FAQ

CIRM revenue sharing for Gilead acquisition of Forty Seven, Inc.

Describe Gilead's acquisition of Forty Seven, Inc.?

On March 2, 2020, Gilead submitted a tender offer to buy Forty Seven, Inc., an Awardee of CIRM, in a $4.9 billion deal valued at $95.5 per share. Gilead described the terms of this offer in filings with the SEC on March 2nd and March 10th.

Are there any other CIRM Awardees involved?

The proposed acquisition by Gilead of Forty Seven Inc., which is due to close by June 30, 2020, also involves another CIRM Awardee, Stanford University, which licensed CIRM-funded intellectual property to Forty Seven Inc. through an equity agreement executed in 2015. Bloomberg News and the LA Times have calculated Stanford's current interest in Forty Seven, Inc., to be worth around $67.1 million.

Does the State of California have any return from this acquisition?

Under CIRM's intellectual property regulations, the State of California has the right to a portion of the licensing revenue received by Stanford and to a portion of royalties on commercial sales earned by Forty Seven or its successor. The potential return to the State can be summarized as follows.

1) For the applicable Stanford awards, Stanford is required to pay to the State a certain amount of the licensing revenue it receives from its equity agreement with Forty Seven, Inc. (to be assumed by Gilead), which includes a portion of the amount Stanford receives from the sale of its shares of Forty Seven, Inc., as a result of Gilead's buyout. The amount owed by Stanford is contingent on additional information that CIRM is in the process of gathering, including contributions to the research from non-CIRM sources. In addition to the licensing amount from equity, Stanford is responsible for this ongoing obligation upon receipt of any other licensing, royalty, or milestone payments.

2) For the Forty Seven Inc. awards, Forty Seven, Inc. is required to pay to the State a percentage of royalties on commercial sales once they occur. This percentage is based on the amount of CIRM dollars awarded to the awardee, and the payment obligation includes a cap of either 10 years from date of the first commercial sale or nine times the amount of the CIRM award(s), whichever occurs first. After the acquisition, Gilead will be responsible for this obligation**,** which is dependent on a successful product. This pass-through obligation is included in CIRM regulations**,** which have the effect of State Law, and CIRM anticipates that Forty-Seven, Inc. will document this pass-through obligation in the acquisition contract(s).

In addition, under the CIRM Grants Administration Policy, for-profit clinical research awardees, such as Forty Seven, Inc., may elect to convert their award to a loan by paying CIRM the amount of the award at a variable rate depending upon the time of election and the stage of the research. Awardees that elect this option are required to comply with CIRM's pricing, access, and march-in right requirements but are not bound by the revenue sharing provisions of CIRM's IP regulations.