24 TO HAPPEN. WE'RE HERE FOR A RELATIVELY SHORT TIME.  
25 MAYBE THEY'RE THERE FOREVER, BUT WE WANT THESE

## BARRISTERS' REPORTING SERVICE

1 DOLLARS TO WORK AS EFFECTIVELY AS POSSIBLE.

2 SO WE HAVE STOPPED SOME PROJECTS. WE'VE  
3 ACTUALLY TERMINATED THEM BECAUSE THEY DIDN'T DO WHAT  
4 THEY AGREED TO DO. IT'S NEVER HAPPENED WITH AN NIH  
5 PROJECT. AND YOU CAN IMAGINE SOME OF THE SENIOR  
6 SCIENTISTS IN CALIFORNIA BEING TOLD YOU DIDN'T DO  
7 WHAT YOU SAID YOU WERE GOING TO DO, AND WE'RE GOING  
8 TO TAKE YOUR GRANT AWAY BECAUSE WE'VE GIVEN YOU A  
9 COUPLE OF OPPORTUNITIES TO CORRECT THAT, BUT YOU  
10 DIDN'T. AND THAT HAS HAPPENED. SO WE ARE DIFFERENT  
11 IN THAT RESPECT.

12 AND SO I THINK WE'VE DONE A TERRIFIC JOB,  
13 BUT WE'RE PRETTY LEAN. WE CAN ONLY EXPAND TO STAY  
14 UNDER THAT 6-PERCENT BAR NO MATTER WHAT WE DO, AND  
15 WE'RE GOING TO STAY WELL UNDER THAT AS LONG AS I'M  
16 THERE.

17 I THINK THAT'S PRETTY MUCH IT. IS THERE  
18 ANYTHING? I THINK THESE WERE THE MAJOR  
19 IMPLICATIONS, AND WE'VE KIND OF DISCUSSED THOSE AS  
20 WE PASSED THROUGH. SO I'M HAPPY TO TAKE FURTHER  
21 QUESTIONS AND APOLOGIZE FOR NOT GETTING SHARPLY TO  
22 THE POINT THAT HAS BEEN ASKED BY SOME OF THE  
23 MEMBERS.

24 CHAIRMAN CHIANG: ANY OTHER QUESTIONS?

25 ITEM 9 WAS COVERED IN THE INITIAL

## BARRISTERS' REPORTING SERVICE

1 COMMENTS. SO LET'S GO TO ITEM 10, CONSIDERATION OF  
2 THE DRAFT AGENDA FOR THE NEXT MEETING. DOES ANYBODY  
3 HAVE ANYTHING ELSE THEY WANT ADDED TO THE AGENDA?

4 MEMBER SADANA: I FEEL WE SHOULD GET A  
5 SUMMARY OF AT LEAST WHAT PROGRESS HAS BEEN IN ANY OF  
6 THE INSTITUTIONS WHICH ARE -- YOU KNOW, THIS IS  
7 TAXPAYERS' MONEY AND STATE MONEY WHICH IS BEING  
8 UTILIZED. WHAT RESULTS HAVE ANY OF THESE THINGS  
9 SHOWN? IS THERE ANY POTENTIAL? YOU DON'T HAVE TO  
10 DISCLOSE ABOUT ANYTHING BECAUSE THERE MAY BE A  
11 PRIVACY ISSUE OR LOSS OF INTELLECTUAL PROPERTY, BUT  
12 WE NEED -- THOUGH WE'RE NOT A BODY WHICH IS  
13 CONCERNED WITH THAT, IT WOULD BE NICE, AT LEAST, TO  
14 BE SUMMARIZED.

15 DR. TROUNSON: I CAN GIVE YOU THE REPORT  
16 THAT WE PROVIDED TO THE EXTERNAL REVIEW, WHICH HAD  
17 EXACTLY WHAT YOU ARE SAYING IN. IF YOU WOULD --  
18 IT'S GOT A LOT OF APPENDICES, BUT WE CAN PROVIDE  
19 THAT. IT IS ON THE WEBSITE, BUT WE CAN PROVIDE IT  
20 TO YOU, AND IT DOES LIST THOSE DEVELOPMENTS. I  
21 HAVEN'T TRIED TO DO THAT THIS TIME, BUT WE CAN DO  
22 THAT CLEARLY IF YOU WISH.

23 MEMBER LOTT: I SERVE ON A NUMBER OF OTHER  
24 BOARDS, AND ONE OF THE THINGS THAT'S VERY HELPFUL  
25 FOR US, IN LINE WITH WHAT MY FELLOW MEMBER IS

## BARRISTERS' REPORTING SERVICE

1 SAYING, WE GET A DASHBOARD OF KEY METRICS THAT SHOWS  
2 PROGRESS OVER A PERIOD OF TIME. THAT'S REAL EASY  
3 FOR US LAYPEOPLE TO FOLLOW. A DASHBOARD OF KEY  
4 METRICS WOULD BE WONDERFUL.

5 DR. TROUNSON: I HAVE A SLIDE, NOT HERE,  
6 BUT I HAVE A SLIDE I CAN PROVIDE THAT AS WELL, WHICH  
7 IS ON ONE SLIDE WHICH GIVES THE KEY ACHIEVEMENTS,  
8 WHICH INCLUDE THE CLINICAL TRIALS THAT ARE GOING,  
9 THE NUMBER OF GRANTS, THE KEY BITS, THE NUMBER OF  
10 PUBLICATIONS THAT HAVE COME OUT WITH OUR BANNER ON  
11 IT. 23 PERCENT OF THOSE ARE IN THE HIGH IMPACT  
12 JOURNALS. ALL OF THE PARAMETERS -- SOME OF THE  
13 PARAMETERS YOU'RE SEEING ARE ON ONE SLIDE, I CAN GET  
14 THAT FOR YOU, AND THEN I'LL ALSO MAKE SURE THAT YOU  
15 CAN GET THE REPORT THAT I PROVIDED TO THE EXTERNAL  
16 REVIEW, WHICH REALLY HAS A LOT OF DETAIL, BUT IT'S  
17 SUMMARIZED. IT'S IN LAY FORM. IT'S NOT DETAILED  
18 HEAVY READING, BUT IT'S GOT ALL OF THE KIND OF  
19 THINGS THAT YOU ARE SEEKING.

20 BUT NEXT TIME WE COME, PERHAPS WE CAN MAKE  
21 SURE THAT WE PROVIDE SOMETHING LIKE THAT, WHICH  
22 WOULD BE HELPFUL.

23 MEMBER LIPSON: COULD WE GET THAT SOONER  
24 THAN LATER? WE GOT YOUR NOTEBOOK AS WE CAME IN.

25 DR. TROUNSON: I KNOW, BUT WE WERE

## BARRISTERS' REPORTING SERVICE

1 REQUESTED TO DO IT THAT WAY. YOU LET US KNOW WHEN  
2 YOU WANT IT. WE DID ASK AND THEY SAID BRING IT  
3 ALONG. WE WILL DO IT, WE WILL GET IT IN AN EARLIER  
4 FORM. WE'LL WORK WITH RUTH TO MAKE SURE THAT WE GET  
5 IT IN THE TIME THAT YOU REQUIRE. I'LL HAVE STAFF  
6 MAKE SURE WE DO THAT.

7 CHAIRMAN CHIANG: IT'S DULY NOTED. IT  
8 WILL BE ON THE AGENDA. IT WAS ACTUALLY ON THE  
9 AGENDA FOR ITEM NO. 7 THIS TIME. WE'LL MAKE SURE WE  
10 HAVE SUFFICIENT DETAILS TO SATISFY THE MEMBERS.

11 PUBLIC COMMENT. ANYONE WISH TO MAKE  
12 COMMENT?

13 ITEM 12, BOARD MEMBER TIME. ANY REMAINING  
14 ITEMS?

15 MEMBER SADANA: THE ONLY OTHER THING I'D  
16 LIKE TO BRING UP IS AS CIRM IS NOW INVOLVED WITH A  
17 LOT OF INSTITUTIONS WHICH HAVE OUT-OF-STATE OR  
18 OUT-OF-COUNTRY CONNECTIONS AND IF SOMETHING IS  
19 ACHIEVED BY YOU OR BY THESE INSTITUTIONS, HOW DO YOU  
20 PROTECT INTELLECTUAL PROPERTY NOT BEING -- GETTING  
21 OUT OF THE STATE?

22 DR. TROUNSON: IF WE CAN ADDRESS THAT  
23 PERHAPS NEXT TIME, WE WOULD DO THAT. I'LL MAKE SURE  
24 GENERAL COUNSEL COMES WITH US THE NEXT TIME. SHE'S  
25 RESPONSIBLE FOR THOSE ARRANGEMENTS. AND I THINK SHE

**BARRISTERS' REPORTING SERVICE**

1 MIGHT BE ABLE TO ADDRESS YOUR QUESTIONS MORE  
2 EMPHATICALLY THAN PERHAPS I CAN, BUT SHE TAKES A  
3 HEAVY RESPONSIBILITY IN THOSE AREAS TO PROTECT THE  
4 INTELLECTUAL PROPERTY OF OUR INTERESTS IN ALL THESE  
5 ARRANGEMENTS.

6 CHAIRMAN CHIANG: NEXT MEETING OR DO YOU  
7 WANT A RESPONSE SOONER THAN THAT?

8 MEMBER SADANA: SURE. THAT WOULD BE FINE.

9 CHAIRMAN CHIANG: WITH THAT, WE ARE  
10 ADJOURNED. THANK YOU ALL.

11 (THE MEETING WAS THEN ADJOURNED AT  
12 4:13 P. M. )

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**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 CITIZEN'S FINANCIAL ACCOUNTABILITY OVERSIGHT COMMITTEE IN THE MATTER OF ITS REGULAR MEETING HELD AT THE LOCATION INDICATED BELOW

METROPOLITAN WATER DISTRICT  
700 N. ALAMEDA STREET  
LOS ANGELES, CALIFORNIA

ON  
FRIDAY, JANUARY 28, 2011

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



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