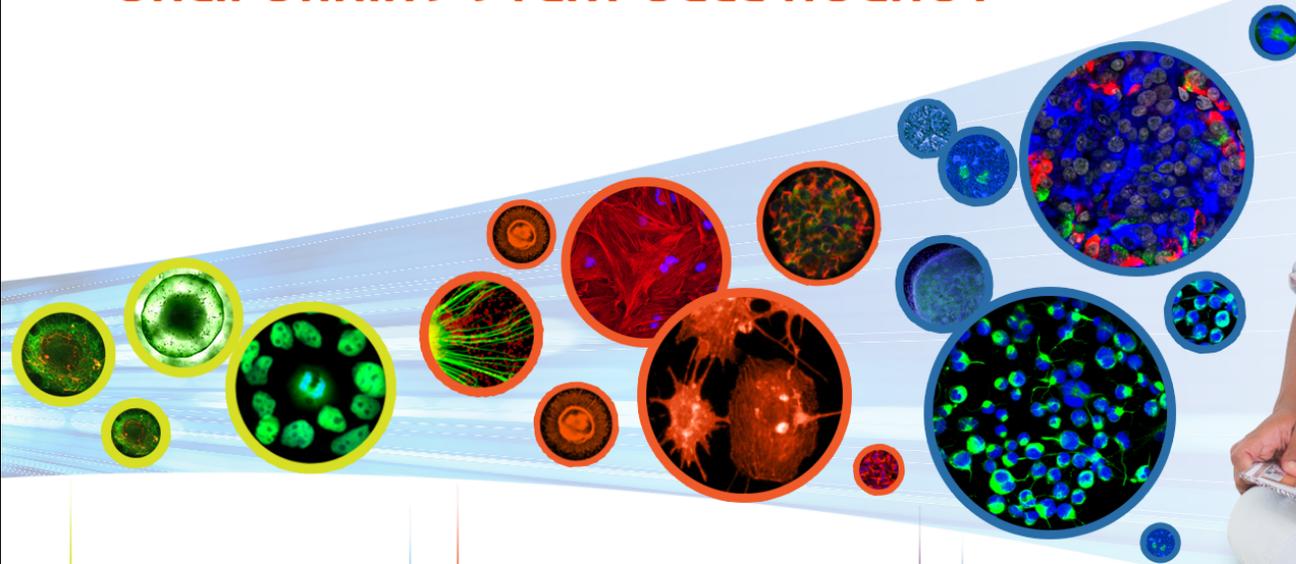


April 8, 2016

CIRM

CALIFORNIA'S STEM CELL AGENCY



Accelerating Therapies **ATP³**
through public private partnership

**Presentation to Intellectual Property & Science
Joint Subcommittee of the ICOC**

Our Mission

To accelerate stem cell treatments to patients with unmet medical needs

Accelerating Therapies through Public-Private Partnership (ATP3)

Objective: to promote “industry pull” by funding a private partner to in-license and advance high quality CIRM technologies toward commercialization and to patients

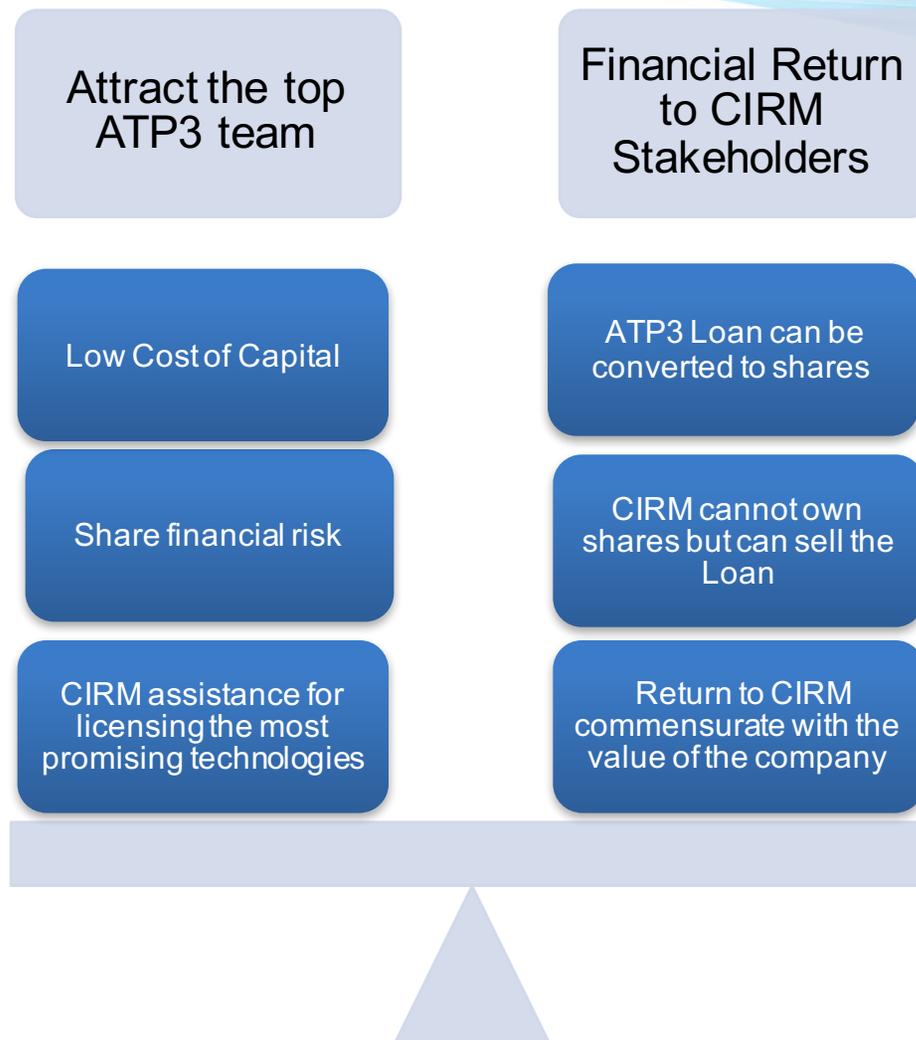
ATP3 Concept Approved December 17, 2015

- CIRM will commit up to \$75M over a 5 year period to the ATP3 awardee for development of in-licensed CIRM-funded projects
- The ATP3 award will be in the form of a loan that offers a potential financial return to CIRM
- The ATP3 awardee will commit \$75M upfront to fund the business
- Licensed CIRM projects will be subject to provisions of CIRM's IP regulations and will be returned in cases where the ATP3 entity ultimately decides not to develop that technology

Rationale for ATP3 Award Loan Structure

- Create a compelling business case that would attract a top-notch management team / commercialization partner for CIRM technologies
- Enable a financial return to CIRM given that, as a state agency, CIRM cannot own shares of the ATP3 funded company
- Optimize the financial return to CIRM stakeholders upon success of the ATP3 funded entity

ATP3 - Striking a Balance



ATP3 Loan Features

- **Low Cost of Capital**

50% repayment discount on the sum of principal amount and interest

- **Risk Sharing**

CIRM contributes up to \$75M (in the form of a loan) to develop in-licensed CIRM technologies and the ATP3 awardee contributes at least \$75M to the stem cell business enterprise

- **Convertible Loan Option**

ATP3 loan can be converted to shares. CIRM can sell the loan to a 3rd party at a price commensurate with the valuation of the company

Return to CIRM Dependent Upon Future Value of the Company

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ATP3 Award

1st Note: \$25M

2nd Note: \$25M

3rd Note: \$25M

CIRM sells
Note(s) to
Third Party

- Awardee has access to \$75M of funding to advance CIRM-funded research
- CIRM provides funding on a reimbursement basis
- Three-tiered structure allows CIRM to sell an individual Note without terminating the overall award

3rd Party Note Holder
Converts into Shares of Company Stock:

"Discounted Amount"

50% (principal + interest)

- Payment to Note Holder in shares of company stock (instead of cash repayment)



"Equity Kicker"

Up to 10% of the Company's
Shares

- Protects against future dilution
- Three tiers of declining ownership commensurate with risk

CIRM has the Option to Sell the Note(s) or Require Repayment



**Option 1:
CIRM Sells Note(s)
to Third Party**

Third Party Converts Into Shares of
Company Stock

"Discounted Amount"

50% (principal + interest)



"Equity Kicker"

Up to 10% of the Company's
Shares

**Option 2:
CIRM Requires
Repayment**

50% (principal + interest)

- CIRM may require repayment if there is no conversion event

- Conversion triggers include: liquidity event (e.g. IPO or sale of the company), qualified financing or maturity date

Process and Governance

- CIRM-funded technologies in-licensed by ATP3 subject to Grants Working Group review and Application Review Subcommittee Approval
- Funding provided on a reimbursement basis
- Consent Rights outlined in Term Sheet
- Authority for decisions related to the loan delegated to President with concurrence of Chair and Vice Chair

Requested Action

At its December 17, 2015 meeting, the Board delegated authority to the Science and IP and Industry Subcommittees to approve the terms of the ATP3 award. We therefore request the joint Subcommittee's approval of these terms so that we may issue a request for applications.