

BETH C. DRAIN, CA CSR NO. 7152

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BEFORE THE
IP AND INDUSTRY SUBCOMMITTEE OF THE
INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE
TO THE
CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
ORGANIZED PURSUANT TO THE
CALIFORNIA STEM CELL RESEARCH AND CURES ACT
REGULAR MEETING

LOCATION: VIA ZOOM

DATE: NOVEMBER 8, 2023
9:30 A.M.

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

FILE NO.: 2023-34

BETH C. DRAIN, CA CSR NO. 7152

I N D E X

ITEM DESCRIPTION	PAGE NO.
OPEN SESSION	
1. CALL TO ORDER	3
2. ROLL CALL	5
ACTION ITEMS	
3. CONSIDERATION OF CHANGES TO THE CO-FUNDING REQUIREMENTS FOR TRANSLATIONAL AND CLINICAL PROGRAMS	6
DISCUSSION ITEMS	
4. PUBLIC COMMENT	NONE
5. ADJOURNMENT	57

BETH C. DRAIN, CA CSR NO. 7152

1 WEDNESDAY, NOVEMBER 8, 2023; 9:30 A.M.

2

3 CHAIRMAN JUELSGAARD: MY CO-CHAIR, GOOD
4 MORNING, MOHAMAD.

5 DR. ABOUSALEM: GOOD MORNING, EVERYONE.
6 SORRY FOR BEING LATE.

7 CHAIRMAN JUELSGAARD: NOT A PROBLEM. WE
8 ARE JUST OFF TO A ROARING START HERE. SO JUST
9 GETTING GOING.

10 SO AS I SAID, I'M GOING TO TURN THE
11 MEETING OVER TO SHYAM IN JUST A MOMENT. WE HAVE A
12 SINGLE ITEM ON THE AGENDA. THIS HAS ACTUALLY BEEN A
13 TOPIC THAT WE'VE BEEN WRESTLING WITH NOW FOR WELL
14 OVER A YEAR, MAYBE EVEN GOING ON TWO YEARS NOW. THE
15 INITIATION OF THIS WAS REALLY THE DIFFICULTY IN
16 FINDING FUNDING FOR EARLY STAGE PRIVATE COMPANIES.

17 FOR THOSE OF YOU THAT AREN'T NECESSARILY
18 INVOLVED WITH INDUSTRY, THESE DAYS IT'S VERY
19 DIFFICULT FOR EARLY START-UP COMPANIES TO FIND
20 FUNDING. WE'VE GONE FROM WHAT'S KNOWN AS A RISK-ON
21 ENVIRONMENT TO A RISK-OFF ENVIRONMENT WHERE PEOPLE
22 ARE LESS WILLING TO TAKE RISKS, PARTICULARLY PEOPLE
23 THAT FUND EARLY COMPANIES. AND IT'S VERY DIFFERENT
24 FROM THE ROARING DAYS OF 2020 AND 2021.

25 AND THE OBSERVATION WAS IS THAT THIS IS

BETH C. DRAIN, CA CSR NO. 7152

1 BASICALLY -- WE HAVE A CO-FUNDING OBLIGATION, CASH
2 CO-FUNDING OBLIGATION, FOR COMPANIES WHO GET CIRM
3 FUNDING. AND THAT REQUIREMENT FOR CASH CO-FUNDING
4 WAS CREATING SOME PROBLEMS FOR VERY YOUNG COMPANIES
5 TO BE ABLE TO APPLY FOR AND OBTAIN CIRM FUNDING EVEN
6 THOUGH THEY MIGHT HAVE VERY EXCELLENT OPPORTUNITIES,
7 SCIENTIFIC OPPORTUNITIES, FOR POTENTIAL THERAPIES
8 FOR UNMET MEDICAL NEEDS.

9 SO THE IDEA CAME AS AN ALTERNATIVE
10 TO PROVIDING CASH CO-FUNDING WAS TO USE THE EQUITY
11 FORM KNOWN AS WARRANTS OR RIGHTS TO BUY STOCK IN THE
12 FUTURE AS AN ALTERNATIVE.

13 AND SO I THINK WE'VE FINALLY COME TO THE
14 POINT WHERE WE HAVE SOMETHING CONCRETE TO PUT ON THE
15 TABLE, WHICH SHYAM WILL EXPLAIN. MOHAMAD AND I HAVE
16 BEEN VERY MUCH INVOLVED IN THE DEVELOPMENT OF THIS.
17 AND I WILL SPEAK FOR ME. I THINK I'M SPEAKING FOR
18 HIM AS WELL. WE ARE VERY MUCH IN SUPPORT OF WHAT
19 SHYAM IS PROPOSING. I THINK IT'S AN ELEGANT AND
20 WONDERFUL, GREAT OUTCOME AND WILL TREAD THAT LINE
21 BETWEEN HELPING YOUNG COMPANIES WHO ARE HAVING
22 DIFFICULTY FINDING MONEY, BUT STILL PROVIDING AN
23 OPPORTUNITY FOR A RETURN TO CIRM ON THE CO-FUNDING
24 ASPECT OF IT THAT CIRM WILL ACTUALLY PUT UP IN THE
25 FORM OF MONEY RATHER THAN REQUIRING THE COMPANY TO

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1 PUT UP.

2 SO WITH THAT VERY LONG-WINDED
3 INTRODUCTION, I'M GOING TO TURN THIS OVER TO SHYAM.
4 AND ONCE HE'S DONE, LET'S GO THROUGH THE WHOLE
5 PRESENTATION, IF YOU DON'T MIND, AND HOLD THE
6 QUESTIONS TILL THE END, AND THEN WE CAN REFER BACK
7 TO SLIDES AS WE NEED TO. AND WITH THAT, SHYAM.

8 MR. TOCHER: STEVE, ACTUALLY THIS IS
9 SCOTT. IF WE COULD JUST TAKE A QUICK ROLL CALL AND
10 JUST ESTABLISH A QUORUM AND THEN HAND IT OVER TO
11 SHYAM.

12 CHAIRMAN JUELSGAARD: WE HAVE A ROLL CALL
13 TAKER?

14 MR. TOCHER: YES, WE DO. I'LL TAKE THE
15 HONORS.

16 MOHAMAD ABOUSALEM.

17 DR. ABOUSALEM: PRESENT.

18 MR. TOCHER: KIM BARRETT.

19 DR. BARRETT: PRESENT.

20 MR. TOCHER: MARIA BONNEVILLE.

21 VICE CHAIR BONNEVILLE: PRESENT.

22 MR. TOCHER: JUDY CHOU.

23 DR. CHOU: PRESENT.

24 MR. TOCHER: ANNE-MARIE DULIEGE. LARRY
25 GOLDSTEIN.

BETH C. DRAIN, CA CSR NO. 7152

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DR. GOLDSTEIN: HERE.

MR. TOCHER: VITO IMBASCIANI.

DR. IMBASCIANI: HERE.

MR. TOCHER: STEVE JUELSGAARD.

MR. JUELSGAARD: PRESENT.

MR. TOCHER: SHLOMO MELMED.

DR. MELMED: PRESENT.

MR. TOCHER: JOE PANETTA.

MR. PANETTA: HERE.

MR. TOCHER: MICHAEL STAMOS.

DR. STAMOS: PRESENT.

MR. TOCHER: KAROL WATSON.

GREAT. THANKS VERY MUCH, STEVE. SHYAM.

DR. PATEL: THANKS, SCOTT. THANK YOU,
CHAIR JUELSGAARD AND CHAIR ABOUSALEM, FOR THIS
OPPORTUNITY TO PRESENT TO YOU TODAY. AND THANK YOU
TO THE COMMITTEE FOR YOUR TIME AND ATTENTION THIS
MORNING.

SO I'M GOING TO WALK THROUGH THE
PRESENTATION THAT STEVE HAS ELEGANTLY OUTLINED. AND
GIVEN THAT IT'S BEEN AWHILE SINCE WE HAVE DISCUSSED
THIS TOPIC IN THE PAST, I WILL DO MY BEST TO PROVIDE
BACKGROUND AS WELL AS EXPLANATION AND THE RATIONALE
FOR WHAT WE ARE PROPOSING TODAY. AND HAPPY TO TAKE
ANY QUESTIONS AT THE END AS STEVE MENTIONED.

BETH C. DRAIN, CA CSR NO. 7152

1 I ALSO WANT TO ACKNOWLEDGE THAT WE DID
2 MAKE A CHANGE TO THE PRESENTATION MATERIALS AND THE
3 PROPOSAL RECENTLY THAT WE BELIEVE IN THE END IS
4 RESULTING IN A BETTER PROPOSAL. AND I WILL TALK
5 THROUGH SOME OF THOSE ELEMENTS AS WELL. SO IF YOU
6 WILL PARDON ME FOR A SECOND, I'LL PUT UP THE SLIDE
7 DECK.

8 SCOTT, CAN YOU SEE THE PRESENTATION AND
9 CAN YOU HEAR ME OKAY?

10 MR. TOCHER: WE CAN TO BOTH.

11 DR. PATEL: THANK YOU. SO I'M GOING TO
12 LAUNCH RIGHT INTO IT THEN. SO WE ALWAYS START EVERY
13 MEETING WITH OUR MISSION STATEMENT, WHICH IS TO
14 ACCELERATE WORLD-CLASS SCIENCE TO DELIVER
15 TRANSFORMATIVE REGENERATIVE MEDICINE TREATMENTS IN
16 AN EQUITABLE MANNER TO A DIVERSE CALIFORNIA AND
17 WORLD.

18 SO IN TAKING THE COMMITTEE'S FEEDBACK
19 ROUGHLY A YEAR AGO, WHAT WE ENDED UP DOING WAS GOING
20 BACK AND TAKING A LOOK AT THE CO-FUNDING REQUIREMENT
21 IN A MORE HOLISTIC MANNER AND DETERMINING WHAT WAS
22 THE INTENT OF THAT CO-FUNDING. SO GOING BACK ALL
23 THE WAY TO THE ICOC MEETINGS IN 2014/2015 TIME FRAME
24 WHEN CIRM 2.0 WAS BEING LAUNCHED AND THE CLIN
25 PROGRAM WAS UP FOR BOARD APPROVAL AS A NEW CONCEPT

BETH C. DRAIN, CA CSR NO. 7152

1 PLAN. AND SO FROM THAT WHAT STEMMED WAS THIS
2 PARTICULAR CO-FUNDING MECHANISM WHICH YOU ARE ALL
3 FAMILIAR WITH WHERE THERE IS A CO-FUNDING
4 REQUIREMENT ON THE TOTAL PROJECT COSTS FOR ALL
5 FOR-PROFIT APPLICANTS UNDER TRANSLATION AND CLINICAL
6 PROGRAMS. FOR NEW THE NON-PROFIT APPLICANT, THE
7 CO-FUNDING REQUIREMENT APPLIES AT ANY TRIAL THAT IS
8 AFTER THE FIRST-IN-HUMAN TRIAL. SO BASICALLY YOU
9 NEED LATE STAGE CLINICAL TRIALS, THERE'S A
10 CO-FUNDING REQUIREMENT.

11 AND SO WHAT WAS THE INTENT OF THIS
12 CO-FUNDING REQUIREMENT? AND FOR THE FOR-PROFITS,
13 THE INTENT WAS THAT WE WANTED THE COMPANIES TO
14 DEMONSTRATE A FIRM COMMITMENT TO THE PROPOSED
15 PROJECT. AND THAT'S WHAT'S BEEN DISCUSSED OVER THE
16 LAST YEAR OR SO AS TO HOW DO WE MAINTAIN THIS
17 COMMITMENT WHILE ALSO PROVIDING FOR A WARRANT-BASED
18 CO-FUNDING OPTION THAT ALLOWS PRESERVATION OF
19 CAPITAL FOR THESE YOUNG COMPANIES.

20 AND THE SECOND ELEMENT FOR THE NON-PROFITS
21 FOR THOSE LATER STAGE CLINICAL TRIALS, THE INTENT
22 THERE WAS TO HAVE AN INDUSTRY PARTNER FOR THOSE LATE
23 STAGE CLINICAL TRIALS AND TO INCENTIVIZE THAT SORT
24 OF PARTNERING FOR THOSE TRIALS WHEN THEY DO COME IN.

25 AND SO WHAT WE ARE REQUESTING AND WE ARE

BETH C. DRAIN, CA CSR NO. 7152

1 PROPOSING IN THIS PARTICULAR PRESENTATION IS TO MAKE
2 CHANGES TO THE CO-FUNDING REQUIREMENT BASED ON THREE
3 PARTICULAR AREAS. SO THE FIRST AND FOREMOST IS
4 SOMETHING THAT WE'VE BEEN DISCUSSED IN THE PAST,
5 WHICH IS THAT FOR-PROFITS ARE OPERATING IN A
6 CHALLENGING ECONOMIC ENVIRONMENT. SO THERE ARE VERY
7 MUCH ACUTE HEADWINDS AT THE MOMENT. AND THEN MORE
8 GENERALLY SPEAKING, YOUNG COMPANIES THAT ARE IN
9 DEVELOPMENT PHASE ARE ALMOST ALWAYS CASH STRAPPED.
10 AND FURTHER THAN THAT, THEY ARE AT A RELATIVE
11 DISADVANTAGE TO NON-PROFITS FOR CIRM AWARD LEVELS.
12 AND WHAT I MEAN BY THAT IS THAT IN OUR CURRENT
13 FUNDING PROGRAMS, FOR-PROFIT COMPANIES CANNOT
14 REQUEST OVERHEAD COSTS. SO THAT'S A 20-PERCENT
15 OVERHEAD COST THAT NON-PROFITS CAN REQUEST.

16 IN ADDITION TO THAT, BOTH FOR CLIN1 AND
17 THE FIRST-IN-HUMAN CLIN2 PROGRAM, THE AWARD CAPS
18 RIGHT NOW ARE LOWER FOR COMPANIES THAN THEY ARE FOR
19 NON-PROFIT APPLICANTS. SO KEEP THAT IN MIND AS WE
20 GO THROUGH THIS PRESENTATION.

21 SECONDLY, IF A NON-PROFIT APPLICANT HAS A
22 FOR-PROFIT PARTNER AT THE TIME OF APPLICATION, THAT
23 PARTNER IS NOT REQUIRED TO CO-FUND THE CIRM AWARD
24 BECAUSE CURRENTLY THE CO-FUNDING REQUIREMENT APPLIES
25 TO THE APPLICANT OR AWARDEE.

BETH C. DRAIN, CA CSR NO. 7152

1 AND LASTLY, CURRENTLY CLINICAL PROGRESS OF
2 UNPARTNERED ACADEMIC PROGRAMS, THESE ARE ONES THAT
3 DON'T HAVE A COMMERCIALIZATION PARTNER THAT ARE AT
4 LATE STAGE CLINICAL TRIALS, ARE UNABLE TO RAISE THE
5 40-PERCENT CO-FUNDING REQUIREMENT. AND THIS IS
6 PARTICULARLY STALLING THESE PROGRAMS AS THEY TRY TO
7 RAISE ADDITIONAL FUNDING AND HAVE TO DELAY THE
8 CLINICAL DEVELOPMENT OF THESE PROGRAMS. AND WE'VE
9 SEEN THIS FIRSTHAND. BOTH DR. ABLA CREASEY AND OUR
10 THERAPEUTICS DEVELOPMENT TEAM AS WELL AS I AND THE
11 BUSINESS DEVELOPMENT TEAM HAVE WITNESSED THIS
12 FIRSTHAND WITH SEVERAL CIRM PROJECTS. AND WE CAN
13 TALK ABOUT THAT, IF NEEDED, DOWN THE ROAD.

14 I SEE THAT MICHAEL STAMOS HAS HIS HAND UP.

15 DR. STAMOS: YEAH. SORRY, SHYAM. ON THE
16 FIRST BULLET POINT, THERE WERE TWO POINTS. COULD
17 YOU REPEAT THE SECOND POINT? I DON'T THINK I QUITE
18 CAUGHT IT AND I WANTED TO PROCESS IT A LITTLE
19 BETTER. THANK YOU.

20 DR. PATEL: YEAH. CERTAINLY. SO FOR THE
21 SECOND POINT WAS THAT FOR A CLIN1 FUNDING MECHANISM,
22 THIS IS TO SUPPORT IND-ENABLING PROJECTS. A
23 FOR-PROFIT APPLICANT CAN ONLY REQUEST TO THE AWARD
24 CAP OF \$4 MILLION WHILE A NON-PROFIT APPLICANT CAN
25 REQUEST \$6 MILLION. SIMILARLY FOR A CLIN2

BETH C. DRAIN, CA CSR NO. 7152

1 MECHANISM, THAT'S A FIRST-IN-HUMAN TRIAL, A
2 FOR-PROFIT APPLICANT CAN REQUEST \$8 MILLION, AND A
3 NON-PROFIT APPLICANT CAN REQUEST \$12 MILLION. AND
4 THE REASON FOR THIS IS BECAUSE THE CO-FUNDING IS
5 SUPPOSED TO BRING THAT TO AN EQUIVALENT LEVEL.

6 SO WITH THAT IN MIND, WHAT WE ARE
7 PROPOSING IS A CHANGE TO THE CO-FUNDING REQUIREMENTS
8 AS OUTLINED IN THIS PARTICULAR SLIDE HERE. SO I'M
9 GOING TO FOCUS YOU FIRST ON THAT MIDDLE TABLE. AND
10 SO WHAT WE ARE PROPOSING IS TO ALLOW FOR A
11 WARRANT-BASED CO-FUNDING OPTION FOR FOR-PROFITS.
12 AND THEN FOR THE NON-PROFIT SIDE, WE ARE SPLITTING
13 OUT THE PARTNERING STATUS IN A NON-PROFIT. SO IF
14 THERE'S A NON-PROFIT APPLICANT THAT IS UNPARTNERED,
15 THEY DON'T HAVE A COMMERCIALIZATION PARTNER, AT THE
16 TIME THEY SUBMIT AN APPLICATION TO CIRM, THEY WILL
17 NOT HAVE A CO-FUNDING REQUIREMENT AT ANY STAGE OF A
18 TRAN OR A CLIN AWARD.

19 NOW, ON THE OTHER HAND, IF THAT NON-PROFIT
20 HAS A COMMERCIALIZATION PARTNER WHEN THEY APPLY TO
21 CIRM, THE PARTNER WILL BE SUBJECT TO A CASH OR
22 WARRANT-BASED CO-FUNDING REQUIREMENT. SO
23 ESSENTIALLY, IT'S EQUIVALENT WHETHER THE FOR-PROFIT
24 PARTNER APPLIES OR THE NON-PROFIT APPLIES IN THAT
25 SITUATION. THE CO-FUNDING REQUIREMENT WOULD APPLY

BETH C. DRAIN, CA CSR NO. 7152

1 TO BOTH.

2 NOW, I'M GOING TO COME BACK AROUND TO THE
3 WARRANT-BASED CO-FUNDING REQUIREMENT. SO AS STEVE
4 MENTIONED, THIS IS SOMETHING THAT WE HAD DISCUSSED A
5 YEAR AGO AS AN ALTERNATIVE MECHANISM TO THE
6 CASH-BASED CO-FUNDING REQUIREMENT. SO HERE THE
7 AWARDEE, THE APPLICANT WOULD ELECT TO TAKE THE
8 WARRANT-BASED CO-FUNDING AS AN ALTERNATIVE OPTION TO
9 COMMITTING CASH. AND CIRM HAS A HISTORY OF THIS.
10 SO PREVIOUSLY CIRM HAD REQUIRED AWARDEES TO ISSUE
11 WARRANTS AS PART OF A PRIOR LOAN PROGRAM. AND IN
12 THAT INSTANCE THE WARRANTS WERE MANAGED BY A
13 COMMUNITY FUND WHEN IT CAME TIME TO EXERCISE THEM.
14 SO THEY EXERCISED AND LIQUIDATED THE SHARES AND THEN
15 TRANSFERRED THE FUNDS BACK TO CIRM. SO THERE IS A
16 MECHANISM IN PLACE AND THERE'S A HISTORY OF THIS
17 THAT CIRM HAS USED IN THE PAST, WHICH IS THE MAIN
18 RATIONALE FOR WHY A WARRANT-BASED CO-FUNDING OPTION
19 IS FEASIBLE FOR AN ORGANIZATION LIKE CIRM.

20 SO JUST TO REPEAT, WHAT WE ARE PROPOSING
21 IS A SET OF CHANGES TO ADDRESS THOSE THREE BULLET
22 POINTS IN THE PRIOR PRESENTATION. SO, FIRST, WITH
23 RESPECT TO COMPANIES THAT APPLY TO CIRM AND TO GIVE
24 THEM AN OPTION ASIDE FROM THE CASH-BASED CO-FUNDING
25 REQUIREMENT, THERE'S GOING TO BE THE WARRANT-BASED

BETH C. DRAIN, CA CSR NO. 7152

1 CO-FUNDING REQUIREMENT, WHICH I'LL DESCRIBE IN THE
2 NEXT FEW SLIDES.

3 AND THEN THERE ARE TWO NON-PROFIT
4 SITUATIONS THAT I MENTIONED. THE FIRST WAS THAT A
5 COMMERCIAL PARTNERED NON-PROFIT, WHEN THEY APPLY,
6 THE COMMERCIAL PARTNER HAS NO OBLIGATION TO CO-FUND
7 THE PROJECT BECAUSE THE CO-FUNDING APPLIES TO THE
8 AWARDEE. UNDER THIS PROPOSED CO-FUNDING CHANGE,
9 THAT COMMERCIALIZATION PARTNER WOULD BE SUBJECT TO
10 THE CO-FUNDING REQUIREMENT JUST AS ANY OTHER
11 FOR-PROFIT APPLICANT WOULD BE.

12 AND FINALLY, IF A NON-PROFIT PROGRAM IS
13 UNPARTNERED AT THE TIME OF APPLICATION, THEY WILL
14 HAVE NO CO-FUNDING REQUIREMENTS AT ANY STAGE OF THE
15 TRANSLATION OR CLINICAL AWARDS.

16 SO I'M GOING TO NOW FIRST ADDRESS THE
17 NON-PROFIT CO-FUNDING CHANGES, AND THEN I WILL FOCUS
18 THE REST OF THE PRESENTATION ON THE WARRANT-BASED
19 CO-FUNDING.

20 SO AS I MENTIONED PREVIOUSLY, THE
21 40-PERCENT CO-FUNDING REQUIREMENT FOR NON-PROFITS
22 FOR TRIAL BEYOND THE FIRST-IN-HUMAN TRIAL IS NOT
23 REALLY SERVING AS AN INCENTIVE FOR INDUSTRY
24 PARTNERS. IT IS NOT BY ITSELF ENCOURAGING AN
25 INDUSTRY PARTNER TO PARTNER WITH THAT PROGRAM AND,

BETH C. DRAIN, CA CSR NO. 7152

1 IN FACT, IS SLOWING CLINICAL PROGRESS BASED ON OUR
2 EXPERIENCE.

3 NOW, I DO WANT TO NOTE THAT, ALTHOUGH WE
4 ARE PROPOSING TO REMOVE THIS CO-FUNDING REQUIREMENT,
5 IF THAT NON-PROFIT APPLICANT ALREADY HAS A
6 COMMERCIALIZATION PARTNER, THE CO-FUNDING
7 REQUIREMENT APPLIES TO THE PARTNER AS I DESCRIBED IN
8 THE PRIOR SLIDE. SO THAT CO-FUNDING COMMITMENT IS
9 STILL PRESERVED. THERE IS A COMMERCIALIZATION
10 PARTNER FOR THAT PROGRAM.

11 SO WHAT WOULD BE THE RATIONALE FOR
12 SUPPORTING UNPARTNERED, LATER STAGE CLINICAL TRIALS
13 THAT HAVE AN ACADEMIC SPONSOR? SO IN THESE
14 INSTANCES, THESE TRIALS CAN PROGRESS. THEY CAN
15 GENERATE, IF THEY'RE RECOMMENDED BY THE GWG AND
16 APPROVED BY THE BOARD, THEY COULD GENERATE
17 ADDITIONAL CLINICAL DATA AND PROGRESS THAT PROGRAM
18 AND FURTHER DERISK IT AND EVENTUALLY ATTRACT
19 PARTNERSHIPS OR ALTERNATIVE MODELS TO DELIVER THOSE
20 THERAPIES TO PATIENTS. AND THIS CO-FUNDING
21 REQUIREMENT IS SLOWING DOWN THAT PROGRESS THAT COULD
22 POTENTIALLY BE MADE IN AN ACADEMIC SETTING FOR THOSE
23 TRIALS.

24 AND I DO WANT TO REMIND THE BOARD THAT THE
25 REVENUE SHARING AND LOAN CONVERSION WOULD STILL

BETH C. DRAIN, CA CSR NO. 7152

1 APPLY TO ALL OF THESE AWARDS. SO FOR THAT
2 NON-PROFIT CLIN2, OR \$15 MILLION AWARD, THAT WOULD
3 STILL HAVE A REVENUE SHARING REQUIREMENT AS ALL CIRM
4 AWARDS DO APPLIED TO IT. AND SO FOR THAT \$15
5 MILLION CLIN2 AWARD, THAT COULD RESULT IN A
6 1.5-PERCENT ROYALTY ON REVENUE IF THAT PROGRAM IS
7 SUCCESSFULLY COMMERCIALIZED UP TO A RETURN OF \$135
8 MILLION OR UP TO TEN YEARS.

9 SIMILARLY, IF THAT AWARD ENDS UP BEING
10 CONVERTED TO A LOAN AFTER IT HAS ENDED, WE WOULD AT
11 A MINIMUM HAVE A RETURN OF PRINCIPAL TO CIRM. AND
12 THOSE ARE THE STANDARD LOAN TERMS AND REVENUE
13 SHARING REQUIREMENTS THAT APPLY TO ALL OF CIRM
14 AWARDS FOR A TRANSLATION AND CLINICAL STAGE. WE ARE
15 JUST POINTING OUT THAT EVEN IF WE DO MAKE A \$15
16 MILLION CLIN2 AWARD TO AN ACADEMIC PROGRAM FOR A
17 LATE STAGE CLINICAL TRIAL, THERE COULD STILL BE A
18 RETURN TO CIRM DOWN THE ROAD IF THAT PROGRAM IS
19 SUCCESSFULLY COMMERCIALIZED.

20 SO I'M GOING TO FOCUS THE REST OF THIS
21 PRESENTATION ON THE WARRANT-BASED CO-FUNDING
22 MECHANISM THAT IS RELEVANT TO FOR-PROFIT AWARDEES OR
23 POTENTIALLY TO THE FOR-PROFIT COMMERCIALIZATION
24 PARTNERS OF NON-PROFIT AWARDEES.

25 SO HOW WOULD THIS PROGRAM WORK? SO A

BETH C. DRAIN, CA CSR NO. 7152

1 FOR-PROFIT AWARDEE WOULD COMMIT WARRANTS INSTEAD OF
2 CAPITAL, AS WE MENTIONED. IN THIS INSTANCE THE
3 AWARDEE RETAINS CAPITAL FOR OPERATIONAL NEEDS AND
4 VALUE CREATION THAT IT WOULD HAVE OTHERWISE
5 COMMITTED TO THE CO-FUNDING REQUIREMENT. AND IN
6 RETURN CIRM WOULD HAVE TO COMMIT A HIGHER AWARD
7 AMOUNT UP TO THE AWARD CAP TO MAINTAIN OVERALL
8 FINANCIAL SUPPORT FOR THE CIRM-FUNDED PROJECT. AND
9 THIS WAS DESCRIBED IN THE PRIOR IP SUBCOMMITTEE
10 MEETING, AND I'M GOING TO RE-DESCRIBE HOW THIS
11 ACTUALLY WOULD WORK IN PRACTICE AND HOW IT WOULD
12 IMPACT A PARTICULAR PROJECT.

13 SO I HAVE TWO EXAMPLES HERE. I'M GOING TO
14 WALK US THROUGH THE TRANSLATIONAL ONE AND THE
15 CLINICAL ONE IS SIMILAR, BUT WITH HIGHER AMOUNTS.

16 SO CURRENTLY LET'S SAY THAT A
17 TRANSLATIONAL PROJECT IS SUBMITTING AN APPLICATION
18 TO CIRM WHERE THE TOTAL PROJECT COST IS \$4 MILLION.
19 IN OUR CURRENT PARADIGM THE APPLICANT CAN REQUEST
20 \$3.2 MILLION FROM CIRM. THIS IS A FOR-PROFIT
21 APPLICANT. THEY CAN REQUEST \$3.2 MILLION FROM CIRM
22 WITH THE EXPECTATION OF A \$4 MILLION DIRECT COST
23 AWARD LIMIT. BECAUSE THEY'RE REQUIRED TO PUT UP 20
24 PERCENT CO-FUNDING, THE AWARDEE WOULD HAVE TO COMMIT
25 \$800,000 AS THE CO-FUNDING AMOUNT ON THAT \$3.2

BETH C. DRAIN, CA CSR NO. 7152

1 MILLON CIRM AWARD TO COVER THAT TOTAL \$4 MILLION
2 TOTAL PROJECT COST.

3 IF THE CURRENT CO-FUNDING CHANGES ARE
4 APPROVED, THAT APPLICANT WOULD HAVE THE OPTION TO
5 TAKE THE WARRANT-BASED CO-FUNDING. SO IN THIS
6 PARTICULAR SCENARIO NOW, ON THE RIGHT SIDE WITH THE
7 LIGHT GRAY ROW, THE CIRM AWARD -- THE APPLICANT CAN
8 REQUEST UP TO \$4 MILLION, WHICH IS THE LIMIT OF THE
9 CIRM AWARD, TO COVER THE FULL \$4 MILLION OF THE
10 TOTAL PROJECT COST. THEY WOULD NOT HAVE TO PUT UP
11 THE CASH CO-FUNDING OF \$800,000; BUT SINCE CIRM PUT
12 UP THAT \$800,000 TO COVER THE PROJECT, THE AWARDEE
13 WOULD HAVE TO PROVIDE WARRANTS TO COVER THAT PORTION
14 OF THE CIRM AWARD, THE \$800,000 THAT CAN BE
15 ATTRIBUTED TO THE CO-FUNDING AMOUNT. SO HERE
16 BASICALLY THE WARRANT COVERAGE HAS TO REPRESENT
17 \$800,000.

18 SO IN THAT SECOND ROW, WHICH I'M NOT GOING
19 TO GO THROUGH, SIMPLY DESCRIBES HOW THIS WOULD APPLY
20 IN A CLIN2 SETTING WHERE THE DOLLAR AMOUNTS ARE
21 GENERALLY JUST HIGHER, AND YOU CAN SEE THAT IN THAT
22 TABLE DOWN THERE. BUT GENERALLY SPEAKING, THERE'S
23 GOING TO BE A SUBSET OF PROJECTS AND AWARDS WHERE
24 TAKING THE WARRANT-BASED CO-FUNDING OPTION IS
25 MEANINGFUL TO THE AWARDEE.

BETH C. DRAIN, CA CSR NO. 7152

1 SO WHEN THIS WAS PRESENTED TO THE
2 COMMITTEE ABOUT A YEAR AGO, THERE WERE SEVERAL
3 POINTS THAT WERE RAISED. AND I'M GOING TO GO
4 THROUGH THOSE, AND I'LL ADDRESS DISEASE THEM ONE BY
5 ONE. SO IN DEVELOPING A PROPOSAL THAT MET THE
6 COMMITTEE'S EXPECTATIONS, WE TOOK A LOT OF THINGS
7 INTO CONSIDERATION, AND WE SOUGHT FEEDBACK FROM A
8 LOT OF DIFFERENT STAKEHOLDERS.

9 SO FIRST AND FOREMOST, BOTH STEVE AND
10 MOHAMAD WERE STEADY PARTNERS AND ADVISORS ALONG THE
11 WHOLE PROCESS AS WE WERE DEVELOPING THIS AND MAKING
12 THE CHANGES THAT WERE NECESSARY. WE ALSO SOUGHT
13 FEEDBACK FROM VENTURE CAPITAL PARTNERS, FROM OUR
14 AWARDEES. WE ALSO WORKED WITH OUTSIDE COUNSEL TO
15 DEVELOP THE TERMS AND TO GET FEEDBACK ON LEGAL AS
16 WELL AS TAX ITEMS. AND WE ALSO CONTRACTED WITH AN
17 ACCOUNTING FIRM, ELI ERNST & YOUNG, TO GET FEEDBACK
18 ON THE ACCOUNTING IMPLICATIONS OF THESE TERMS. AND
19 ALL THAT FEEDBACK HAS COALESCED INTO THE PLAN BEING
20 PROPOSED IN THE NEXT FEW SLIDES.

21 SO, NOW, IF YOU COME BACK AROUND TO THE
22 SUBCOMMITTEE'S SPECIFIC FEEDBACK AT THE PRIOR
23 MEETING, THERE WAS A NEED TO ENSURE THE
24 WARRANT-BASED CO-FUNDING COMMITMENT MEASURES UP TO
25 THE CASH-BASED CO-FUNDING COMMITMENT.

BETH C. DRAIN, CA CSR NO. 7152

1 THERE WAS ALSO A NEED TO DETERMINE IF
2 THERE IS A NECESSITY TO ALLOW THE AWARDEE TO BUY
3 BACK THE WARRANTS AFTER THE AWARD HAS ENDED. THIS
4 IS AN ANALOGOUS SORT OF SITUATION TO OUR CURRENT
5 LOAN CONVERSION PROGRAM, WHICH IS MEANT TO NOT BE A
6 BARRIER FOR PARTNERING IN COMMERCIALIZATION.

7 AND LASTLY WAS TO DEFINE COMPANY
8 ELIGIBILITY CRITERIA FOR ELECTION OF THE
9 WARRANT-BASED CO-FUNDING REQUIREMENT. SO IN THE
10 NEXT COUPLE SLIDES I'M GOING TO OUTLINE HOW WE'VE
11 ADDRESSED THIS FEEDBACK FROM THE COMMITTEE AND, AS I
12 NOTED, WITH FEEDBACK AND WORK FROM ALL THE DIFFERENT
13 STAKEHOLDERS. I'M GOING TO START WITH THE FIRST TWO
14 POINTS FIRST AND THEN GET TO THE THIRD POINT.

15 SO THIS IS GOING TO GET INTO THE WEEDS A
16 LITTLE BIT OF THE WARRANT TERMS. AND I DID HAVE
17 ANIMATION THAT WOULD HAVE MADE IT EASIER TO READ THE
18 SLIDES, BUT IT'S NOT WORKING. SO PLEASE BEAR WITH
19 ME. THERE'S GOING TO BE A LOT OF TEXT AND TABLES ON
20 THE NEXT FEW SLIDES, BUT I'M GOING TO TRY TO FOCUS
21 YOU ON THE RELEVANT POINTS AS BEST I CAN.

22 SO APPARENTLY IT'S GOING TO WORK ON THIS
23 SLIDE. SO GREAT. SO FIRST OF ALL, THE FOR-PROFIT
24 APPLICANT HAS TO ELECT THE WARRANT-BASED CO-FUNDING
25 OPTION AT THE TIME OF APPLICATION. AND THEY WILL

BETH C. DRAIN, CA CSR NO. 7152

1 HAVE A LOT OF INFORMATION TO MAKE THIS DECISION. SO
2 THEY WILL HAVE THE CIRM TERM SHEET, THEY'LL HAVE
3 FAQ'S, AND OTHER REFERENCE MATERIALS THAT WILL BE
4 POSTED WITH THE PA'S. AND THEN THE APPLICANT ALWAYS
5 HAS THE OPTION OF COMBINING THE WARRANT-BASED AND
6 CASH-BASED CO-FUNDING WHICH COULD MAKE SENSE IN
7 CERTAIN SCENARIOS.

8 SO COMMENSURATE WITH CIRM'S COMMITMENT OF
9 ITS AWARD UPFRONT. AND HERE IN THESE INSTANCES
10 WHERE THE WARRANT-BASED CO-FUNDING OPTION IS
11 SELECTED, WE ARE GIVING MORE MONEY TO THAT AWARDEE
12 AND COMMITTING THAT MONEY AS SOON AS THE BOARD
13 APPROVES THE AWARD. WE EXPECT THAT THE AWARDEE WILL
14 ISSUE ITS WARRANTS TO CIRM AT THE AWARD START.

15 AND LASTLY, ON THIS PARTICULAR POINT,
16 THERE WILL BE NO MECHANISM FOR BUYING BACK WARRANTS
17 DURING OR AFTER THE AWARD PERIOD. SO ONCE WARRANTS
18 HAVE BEEN ISSUED TO CIRM, IT IS TO CIRM'S
19 DECISION-MAKING AS TO WHEN THOSE WARRANTS ARE
20 EXERCISED, IF AT ALL, OR IF THEY'RE SOLD. AND WE
21 SOUGHT A LOT OF FEEDBACK ON THIS PARTICULAR POINT.
22 AND UNIVERSALLY WE WERE ADVISED THAT INVESTORS,
23 ACQUIRERS, AND EVEN COMPANIES WHEN THEY GO PUBLIC
24 ARE ABLE TO ACCOUNT FOR ANY WARRANTS THAT THEY MAY
25 HAVE. AND, THUS, THERE WAS A VERY LOW RISK OF

BETH C. DRAIN, CA CSR NO. 7152

1 WARRANTS TO CIRM BEING A BOTTLENECK FOR PARTNERING
2 IN COMMERCIALIZATION OF THESE PROGRAMS OR THESE
3 COMPANIES.

4 AND IT ALSO DEMONSTRATES THE COMMITMENT IN
5 THIS PARTICULAR INSTANCE THAT'S ROUGHLY EQUIVALENT
6 TO THE CO-FUNDING COMMITMENT.

7 SO THIS IS WHERE WE GET INTO THE WEEDS A
8 LITTLE BIT WITH THE WARRANT TERMS. SO IN ORDER FOR
9 A COMPANY TO BE ABLE TO ISSUE WARRANTS AT THE AWARD
10 START, WE HAVE TO ACCOUNT FOR THE THREE TYPES OF
11 COMPANIES THAT USUALLY APPLY TO CIRM. AND THAT'S
12 WHAT WE HAVE LAID OUT IN THIS CHART HERE. I'M GOING
13 TO GO OVER SOME OF THE TERMS AND EXPLAIN THEM, AND
14 THEN I RESERVED ONE PARTICULAR IMPORTANT TERM FOR
15 THE NEXT SLIDE.

16 SO I'M GOING TO START WITH THE LEFT COLUMN
17 FIRST, THE PRIVATE COMPANY. SO THESE ARE GOING TO
18 BE -- THERE'S TWO TYPES OF PRIVATE COMPANIES THAT
19 APPLY TO CIRM. AND THE FIRST IS COMPANIES THAT ARE
20 VERY EARLY STAGE. SO THEY HAVE NOT ISSUED ANY
21 PREFERRED SHARES. SO THEY HAVE NOT RAISED ANY
22 PREFERRED SHARE FINANCING. FOR SIMPLICITY, WE CAN
23 ASSUME A VENTURE-BACKED FINANCING. IN THIS
24 PARTICULAR INSTANCE, WE NEEDED TO FIND A WAY FOR
25 THESE COMPANIES TO BE ABLE TO ISSUE WARRANTS TO CIRM

BETH C. DRAIN, CA CSR NO. 7152

1 AT THE AWARD START. SO THE SECURITY TYPE HERE WOULD
2 BE A COMMON STOCK WARRANT. AND TO ENSURE
3 CONSISTENCY ACROSS THESE VERY YOUNG COMPANIES, WE
4 WOULD PEG THE NUMBER OF SHARES THAT THEY'RE ALLOWED
5 TO ISSUE TO US AS ONE SHARE FOR EVERY DOLLAR OF THE
6 CIRM AWARD AMOUNT THAT IS A ATTRIBUTED TO THE
7 CO-FUNDING. SO IN THAT PRIOR EXAMPLE, \$800,000
8 WOULD BE 800,000 SHARES.

9 NOW, WE DO RESERVE THE RIGHT TO MAKE
10 MODIFICATIONS TO THIS FORMULA IF A COMPANY'S
11 PARTICULAR SITUATION WARRANTS IT. AND THEN THE
12 WARRANT TERM HERE WILL BE TEN YEARS. AND THIS IS TO
13 BE ABLE TO HOLD THE WARRANTS LONG ENOUGH TO REALIZE
14 A RETURN ON A LIQUIDITY EVENT; FOR EXAMPLE, A
15 MERGER, ACQUISITION, OR AND IPO, INITIAL PUBLIC
16 OFFERING.

17 IN THIS PARTICULAR SITUATION, TO HARMONIZE
18 IT WITH THE REST OF THE PRIVATE COMPANIES, CIRM
19 WOULD RESERVE THE OPTION TO CONVERT THE COMMON STOCK
20 WARRANTS TO PREFERRED STOCK WARRANTS AT THE NEXT
21 PREFERRED SHARE FINANCING. AND THIS IS TO ENSURE
22 THAT IF THAT DOES RETURN THE VALUE TO CIRM, THAT WE
23 WOULD TAKE THAT OPTION. SO THIS WOULD BE AN
24 INSTANCE WHERE A PREFERRED STOCK PRICE IS MUCH LOWER
25 THAN THE FORMULA THAT WE WOULD USE FOR THE COMMON

BETH C. DRAIN, CA CSR NO. 7152

1 STOCK NUMBER OF SHARES, AND THAT WOULD GIVE US AN
2 OPTION TO CONVERT IT TO THE PREFERRED STOCK WARRANT
3 TO GET THE APPROPRIATE VALUE FOR CIRM AS THE SAME
4 VALUE AS THE INVESTORS WHO WERE PUTTING INTO THAT
5 COMPANY AT THAT TIME.

6 SO I'M GOING TO NOW SWITCH TO THE MIDDLE
7 COLUMN, WHICH IS THE PRIVATE COMPANIES THAT HAVE
8 ISSUED PREFERRED SHARES. SO THEY HAD SOME SORT OF
9 PREFERRED SHARE FINANCING. THIS REPRESENTS THE
10 MAJORITY OF COMPANIES THAT ARE FUNDED BY CIRM. SO
11 IN THIS PARTICULAR INSTANCE, THE SECURITY TYPE WOULD
12 BE A PREFERRED STOCK. AND SO IT WOULD BE A
13 PREFERRED STOCK WARRANT. AND THE NUMBER OF SHARES
14 WOULD BE A FAIRLY SIMPLE CALCULATION HERE WHERE WE
15 WOULD TAKE THE AMOUNT OF THE CIRM AWARD THAT IS
16 ATTRIBUTED TO THE CO-FUNDING, SO IN THAT PRIOR
17 EXAMPLE \$800,000, AND WE WOULD DIVIDE THAT BY THE
18 PREFERRED SHARE PRICE OF THE MOST RECENT EQUITY
19 FINANCING. SO IF, LET'S SAY, PREFERRED SHARE PRICE,
20 FOR SIMPLICITY SAKE, WAS \$1, THAT'S HOW MUCH THE
21 INVESTORS PAID FOR THE PREFERRED SHARES. IN THAT
22 PARTICULAR INSTANCE, THAT WOULD DETERMINE HOW MANY
23 SHARES WE WOULD GET. SO \$800,000 OF CIRM FUNDING
24 WOULD RESULT AT A \$1 PREFERRED SHARE PRICE WOULD BE
25 800,000 PREFERRED SHARE STOCK.

BETH C. DRAIN, CA CSR NO. 7152

1 THE WARRANT TERM HERE REMAINS THE SAME,
2 TEN YEARS. AND THERE IS NO NEED FOR A CIRM OPTION,
3 SO NONE EXISTS.

4 AND LASTLY IS THE PUBLIC COMPANY. AND SO
5 IF A PUBLIC COMPANY WERE TO APPLY TO CIRM AND WANTED
6 TO ELECT THE WARRANT-BASED OPTION, IN THIS
7 PARTICULAR INSTANCE WE'D GO BACK TO A COMMON STOCK
8 WARRANT. AND THE FORMULA FOR DETERMINING HOW MANY
9 SHARES CIRM WOULD GET WOULD BE BASED ON THE AMOUNT
10 OF MONEY THAT CIRM IS -- AMOUNT OF THE CIRM AWARD
11 THAT'S ATTRIBUTED TO THE CO-FUNDING AMOUNT DIVIDED
12 BY THE AVERAGE CLOSING PRICE OF THAT COMPANY'S STOCK
13 OVER A NUMBER OF DAYS. AND THAT FORMULA IS
14 DESCRIBED DOWN BELOW. IT'S BASICALLY TAKING THE
15 AVERAGE OVER A TEN-DAY TRADING PERIOD ENDING FIVE
16 DAYS PRIOR TO THE DATE OF EXERCISE. AND THOSE ARE
17 FAIRLY STANDARD TERMS FOR A COMMON STOCK WARRANT IN
18 A PUBLIC COMPANY.

19 SO THAT'S THE SCHEMATIC THAT WOULD ALLOW
20 FOR ALL TYPES OF COMPANIES TO ISSUE WARRANTS TO CIRM
21 AT THE START OF THE AWARD. NOW, WHAT MAKES THESE
22 WARRANTS ROUGHLY EQUIVALENT TO THE CO-FUNDING
23 REQUIREMENT IS THE FACT THAT THE COMPANIES ARE
24 REQUIRED TO ISSUE THOSE WARRANTS AT THE START OF THE
25 CIRM AWARD, BUT THERE'S NO REAL MECHANISM FOR THEM

BETH C. DRAIN, CA CSR NO. 7152

1 TO BUY BACK THOSE WARRANTS LATER ON. AND THE LAST
2 PART OF THAT IS THE COST OF THE PREFUNDED WARRANT.

3 AND I'M GOING TO DESCRIBE THIS AS TO WHY
4 THIS IS RELEVANT IN THIS PARTICULAR SCENARIO, BUT
5 THE ONE PART THAT WAS LEFT OUT OF THE PREVIOUS SLIDE
6 WAS THE EXERCISE PRICE. SO BY WAY OF BACKGROUND,
7 WHEN WARRANTS ARE ISSUED TO A WARRANT HOLDER, THEY
8 ARE ESSENTIALLY A RIGHT TO BUY STOCK IN THAT
9 COMPANY. AND THERE'S A SPECIFIC PRICE ASSOCIATED
10 WITH BUYING THAT STOCK, AND THAT'S CALLED THE
11 EXERCISE PRICE. AND THAT COULD BE SET AT ANY NUMBER
12 OF THINGS. IN CIRM SITUATIONS IT'S SET AT A PENNY,
13 AND THEY CALL THAT A PREFUNDED WARRANT. AND THAT IS
14 WHAT WOULD BE THE TERMS FOR A CIRM AWARD.

15 AND SO WHAT THIS ESSENTIALLY DOES IS THAT
16 IT VALUES THAT CIRM CAPITAL THAT WENT INTO THAT
17 AWARD THAT IS ATTRIBUTED TO THE CO-FUNDING AMOUNT
18 SIMILARLY TO INVESTOR CAPITAL IN THE COMPANY. AND
19 I'LL DESCRIBE THAT IN THIS HYPOTHETICAL AND VERY
20 SIMPLE SCENARIO DOWN BELOW.

21 SO IN THIS SCENARIO LET'S ASSUME THAT WE
22 ARE TALKING ABOUT A PRIVATE COMPANY WHO HAD ISSUED
23 PREFERRED STOCK WARRANTS TO CIRM. AND TO KEEP THE
24 MATH SIMPLE, THE CO-FUNDING COVERAGE WAS \$1 MILLION.
25 SO ESSENTIALLY THEY ELECTED TO ISSUE WARRANTS TO

BETH C. DRAIN, CA CSR NO. 7152

1 CIRM TO COVER THAT \$1 MILLION. SO HOW WOULD THIS BE
2 CALCULATED? SO AT THE TIME THE WARRANTS WERE
3 ISSUED, WE WOULD TAKE THE PREFERRED SHARE PRICE, SO
4 THE MOST RECENT EQUITY FINANCING, WHICH IN THIS
5 SCENARIO IS \$1, WE WOULD TAKE HOW MUCH WAS THE
6 CO-FUNDING COVERAGE FROM CIRM, \$1 MILLION. THAT
7 WOULD RESULT IN ONE MILLION SHARES.

8 NOW, WHAT I HAVE ON THIS TABLE IS THE
9 EFFECT OF THE EXERCISE PRICE BEING A PENNY. AND ON
10 THE RIGHT COLUMN IS THE EFFECT OF THE EXERCISE PRICE
11 BEING WHAT WE PREVIOUSLY PROPOSED TO YOU A YEAR AGO
12 AND WHAT WAS PART OF THE LOAN PROGRAM, WHICH IS
13 WHERE THE EXERCISE PRICE IS SET AT THE PREFERRED
14 SHARE PRICE AT THE TIME OF THE ISSUANCE OF THE
15 WARRANT, IN THIS CASE \$1.

16 SO WHEN IT COMES TIME TO EXERCISE THESE
17 WARRANTS DOWN THE ROAD, WHAT WOULD IT COST CIRM OR
18 WHOEVER THE WARRANTS WERE SOLD TO? SO IN THE
19 PREFUNDED WARRANT SCENARIO, IT WOULD COST \$10,000 TO
20 EXERCISE THE WARRANTS TO GET THE ONE MILLION SHARES.
21 IN THE LOAN PROGRAM TERMS WHERE THE EXERCISE PRICE
22 WAS A DOLLAR, IT WOULD BE A MILLION DOLLARS. SO
23 WHAT'S THE TRUE COST OF THIS NOW? SO WE WOULD ADD
24 UP HOW MUCH CO-FUNDING CIRM PUT IN PLUS THE EXERCISE
25 COST. AND FOR THE PREFUNDED WARRANTS, THAT'S

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1 MILLION TEN THOUSAND, WHICH IS ROUGHLY EQUIVALENT TO
2 WHAT THE INVESTORS ORIGINALLY PAID AT THAT TIME WHEN
3 THEY INVESTED IN THAT COMPANY FOR THE PREFERRED
4 SHARES THAT ARE THE SAME ONES THAT CIRM WOULD
5 EXERCISE TO GET ACCESS TO. SO THAT'S WHAT I MEANT
6 WHEN I INDICATED THAT IT'S SIMILAR TO INVESTOR
7 CAPITAL IN A COMPANY.

8 ON THE OTHER HAND, IF THE EXERCISE PRICE
9 IS \$1, THE EFFECTIVE COST OF THOSE SHARES WOULD BE
10 \$2 MILLION BECAUSE THERE WAS THE ORIGINAL CIRM
11 CO-FUNDED AWARD AMOUNT PLUS THE EXERCISE COST OF A
12 MILLION DOLLARS.

13 NOW, IN MOST INSTANCES, IF THE WARRANTS
14 ARE IN THE MONEY, ESSENTIALLY WHAT THAT MEANS IS
15 THAT THE CURRENT VALUE OF THE SHARES IS ABOVE THE
16 EXERCISE PRICE, AND EXERCISING AND LIQUIDATING WOULD
17 RESULT IN A RETURN. THE APPROPRIATE ELECTION MAY BE
18 TO DO A CASHLESS EXERCISE. ESSENTIALLY THE NUMBER
19 OF SHARES ISSUED BY THE COMPANY TO CIRM ACCOUNTS FOR
20 THE COST OF BUYING THOSE SHARES. SO TO KEEP IT
21 SIMPLE, I'M GOING TO DO A \$5 SHARE PRICE AT THE TIME
22 THAT THE WARRANTS WERE -- AT THE TIME THAT THE
23 WARRANTS WERE EXERCISED.

24 IN THIS SCENARIO, UNDER THE PREFUNDED
25 WARRANTS, THE NUMBER OF SHARES THAT CIRM WOULD GET

BETH C. DRAIN, CA CSR NO. 7152

1 IS 998,000 SHARES TO THE WARRANT HOLDER. AND TO
2 CONFIRM THE MATH HERE, IT'S 2,000 SHARES TIMES \$5 IS
3 \$10,000, THE COST TO EXERCISE. ON THE OTHER HAND,
4 WITH THE EXERCISE PRICE BEING AT A DOLLAR, IT WOULD
5 BE 800,000 SHARES. AND, AGAIN, TO CONFIRM THE MATH,
6 IT WOULD BE 200,000 TIMES \$5 TO GET TO THE MILLION.

7 SO THE POINT OF THIS IS THAT BY USING THE
8 PREFUNDED WARRANT MECHANISM, THERE'S BETTER VALUE
9 FOR THE WARRANTS. THAT IS COMMENSURATE, AGAIN, WITH
10 THE CO-FUNDING COMMITMENT FOR THIS PARTICULAR AWARD.
11 AND THAT'S THE MAIN TAKEAWAY FROM THIS SLIDE AND MY
12 LONG EXPLANATION.

13 SO I'M GOING TO QUICKLY NOW COVER THE
14 ELIGIBILITY REQUIREMENTS, WHICH WAS ANOTHER
15 DIRECTIVE FROM THE SUBCOMMITTEE. SO BEFORE I DO
16 THAT, I DO WANT TO QUICKLY TOUCH ON WHAT OUR CURRENT
17 SOLVENCY AND CO-FUNDING REQUIREMENTS ARE FOR ALL
18 FOR-PROFIT APPLICANTS. SO ANY TIME A COMPANY
19 APPLIES TO CIRM, THEY ARE SUBJECT TO ELIGIBILITY
20 REQUIREMENTS FOR SOLVENCY AND CO-FUNDING. SO WHAT
21 DO WE MEAN BY THE SOLVENCY REQUIREMENT?

22 SO WHEN THEY APPLY TO CIRM, THEY HAVE TO
23 DEMONSTRATE THAT THEY HAVE ENOUGH CASH ON HAND OR
24 COMMITTED FUNDING TO COVER THE OPERATIONAL COSTS FOR
25 A 180 DAYS BEYOND THE DATE OF APPLICATION

BETH C. DRAIN, CA CSR NO. 7152

1 SUBMISSION. AND THE MAIN REASON FOR THIS IS BECAUSE
2 WE ARE USING TAXPAYER FUNDS TO REVIEW THE
3 APPLICATIONS OF THESE COMPANIES, THEY NEED TO BE
4 AROUND BY THE TIME A DECISION HAS BEEN MADE.

5 SECONDLY, IF THEY HAVE TO COMMIT
6 CO-FUNDING AND CONTINGENCY FUNDING FOR THAT PROJECT,
7 AT THE TIME OF APPLICATION, THEY MUST DEMONSTRATE
8 HOW THEY'RE GOING TO USE ANY CASH ON HAND, ANY
9 COMMITTED FUNDING, AND ANY PLANNED FUND-RAISING TO
10 MEET THOSE CO-FUNDING REQUIREMENTS, AND WE EVALUATE
11 ALL OF THAT AT THE TIME OF APPLICATION SUBMISSION.

12 NOW, OVER THE COURSE OF THE AWARD, THE
13 CO-FUNDING REQUIREMENT IS CHECKED. SO THEY MUST
14 INDICATE THE AMOUNT THAT THEY SPENT ON CO-FUNDING
15 FOR ANY GIVEN MILESTONE BECAUSE THE CO-FUNDING IS IN
16 LOCKSTEP WITH THE CIRM FUNDING. SECONDLY, THEY MUST
17 PROVIDE EVIDENCE OF THEIR ABILITY TO CO-FUND THE
18 NEXT MILESTONE. SO THOSE ARE THE AWARD REPORTING
19 REQUIREMENTS THAT THEY'RE SUBJECT TO OVER THE COURSE
20 OF A TRAN OR A CLIN AWARD.

21 SO WITH THAT AS BACKGROUND, WE WOULD NEED
22 TO APPLY RELEVANT ADDITIONAL ELIGIBILITY FOR AWARD
23 REPORTING REQUIREMENTS FOR THE COMPANIES THAT SELECT
24 THE WARRANT-BASED CO-FUNDING OPTION. SO THIS TABLE
25 HERE IS ONLY DESCRIBING TO YOU THE ADDITIONAL

BETH C. DRAIN, CA CSR NO. 7152

1 REQUIREMENTS, NOT ALL THE REQUIREMENTS, CO-FUNDING,
2 SOLVENCY. ANY WARRANT REQUIREMENTS THAT ARE SUBJECT
3 TO ALL AWARDEES STILL APPLY. THIS IS JUST TO
4 DESCRIBE THE ADDITIVE WARRANT-BASED CO-FUNDING
5 REQUIREMENT.

6 SO, AGAIN, I'M SPLITTING OUT BY THE THREE
7 COMPANIES. SO WE'LL START WITH THE EARLIEST STAGE
8 COMPANY. WHEN THEY APPLY TO CIRM, THEY HAVE NOT
9 RAISED A SIGNIFICANT ROUND OF FINANCING AT THAT
10 POINT. SO WHEN THEY SUBMIT THE APPLICATION, THE
11 ELIGIBILITY CRITERIA WILL REQUIRE THEM TO PROVIDE US
12 A DETAILED FUND-RAISING PLAN THAT OUTLINES HOW MUCH
13 MONEY THEY PLAN TO RAISE, WHAT SORT OF FINANCING
14 THEY'RE LOOKING TO DO, AND WHETHER THEY HAVE ANY
15 COMMITMENT SO FAR, AND HOW DO THEY JUSTIFY RAISING
16 THAT AMOUNT AND THE AMOUNT THEY DESCRIBED.

17 NOW, AT THE TIME OF THE AWARD START, THAT
18 AWARDEE WOULD BE REQUIRED TO ISSUE THE COMMON STOCK
19 WARRANT TO CIRM AS PREVIOUSLY MENTIONED. AND OVER
20 THE AWARD PERIOD, THEY WOULD HAVE TO NOTIFY CIRM IF
21 THEY HAD A PREFERRED SHARE ISSUANCE; FOR EXAMPLE, IF
22 THEY RAISED THE PREFERRED SHARE FINANCING BECAUSE
23 THAT ALLOWS US TO ELECT TO TAKE OUR OPTION TO
24 CONVERT THE WARRANTS TO PREFERRED SHARES. AND
25 SECONDLY, BECAUSE THESE ARE YOUNG COMPANIES THAT ARE

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1 GOING TO BE ENACTING ON A FUND-RAISING PLAN, THE
2 CIRM BUSINESS DEVELOPMENT TEAM WILL UTILIZE THE
3 INDUSTRY ALLIANCE PROGRAM TO ASSIST THIS COMPANY'S
4 FUND-RAISING EFFORT AS NEEDED. AND SO
5 THAT'S -- WHEREAS, WE USUALLY WILL HELP COMPANIES
6 WHEN THEY ASK US. IN THIS PARTICULAR INSTANCE,
7 WE'LL BE MORE PROACTIVE IN WORKING WITH THESE
8 COMPANIES THAT ARE AT A VERY EARLY STAGE.

9 I DO WANT TO BE CLEAR HERE THERE IS NO
10 REQUIREMENT THAT THEY CLOSE THAT FUND-RAISING ROUND
11 DURING THE COURSE OF THE AWARD. THAT WOULD
12 BE -- THERE ARE LOTS OF INSTANCES WHERE THEY MAY
13 RAISE A FUND-RAISING THAT DOES NOT RESULT IN A
14 PREFERRED SHARE FINANCING AND ALSO THAT THERE COULD
15 BE CIRCUMSTANCES ALSO OUT OF THE COMPANY'S CONTROL.
16 AND SO ESSENTIALLY THE ELIGIBILITY REQUIREMENTS TELL
17 US -- PROVIDE A REASONABLE PLAN TO KEEP THE COMPANY
18 GOING FORWARD AND THEN TO ISSUE THE COMMON STOCK
19 WARRANT TO CIRM AT AWARD START.

20 FOR THE PRIVATE COMPANY THAT HAS HAD A
21 PREFERRED SHARE FINANCING, THE ELIGIBILITY CRITERIA
22 WOULD BE TELL US YOUR FUND-RAISING HISTORY, CONFIRM
23 THAT YOU DID RAISE SUCH A ROUND, AND THEN PROVIDE A
24 LETTER OF SUPPORT FOR THE CIRM PROJECT FROM THE LEAD
25 INVESTOR. AND SO THIS IS A CONFIRMATION TO CIRM

BETH C. DRAIN, CA CSR NO. 7152

1 THAT THE INVESTORS AND THE BOARD OF DIRECTORS OF
2 THAT COMPANY ARE COMMITTED TO THE PROJECT THAT IS
3 BEING PROPOSED TO CIRM.

4 AT THE TIME OF THE AWARD START, THEY WOULD
5 ISSUE A PREFERRED STOCK WARRANT TO CIRM AS
6 PREVIOUSLY DESCRIBED. AND THEN, LASTLY -- THEY
7 WOULD HAVE NO SPECIFIC AWARD PERIOD REQUIREMENTS
8 THAT HAVE TO DO WITH THE WARRANT-BASED CO-FUNDING.

9 LASTLY, ON THE PUBLIC COMPANY, THERE'S NO
10 ELIGIBILITY REQUIREMENT SPECIFIC TO WARRANT-BASED
11 CO-FUNDING; BUT AT THE TIME OF THE AWARD START, THEY
12 WOULD STILL HAVE TO ISSUE TO CIRM THE COMMON STOCK
13 WARRANT. AND THERE ARE NO AWARD PERIOD REQUIREMENTS
14 THAT ARE SPECIFIC TO THE WARRANT-BASED CO-FUNDING
15 REQUIREMENT FOR THESE COMPANIES.

16 THAT'S A LOT OF INFORMATION, AND WE'LL GET
17 TO IT AGAIN IF NEEDED DURING THE Q AND A PROCESS.
18 SO ALMOST DONE. JUST A COUPLE MORE SLIDES. IF THIS
19 PROGRAM IS SUCCESSFUL AND IT IS HELPFUL TO
20 COMPANIES, THERE WILL BE A PORTFOLIO WARRANT FOR
21 CIRM TO MANAGE. SO HOW IS THIS GOING TO BE DONE?
22 SO I'M BRIEFLY DESCRIBING THAT HERE.

23 SO FIRST AND FOREMOST IS TO NEGOTIATE AND
24 ISSUE THE WARRANTS TO THOSE COMPANIES UPFRONT.
25 NEGOTIATE AND HAVE THE WARRANTS ISSUED TO CIRM FROM

BETH C. DRAIN, CA CSR NO. 7152

1 THOSE COMPANIES. SO THIS IS GOING TO BE MANAGED BY
2 THE CIRM TEAM WITH SUPPORT FROM OUR OUTSIDE COUNSEL.

3 ALSO, WHEN YOU HAVE PORTFOLIO WARRANTS,
4 THERE'S GOING TO BE COMPLIANCE MONITORING. THERE'S
5 GOING TO BE KEEPING TRACK OF THE COMPANIES. THERE
6 MAY BE ROUTINE SORT OF ADJUSTMENTS OR AGREEMENTS,
7 CHANGES TO THEIR CAPITALIZATION OF THE COMPANY THAT
8 NEED TO BE MANAGED AND REVIEWED, AND THOSE WILL BE
9 DONE BY THE OUTSIDE COUNSEL AS WELL ALONG WITH
10 SUPPORT FROM CIRM LEGAL COUNSEL.

11 AND, LASTLY, IF THERE IS THE OPPORTUNITY
12 TO EXERCISE THE WARRANT UPON A LIQUIDITY EVENT, THIS
13 WILL BE DONE THROUGH A FUND MANAGED BY CALIFORNIA
14 COMMUNITY FOUNDATION. THIS IS SIMILAR TO WHAT WAS
15 PREVIOUSLY DONE WITH CIRM WARRANTS THAT WERE ISSUED
16 AS PART OF THE LOAN PROGRAM. SO THAT FUND WOULD
17 EXERCISE THE WARRANT, IT WOULD LIQUIDATE THE SHARES,
18 AND THEN TRANSFER THE CASH PROCEEDS TO CIRM. AND SO
19 AS PART OF OUR DUE DILIGENCE EFFORT IN THE PAST FEW
20 MONTHS, WE HAVE REVIEWED PROPOSALS AND FEE
21 STRUCTURES FROM THE LEADING CALIFORNIA COMMUNITY
22 FOUNDATIONS AND ARE PREPARED TO MOVE FORWARD WITH
23 THE LEADING CANDIDATE IF THIS PROGRAM IS APPROVED.

24 AND WE'VE ARRIVED AT THE LAST SLIDE. AND
25 JUST TO KIND OF RECAP THE PROCESS FOR THIS. SO IF

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1 THIS COMMITTEE RECOMMENDS THE CO-FUNDING CHANGES IN
2 THIS MEETING, THEN THESE WILL BE WRAPPED UP INTO
3 OTHER CONCEPT PLAN CHANGES THAT ARE PLANNED FOR THE
4 TRANSLATION, CLINICAL, CLIN1 AND CLIN2 PROGRAMS,
5 WHICH WOULD ALL GO TO THE SCIENCE SUBCOMMITTEE FOR
6 REVIEW AT THE END OF THIS MONTH. AND IF THOSE ARE
7 RECOMMENDED BY THE SCIENCE SUBCOMMITTEE, THOSE
8 CONCEPT PLAN CHANGES WOULD THEN GO TO THE BOARD IN
9 DECEMBER FOR APPROVAL. AND THE CONCEPT PLAN IS
10 SIMPLY GOING TO DESCRIBE THE WARRANT-BASED
11 CO-FUNDING OPTION AS WELL AS THE MODIFIED CO-FUNDING
12 REQUIREMENT FOR NON-PROFITS, AND THE WARRANT TERM
13 SHEET WE PROVIDE AS REFERENCE FOR THAT. IT IS NOT
14 SOMETHING THAT WE EXPECT WOULD BE IN DETAIL BY
15 EITHER OF THOSE COMMITTEES.

16 SO WITH THAT, I'M GOING TO TAKE A PAUSE,
17 TAKE A SIP OF WATER, AND ANSWER ANY QUESTIONS YOU
18 HAVE.

19 CHAIRMAN JUELSGAARD: BEFORE WE HAVE ANY
20 QUESTIONS, SHYAM, THANK YOU FOR THAT SIMPLE, YET
21 COMPREHENSIVE PRESENTATION, AS HE SAYS TONGUE IN
22 CHEEK.

23 ANY QUESTIONS FROM ANYBODY? MICHAEL.

24 DR. STAMOS: I THINK THAT WAS FANTASTIC
25 AND REALLY ELEGANT. I LIKED A LOT OF IT. I LIKE

BETH C. DRAIN, CA CSR NO. 7152

1 ALMOST ALL OF IT. I JUST HAD A QUESTION ABOUT THE
2 NOT-FOR-PROFIT. AND YOU MENTIONED, I THINK, THAT
3 THE CURRENT APPROACH IS NOT ATTRACTIVE TO, IF YOU
4 WOULD, INVESTORS OR PRIVATE COMPANIES, RIGHT, OR
5 CREATING PRIVATE COMPANIES. AND I JUST WORRY ABOUT
6 WHAT WOULD BE THE UNINTENDED CONSEQUENCES OF THIS
7 CHANGE FOR THE NOT-PROFITS; I.E., WILL IT ACTUALLY
8 DISINCENTIVIZE, IF YOU WOULD, THEM TAKING A PRIVATE
9 OR A HAVING A PRIVATE INVESTMENT BECAUSE THEY COULD
10 JUST SIT BACK AND SAY, WAIT A MINUTE, THEY CAN GET
11 FULL FUNDING WITHOUT WARRANTS FROM CIRM IF THEY
12 DON'T HAVE AN INVESTOR.

13 DR. PATEL: THAT'S A GOOD QUESTION. SO
14 ARE YOU SPEAKING SPECIFICALLY TO THE 40-PERCENT
15 CO-FUNDING REQUIREMENT FOR THE LATER STAGE TRIALS?

16 DR. STAMOS: CORRECT, YES.

17 DR. PATEL: YEAH. AND SO IN THOSE
18 INSTANCES, I'LL SAY THAT RIGHT NOW THE \$15 MILLION
19 IS GOING TO ALLOW THEM TO CONTINUE CLINICAL
20 PROGRESS, BUT EVENTUALLY THEY'RE STILL GOING TO NEED
21 A PARTNER TO COMMERCIALIZE IN THE TRADITIONAL SORT
22 OF BIOPHARMA MODEL THAT WE OPERATE IN RIGHT NOW FOR
23 LATE STAGE CLINICAL DEVELOPMENT AND APPROVAL AND
24 COMMERCIALIZATION.

25 AND RIGHT NOW WHAT WE ARE SAYING IS THAT

BETH C. DRAIN, CA CSR NO. 7152

1 IT'S NOT ACTUALLY INCENTIVIZING THE PARTNER TO COME
2 IN. ALL RIGHT. SO IT'S NOT ON THE FLIP SIDE OF, I
3 GUESS, DEMAND FROM THE NON-PROFIT AND SUPPLY FROM
4 THE PARTNER SIDE. IT'S NOT ACTUALLY INCENTIVIZING
5 AN INVESTOR OR A COMPANY TO SAY, OH, THERE'S A
6 40-PERCENT CO-FUNDING REQUIREMENT, SO I SHOULD
7 PARTNER WITH THIS PROGRAM. SO THAT'S KIND OF WHY
8 THE INTENT IS NOT BEING MET.

9 WITH RESPECT TO WHETHER THAT INCENTIVIZES
10 ACADEMIC PROGRAMS TO CONTINUE KEEPING THAT IN-HOUSE
11 RATHER THAN SHIPPING IT OUT, THE COMMENT I WOULD
12 MAKE TO THAT IS THAT IF THE GRANTS WORKING GROUP
13 BELIEVES THAT THE PROPOSAL THAT THEY'RE REVIEWING IS
14 GOING TO SIGNIFICANTLY PROGRESS THAT PROGRAM
15 CLINICALLY AND SCIENTIFICALLY AND FURTHER DERISK IT
16 FOR FUTURE INVESTMENT, I THINK THAT IS OF VALUE TO
17 CIRM.

18 DR. STAMOS: NO, I GET THAT PART. I GUESS
19 I'M WORRIED THAT THIS APPROACH WILL ACTUALLY NOT
20 ONLY WILL NOT INCENTIVIZE IT, IT WILL DISINCENTIVIZE
21 THAT PARTNERSHIP BECAUSE OF THE OPPORTUNITY TO GET
22 THE FUNDING WITHOUT THE WARRANTS. THAT'S MY POINT
23 IF THAT MAKES SENSE.

24 DR. PATEL: YEAH, IT DOES.

25 CHAIRMAN JUELSGAARD: CAN I JUST SPEAK TO

BETH C. DRAIN, CA CSR NO. 7152

1 THAT REALLY BRIEFLY, MICHAEL? I THINK THERE'S A
2 LINE TO BE WALKED HERE. I HEAR WHAT YOU'RE SAYING.
3 BUT THE ISSUE IS REALLY -- IT'S KIND OF WHERE IS
4 THIS RARE DISEASE LINE ON ONE SIDE OF WHICH
5 COMMERCIAL COMPANIES JUST DON'T FIND IT INTERESTING
6 TO GET INVOLVED BECAUSE THEY DON'T SEE AN ECONOMIC
7 RETURN THAT JUSTIFIES THE AMOUNT THAT THEY'D HAVE TO
8 INVEST AND THE AMOUNT OF WORK THEY'D HAVE TO DO.
9 THERE ARE, HOWEVER, RARE DISEASES ON WHICH COMPANIES
10 WILL GET INVOLVED OR WHATEVER. AND IT'S HARD TO
11 KNOW AHEAD OF THE FACT WHICH SIDE OF THAT LINE ANY
12 PARTICULAR DISEASE AND ITS THERAPY MIGHT LIE.

13 SO I THINK THE WAY WE'VE STRUCK THIS IS,
14 BECAUSE WE ARE REALLY INTERESTED IN SEEING THERAPIES
15 FOR THESE DISEASES COME FORWARD AND BE DEVELOPED AND
16 SERVE THE PUBLIC, THAT WE'VE ERRED ON THAT SIDE OF
17 PROMOTING SCIENCE AS OPPOSED TO WORRYING
18 PARTICULARLY ABOUT FINDING PARTNERS AND GETTING A
19 RETURN THAT WAY. THERE IS ALWAYS THE RETURN THAT
20 SHYAM REFERRED TO IN TERMS OF ROYALTY ON SALES THAT
21 LIES AT THE BACK OF THIS. BUT I DO BELIEVE -- AND
22 THERE'S A CONFERENCE NEXT WEEK HERE IN SOUTH SAN
23 FRANCISCO TO TALK ABOUT RARE DISEASES AND THEIR
24 FUTURE. WE ARE GOING TO SEE ACTUALLY ACADEMIC
25 CENTERS THAT ARE GOING TO WIND UP HAVING TO BE THE

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1 PROVIDERS OF CERTAIN THERAPEUTIC MODALITIES IN RARE
2 DISEASE AREAS SIMPLY BECAUSE COMMERCIAL ENTERPRISES
3 AREN'T GOING TO BE WILLING TO STEP FORWARD AND DO
4 THAT.

5 SO THAT'S -- I HEAR YOU AND AGREE THAT
6 THAT'S AN ISSUE, BUT WE HAVE TO DECIDE ONE WAY OR
7 THE OTHER, AND THIS IS KIND OF WHAT WE THOUGHT WOULD
8 BE THE BEST SOLUTION.

9 DR. STAMOS: THANK YOU. THAT'S A GREAT
10 EXPLANATION. THANK YOU.

11 DR. PATEL: AND TO THAT I WOULD ALSO ADD.
12 STEVE COVERED THE RARE DISEASE SIDE. ALL THOSE
13 ACADEMIC PROGRAMS THAT WE CURRENTLY FUND ALL HAVE
14 MADE SIGNIFICANT AND GOOD FAITH EFFORTS TO PARTNER.
15 AND BECAUSE OF THE WAY THE MARKET IS AT THE MOMENT,
16 IT'S DIFFICULT.

17 THE OTHER WAY I WOULD ALSO ANSWER YOUR
18 QUESTION IS THAT FOR EARLIER STAGE PROGRAMS IN
19 PRECLINICAL OR THE FIRST-IN-HUMAN CLINICAL TRIAL,
20 THE ACADEMIC PROGRAMS DON'T HAVE A CO-FUNDING
21 REQUIREMENT. AND EVEN IN THOSE INSTANCES, THE
22 PROGRAMS HAVE SOUGHT AND SECURED COMMERCIAL PARTNERS
23 WHERE APPROPRIATE. SO THAT HASN'T BEEN A MAJOR
24 DISINCENTIVE IN THOSE INSTANCES WHERE THEY COULD
25 KEEP IT IN-HOUSE. IF THERE IS A REASON TO PARTNER

BETH C. DRAIN, CA CSR NO. 7152

1 AND TO PROGRESS THAT PROGRAM, I THINK THEY'LL BE
2 ABLE TO DO THAT.

3 CHAIRMAN JUELSGAARD: SHLOMO.

4 DR. MELMED: THANK YOU. THAT WAS REALLY A
5 SUPER, SUPER PRESENTATION. YOU CAN GO ON THE ROAD
6 FOR MORGAN STANLEY. THEY'D LOVE IT. IT WAS REALLY
7 TERRIFIC. THANK YOU.

8 CHAIRMAN JUELSGAARD: SHLOMO, WE WANT TO
9 KEEP SHYAM. DON'T BE PROMOTING --

10 DR. MELMED: WE BETTER RAISE HIS SALARY,
11 THEN, TO BEAT THEM.

12 SO MAYBE I MISSED IT, BUT THE VERY LAST
13 PART I THINK NEEDS MORE CLARIFICATION FOR THE BOARD.
14 THE COMMUNITY FOUNDATION, WILL CIRM BE THE GRANTOR
15 OR THE RECIPIENT? AND WHO'S GOING TO MAKE THE
16 DECISION AT THE FOUNDATION? ARE WE GOING TO ADVISE
17 THE FOUNDATION WHAT TO DO WITH CIRM'S ASSET? OR IS
18 THE FOUNDATION GOING TO BE INDEPENDENT AND IS GOING
19 TO DISPOSE OF THE ASSET AND SEND US A CHECK ONCE
20 EVERY FEW YEARS? WHAT'S THE AUTHORITY OF CIRM OVER
21 THE ASSETS THAT ARE LYING IN THE FOUNDATION? AND
22 WHO'S GOING TO MAKE THE DECISIONS? WHAT IS OUR
23 ROLE, GRANTOR, BENEFICIARY?

24 DR. PATEL: SO, RAFAEL, ARE YOU ABLE TO
25 ADDRESS THOSE QUESTIONS FROM A LEGAL PERSPECTIVE OR

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1 DO YOU WANT ME TO TAKE A SHOT?

2 MR. AGUIRRE-SACASA: WHY DON'T YOU TAKE A
3 SHOT, SHYAM, IF YOU DON'T MIND.

4 DR. PATEL: YEAH. SO WE WOULD BE THE
5 BENEFICIARY. AND SO I THINK AS PART OF THE
6 AGREEMENT THERE WOULD BE AN EXPECTATION THAT THE
7 FOUNDATION WOULD LIQUIDATE THE SHARES AT THE
8 EARLIEST POSSIBLE TIME.

9 DR. MELMED: WHO WOULD MAKE THAT DECISION
10 PHYSICALLY? WHO WOULD PRESS THE BUTTON TO
11 LIQUIDATE?

12 DR. PATEL: THAT WOULD BE THE FUND, THE
13 FOUNDATION.

14 DR. MELMED: SO WE WOULD NOT BE PART OF
15 THAT DECISION?

16 DR. PATEL: SO WE WOULD ESTABLISH UNDER
17 WHAT CIRCUMSTANCE AND AGREE UPON THAT AS TO WHEN IT
18 WOULD BE LIQUIDATED. AND SO RIGHT NOW THE CURRENT
19 MECHANISM WOULD BE THAT IT WOULD BE AT THE EARLIEST
20 TIME POSSIBLE.

21 MR. TOCHER: SHYAM, COULD I JUMP IN?

22 DR. PATEL: YEAH.

23 MR. TOCHER: HI, SHLOMO. THIS IS SCOTT
24 BACK AT THE HEADQUARTERS. SO SHYAM HAS IT RIGHT,
25 THAT DIRECTION WOULD COME FROM CIRM THROUGH A

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1 PREARRANGEMENT WHICH COULD BE MODIFIED EVEN AT
2 CIRM'S REQUEST AS TO THE TIMING.

3 DR. MELMED: LEGALLY, SCOTT, LEGALLY, IF
4 WE ARE THE BENEFICIARY, HOW CAN WE DIRECT THE
5 FOUNDATION? WE ARE THE BENEFICIARY.

6 MR. TOCHER: WELL, IT'S GOING TO FOLLOW
7 JUST AS IT DID WHEN WE HAD THE WARRANTS FROM GERON,
8 WHICH IS THE FOUNDATION JUST ACTS AS A VEHICLE TO
9 HOLD IT ON OUR BEHALF AND TO EXECUTE OUR
10 INSTRUCTIONS TO LIQUIDATE WHEN WE MAKE THAT
11 DIRECTION. SO THEY'RE MORE OR LESS JUST A CONDUIT,
12 A FORMAL SORT OF LEGAL POSSESSOR OF THE WARRANTS
13 THAT ARE SUBJECT TO OUR INSTRUCTIONS AS TO WHEN AND
14 UNDER WHAT CIRCUMSTANCE THEY SHALL BE LIQUIDATED,
15 AND IN EXCHANGE FOR THAT HAVE A SMALL FEE ASSOCIATED
16 WITH THAT.

17 DR. MELMED: YOU MENTIONED THE FUND. WHAT
18 IS THE FUND?

19 MR. TOCHER: I'M SORRY. I DIDN'T USE THE
20 WORD "FUND." I THINK IT'S REALLY JUST A FOUNDATION
21 THAT HOLDS THEM IN OUR PLACE AND SUBJECT TO OUR
22 INSTRUCTIONS.

23 DR. PATEL: THE WAY THE FOUNDATIONS WORK
24 IS TO OPEN UP A VEHICLE WHICH I REFERRED TO AS THE
25 FUND.

BETH C. DRAIN, CA CSR NO. 7152

1 DR. MELMED: WHAT FUND?

2 MR. TOCHER: IT'S REALLY AN ACCOUNT, ISN'T
3 IT?

4 DR. PATEL: YEAH. IT'S JUST THE
5 TERMINOLOGY THAT THEY USE. THAT'S WHY I'M USING
6 THAT TERMINOLOGY.

7 DR. MELMED: SO WE ARE THE OWNERS AND WE
8 ARE THE BENEFICIARIES?

9 MR. AGUIRRE-SACASA: THAT'S CORRECT. SO,
10 SHLOMO, MAYBE IT HASN'T BEEN CLEAR. WE, CIRM, ARE
11 NOT ALLOWED BY LAW TO HOLD SECURITIES. THEREFORE,
12 WE NEED TO GO THROUGH THE FOUNDATION PROCESS TO HOLD
13 THOSE SECURITIES, WARRANTS, WHATEVER AND TO EXECUTE
14 THEM. ONES THOSE ARE EXECUTED, THE FOUNDATION MAKES
15 A CONTRIBUTION TO CIRM, THE MONEY.

16 DR. MELMED: AND THAT PROTECTION DOES NOT
17 PRECLUDE US HAVE BEING THE DECISION MAKERS?

18 MR. AGUIRRE-SACASA: NOT AT ALL. WE ARE
19 THE ONES WHO PROVIDE THE INSTRUCTIONS TO THE
20 FOUNDATION. WE ARE THE ONES WHO PRESS THE BUTTON,
21 IF YOU WILL, SHLOMO. AND, SHYAM, PLEASE CORRECT ME
22 IF I'M WRONG. BUT THAT'S MY UNDERSTANDING. WE'RE
23 THE ONES WHO TELL THEM, OKAY, WE'D LIKE TO LIQUIDATE
24 OR EXERCISE OUR OPTIONS AND LIQUIDATE THE SHARES
25 EITHER BY A FORMULA OR BY DIRECTION.

BETH C. DRAIN, CA CSR NO. 7152

1 DR. MELMED: AND HOW WOULD WE -- I'M
2 RETURNING TO THE CHAIR OF THE BOARD NOW, OUR
3 CHAIRMAN THERE, SITTING THERE. HOW WILL WE MAKE
4 THAT DECISION? WHO WILL ADVISE US THAT IT'S TIME TO
5 SELL OR TIME TO BUY OR TIME NOT TO SELL?

6 DR. IMBASCIANI: DO YOU HAVE AN ANSWER TO
7 THAT, SCOTT? I DON'T.

8 MR. TOCHER: PARDON?

9 DR. IMBASCIANI: HE'S ASKING ME HOW DO WE
10 DECIDE TO GIVE THAT GUIDANCE TO THE FOUNDATION.

11 MR. TOCHER: IT'S UP TO THE BOARD TO
12 DECIDE, OF COURSE; BUT I THINK TRADITIONALLY THIS
13 WOULD BE A FUNCTION OF THE PRESIDENT AND THE
14 PRESIDENT'S TEAM AT CIRM WITHIN THE GUIDELINES
15 ESTABLISHED BY THE PROGRAM.

16 DR. MELMED: THANK YOU.

17 DR. IMBASCIANI: STEPHEN.

18 CHAIRMAN JUELSGAARD: ARE YOU ASKING ME?

19 DR. IMBASCIANI: I DON'T KNOW WHO'S
20 CHAIRING.

21 CHAIRMAN JUELSGAARD: LARRY IS UP NEXT.

22 DR. GOLDSTEIN: SO I GUESS I HAVE TWO
23 SIMPLE QUESTIONS. ONE IS DO I UNDERSTAND CORRECTLY
24 THAT IF WE THINK THAT THE COMPANY HAS LONG-TERM
25 INCREASING VALUE, WE CAN HOLD OUR SHARES AND NOT

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1 SELL AT THE EARLIEST OPPORTUNITY?

2 CHAIRMAN JUELSGAARD: YES. IT'S A
3 TEN-YEAR WARRANT. SO SHYAM SAYS AT THE EARLIEST
4 OPPORTUNITY. I THINK THERE'S ACTUALLY MORE OF A
5 JUDGMENT THAT MAY BE APPLIED IN ALL OF THIS. I
6 THINK ONE WOULD NEED TO TAKE A LOOK AT WHAT WE
7 THOUGHT THE PROSPECTS WERE. OBVIOUSLY, THE FIRST
8 OPPORTUNITY THAT THEY BECOME AVAILABLE TO BE SOLD,
9 THE COMPANY MAY JUST BE IN THE EARLY STAGES OF
10 COMMERCIALIZING A PRODUCT AND NOT REALLY REALIZE THE
11 FULL POTENTIAL.

12 SO, AGAIN, I THINK IT RELATES TO SHLOMO'S
13 QUESTION ABOUT HOW THESE JUDGMENT CALLS ARE GOING TO
14 BE MADE. I THINK THAT'S GOING TO BE A WORK IN
15 PROGRESS AS WE MOVE ALONG, BUT SOMEBODY IS GOING TO
16 HAVE TO SAY, YES, THIS IS A GOOD TIME TO DO IT. AND
17 I WOULDN'T NECESSARILY THINK THAT IT'S EXACTLY THE
18 FIRST, THE VERY FIRST OPPORTUNITY, BUT THAT'S JUST
19 MY OPINION.

20 DR. PATEL: TO CLARIFY ON THAT POINT, THE
21 FIRST OPPORTUNITY TO SELL WOULD BE AFTER THE
22 WARRANTS HAVE BEEN EXERCISED. SO WE ARE TALKING
23 ABOUT WE CAN HOLD THE WARRANTS FOR UP TO TEN YEARS.
24 THEY ISSUE TO US AT THE AWARD START. WE CAN HOLD
25 THEM FOR UP TO TEN YEARS. ONCE WE EXERCISE THEM,

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1 THE POTENTIAL MECHANISM WOULD BE THAT THE FUND WOULD
2 LIQUIDATE THOSE SHARES AT THE FIRST OPPORTUNITY.
3 SO, FOR EXAMPLE, IF YOU THINK OF IT AS PART OF AN
4 IPO, THAT MAY BE A HOLDING PERIOD. SO FIRST, ONCE
5 THEY'RE EXERCISED, THEY'RE CONVERTED TO COMMON STOCK
6 IN THAT COMPANY. ONCE THAT COMPANY GOES PUBLIC,
7 THERE MAY BE A HOLDING PERIOD. WHEN THE HOLDING
8 PERIOD IS LIFTED, THAT'S THE FIRST OPPORTUNITY TO
9 SELL AND LIQUIDATE THOSE SHARES AND TRANSFER THE
10 FUNDS BACK.

11 SO IF YOU HAD A PARTICULAR INSTRUCTION TO
12 DO THAT AT THE EARLIEST OPPORTUNITY POSSIBLE, THAT
13 WOULD BE HOW THAT WOULD PLAY OUT. SO I'M REFERRING
14 TO AFTER THE SHARES HAVE BEEN EXERCISED AND THEN HOW
15 THEY'RE LIQUIDATED, NOT SO MUCH THAT WE WOULD
16 EXERCISE THE WARRANTS AT THE FIRST OPPORTUNITY.

17 CHAIRMAN JUELSGAARD: YEAH. I THINK THAT
18 REALLY IS THE QUESTION. WHAT'S THE DATE OF EXERCISE
19 BECAUSE WE HAVE THIS TEN-YEAR PERIOD, AND THE DAY
20 THEY FIRST BECOME EXERCISABLE IS NOT NECESSARILY THE
21 DAY WE WANT TO EXERCISE.

22 LARRY, YOU SAID YOU HAD TWO QUESTIONS. SO
23 THAT WAS ONE.

24 DR. GOLDSTEIN: I'M SATISFIED AND HAPPY
25 ABOUT THE ANSWER TO THE FIRST. I THINK IT'S GOOD

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1 THAT WE COULD BUY AND HOLD IF WE FELT THE PROJECT
2 WAS REALLY TAKING OFF.

3 I GUESS SECOND IS WE HAVE A LOT OF
4 OVERSIGHT ON SOME OF OUR MORE EXPENSIVE PROJECTS.
5 AND I GUESS THE QUESTION IS IF WE BECOME CONVINCED
6 THAT THE EARLY TRIALS DON'T LOOK VERY PROMISING OR
7 THE ANIMAL DATA DON'T LOOK LIKE THEY'RE GOING TO
8 SURVIVE THROUGH AN IND, DO WE HAVE THE OPTION, AS WE
9 DO ON OTHER PROJECTS, OF TERMINATING THE FUNDING?
10 OR IS IT REALLY AN INDEPENDENT ENTITY AND THEY MAKE
11 ALL DECISIONS?

12 CHAIRMAN JUELSGAARD: I THINK YOU'RE
13 SPEAKING TO WHETHER -- SO OUR FUNDING, AS I
14 UNDERSTAND IT, IS MILESTONE BASED, RIGHT. SO WE
15 HAVE A CONTRACT WITH A COMPANY BASICALLY TO PROVIDE
16 FUNDING. BUT OVER THE COURSE OF THAT FUNDING, THERE
17 ARE CERTAIN MILESTONES THAT HAVE TO BE ACHIEVED.
18 AND IF THEY'RE NOT ACHIEVED, THEN THE FUNDING STOPS
19 UNTIL THEY ARE ACHIEVED. OR IF THEY'RE NOT
20 ACHIEVED, THEN THE FUNDING STOPS FULL STOP.

21 SO WE HAVE THAT KIND OF CONTROL OVER, AS I
22 UNDERSTAND IT, ANY PROJECT FOR WHICH THE ICOC HAS
23 APPROVED AN AWARD. SHYAM, CAN YOU CLARIFY THAT FOR
24 ME? IS THAT THE WAY IT OPERATES?

25 DR. PATEL: LARRY, YOU'RE REFERRING TO OUR

BETH C. DRAIN, CA CSR NO. 7152

1 STANDARD AWARD MANAGEMENT PROCESS?

2 DR. GOLDSTEIN: YEAH, THAT'S EXACTLY
3 RIGHT. I'M SORT OF WONDERING WHAT HAPPENS IF THE
4 COMPANY DOES A TRIAL, THEY THINK IT'S GREAT, WE
5 DON'T THINK IT'S GOING TO MAKE IT, HOW DO WE MANAGE
6 THAT SITUATION? OR IS IT JUST THERE'S A BOLUS
7 TRANSFER AND THE COMPANY MAKES ALL THE DECISIONS?

8 DR. PATEL: SO THAT'S AN APPROPRIATE
9 QUESTION FOR DR. ABLA CREASEY. AND SHE'S ON THE
10 CALL, SO I'M GOING TO TURN IT OVER TO HER.

11 CHAIRMAN JUELSGAARD: YEAH, ABLA, IF YOU
12 WOULD CLARIFY FOR US PLEASE.

13 DR. CREASEY: OKAY. THANK YOU. LARRY,
14 THAT KIND OF A SITUATION, STEVEN IS CORRECT. THERE
15 ARE MILESTONE-BASED EVENTS THAT WE ACTUALLY FOLLOW
16 AND NOT JUST THE DOLLARS. ON OCCASION A COMPANY
17 THINKS OR AN ENTITY THINKS THAT THEY'RE DOING WELL
18 AND WE THINK THEY'RE NOT DOING SO WELL, WE HAVE IN
19 THE PAST DISCUSSED WITH THEM TERMINATION, GROUNDS
20 FOR TERMINATION, BECAUSE IT'S NOT CONSISTENT WITH
21 WHAT WE'RE SEEING. AND THAT HAS HAPPENED.

22 SO WE HAVE CONTROL OVER THAT PER WATCHING
23 HAPPENING WITH THE GRANT VERSUS WHAT THEY THINK IS
24 HAPPENING WITH THE GRANT. AND THAT HAS PUT US IN
25 THE LEAD IN MANAGING THE GRANT THAT WAY, BOTH IN

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1 TERMS OF THE ACTUAL WORK THEY'RE DOING AND THEN ALSO
2 THE DOLLARS THEY'RE SPENDING.

3 CHAIRMAN JUELSGAARD: JUST TO BE CLEAR, IF
4 IT'S OUR OPINION THAT THEY'RE NOT MEETING THE
5 MILESTONES --

6 DR. CREASEY: CORRECT.

7 CHAIRMAN JUELSGAARD: -- AND THEY THINK
8 THEY ARE, IT'S OUR CALL TO STOP FUNDING. IT'S NOT
9 SOME JOINT DECISION, RIGHT? WE GET TO SAY THAT'S
10 IT.

11 DR. CREASEY: WE HAVE THE FINAL DECISION.
12 SOMETIMES IT WILL SAY IT'S GOING TO TAKE ONE MORE
13 YEAR OR THE FDA TOLD US THAT, YOU HAVE TO WAIT FOR
14 THIS OR THAT. BUT ONCE WE DECIDED THAT THEY'RE NOT
15 DELIVERING ON THE MILESTONES THAT WE PUT TOGETHER IN
16 COLLABORATION WITH THEM TO START, THEN WE PROCEED
17 TOWARDS RECOMMENDING TERMINATION. AND I JUST WANT
18 FOR THE RECORD, WE HAVE DONE THAT ALREADY. WE HAVE
19 EXAMPLES TO SHARE AT SOME POINT.

20 CHAIRMAN JUELSGAARD: THANKS. OKAY. BACK
21 TO MICHAEL AND THEN TO KIM AFTER MICHAEL.

22 DR. STAMOS: I THINK VITO HAD HIS HAND
23 RAISED BEFORE I DID.

24 CHAIRMAN JUELSGAARD: HE DID? I'M NOT
25 SEEING IT ON MY SCREEN.

BETH C. DRAIN, CA CSR NO. 7152

1 DR. STAMOS: IT'S BECAUSE HE'S WAVING IT.
2 IT'S NOT A VIRTUAL HAND; IT'S A REAL HAND.

3 CHAIRMAN JUELSGAARD: OKAY. WELL, VITO,
4 I'M UNFORTUNATELY HANDICAPPED. I'M NOT SEEING REAL
5 HANDS ON MY SCREEN BECAUSE I DON'T HAVE YOUR
6 PICTURE. LET'S DO -- IN THE ORDER I JUST DESCRIBED,
7 LET'S DO MICHAEL AND THEN KIM AND THEN VITO. SORRY,
8 VITO.

9 DR. STAMOS: OKAY. I JUST -- BACK TO THE
10 QUESTION ABOUT WHO MAKES THE DECISION TO CASH IN THE
11 WARRANTS IF THAT'S THE RIGHT TERM. THEORETICALLY
12 THE WARRANT IS EXERCISED AND YOU HAVE UP TO A
13 TEN-YEAR PERIOD, IF I UNDERSTAND CORRECTLY, TO CASH
14 THEM IN. AND SOMEBODY MENTIONED THE PRESIDENT. IT
15 JUST SEEMS TO ME LIKE THAT COULD BECOME A PROCESS
16 THAT'S NOT COMPLEX, BUT LABOR INTENSIVE, RIGHT, TO
17 MONITOR IF WE HAVE A NUMBER OF THESE AWARDS WE'RE
18 GOING TO BE GIVING OUT OVER THE NEXT FIVE YEARS.
19 AND IT SEEMS LIKE THAT SHOULD FALL INTO SOMEBODY'S
20 COMMITTEE BUCKET, I THINK. MAYBE WE HAVEN'T DEFINED
21 THAT YET, BUT I WOULD SUGGEST THAT WE WOULD DO THAT.

22 CHAIRMAN JUELSGAARD: YEAH. ONE OF THE
23 THINGS THAT'S ENTIRELY POSSIBLE, REMEMBER THESE ARE
24 TEN-YEAR WARRANTS, AND WE'VE GOT A WAYS TO GO YET
25 WITH FUNDING. I'M NOT GOING TO BE THE ONE TO ASSUME

BETH C. DRAIN, CA CSR NO. 7152

1 BECAUSE IT WAS A REALLY CLOSE CALL BACK IN 2020.
2 I'M NOT GOING TO ASSUME THAT THERE'S GOING TO BE
3 NECESSARILY ANOTHER ROUND OF FUNDING FOR CIRM. AND
4 SO WE COULD SEE THESE WARRANTS BECOMING EXERCISABLE
5 ET CETERA AFTER CIRM BASICALLY HAS BEEN RUNNING LOW
6 ON FUNDS. SO WE'RE GOING TO HAVE TO FIGURE OUT A
7 LONGER TERM MECHANISM FOR THESE FOR WHATEVER
8 EVENTUALITY OCCURS DOWN THE ROAD. AND I THINK
9 THAT'S PROBABLY SOMETHING WE NEED TO WORK ON AFTER
10 THIS MEETING IS REALLY THE BACK END OF ALL OF THIS
11 AND HAVING SOMETHING THAT'S A LITTLE MORE LAID OUT
12 AND STRUCTURED.

13 KIM AND THEN VITO.

14 DR. BARRETT: THIS DISCUSSION IS WAY
15 BEYOND MY SORT OF FINANCE 101 LEVEL OF
16 UNDERSTANDING. BUT IF WE WERE IN POSSESSION OF
17 KNOWLEDGE THAT A PROJECT WASN'T GOING WELL AND WE
18 ARE SITTING ON THESE WARRANTS, WOULDN'T WE THEN BE
19 AT RISK OF SOME SORT OF INSIDER TRADING TO GET RID
20 OF THEM BEFORE WE TERMINATE THE GRANT? I SEE STEVE
21 SHAKING HIS HEAD. SO I'D JUST LIKE TO UNDERSTAND
22 THAT.

23 CHAIRMAN JUELSGAARD: RAFAEL, CAN I ANSWER
24 THAT --

25 MR. AGUIRRE-SACASA: I WAS GOING TO SAY IF

BETH C. DRAIN, CA CSR NO. 7152

1 YOU WANT --

2 CHAIRMAN JUELSGAARD: -- HAVING BEEN IN A
3 PUBLIC COMPANY AND THE SEC WORLD FOR YEARS. SO THE
4 WARRANTS BASICALLY IN AND OF THEMSELVES CAN BE
5 TRANSFERRED, YOU'RE RIGHT. AND IF WE WERE AWARE OF
6 INFORMATION THAT THINGS WERE GOING POORLY WITH THE
7 PROJECT, BUT WE WERE ABLE SOMEHOW TO FIND OR
8 SOMEBODY CAME TO US AND SAID WE'RE WILLING TO
9 PURCHASE THOSE WARRANTS FROM YOU, WE'D BE IN A
10 POSITION OF -- I'M SPEAKING ABOUT THIS. I DON'T
11 KNOW ABOUT INSIDER TRADING LAWS APPLIED TO
12 GOVERNMENTAL ENTITIES. SO LET ME SAY, HAVE THAT
13 CAVEAT BECAUSE RIGHT NOW IT'S NOT CLEAR HOW WELL
14 INSIDER TRADING LAWS APPLY TO MEMBERS OF CONGRESS.
15 BUT IN ANY EVENT, WE'D HAVE TO DO A LITTLE LEGAL
16 RESEARCH, LET ME LEAVE IT AT THAT, TO SEE WHETHER OR
17 NOT WE HAVE ANY EXPOSURE. BUT THE BETTER PRACTICE
18 WOULD BE TO BASICALLY NOT SELL SOMEBODY SOMETHING
19 THAT'S ULTIMATELY GOING TO BE WORTHLESS TO THEM.
20 THAT'S PROBABLY NOT A VERY GOOD THING TO DO, PUTTING
21 ASIDE THE LEGALITIES.

22 DR. BARRETT: THANK YOU.

23 CHAIRMAN JUELSGAARD: SO, VITO, I'M SORRY.

24 DR. IMBASCIANI: IT'S OKAY. YOU PROBABLY
25 CAN'T SEE THE CONFERENCE ROOM WE ARE IN.

BETH C. DRAIN, CA CSR NO. 7152

1 CHANGE OF SUBJECT QUESTION. WHAT IF ONE
2 OF OUR GRANTEES THAT'S EXERCISED A WARRANT WITH CIRM
3 FOR WHATEVER REASON, EITHER BUSINESS OR FINANCIAL,
4 DECIDES TO GO OUT OF BUSINESS OR FINDS ITSELF TRYING
5 TO REORGANIZE IN BANKRUPTCY COURT? ARE WE A
6 CREDITOR? WHERE DO WE STAND WITH RESPECT TO OUR
7 WARRANT RIGHTS?

8 CHAIRMAN JUELSGAARD: THE WARRANT RIGHTS
9 ARE ESSENTIALLY EQUIVALENT TO EITHER COMMON STOCK OR
10 PREFERRED STOCK DEPENDING UPON THE TYPE OF THE
11 WARRANT. SO IN A CASE OF A COMPANY, IF THEY'RE
12 REALLY GOING OUT OF BUSINESS, SO FIRST OF ALL, IF
13 THERE'S A LIQUIDATION, YOU WOULD HAVE -- YOU WOULD
14 BE ABLE TO EXERCISE THE WARRANT INTO PREFERRED STOCK
15 AND THEN GET WHATEVER LIQUIDATION RIGHTS PREFERRED
16 STOCK HAVE. IT'S USUALLY PENNIES ON THE DOLLAR.
17 WE'D HAVE TO WONDER WHETHER OR NOT IT'S WORTH DOING
18 IT. IF IT'S COMMON STOCK, YOU PROBABLY DON'T SEE
19 MUCH OF ANYTHING. IN A REORGANIZATION, TYPICALLY
20 THE WHOLE STOCK STRUCTURE IS REDONE, AND YOU
21 PROBABLY ARE LEFT WITH VERY LITTLE, IF NOTHING IN A
22 CHAPTER 11 BANKRUPTCY, WHICH IS THE REORGANIZATION
23 STYLE, CHAPTER 7 BEING THE STRICT LIQUIDATION STYLE.

24 BUT IN THOSE CASES, WE PLACED A BET LIKE
25 THE INVESTORS HAVE, ET CETERA, AND IT JUST HASN'T

BETH C. DRAIN, CA CSR NO. 7152

1 TURNED OUT. IT'S USUALLY BECAUSE THE PRODUCT THAT
2 THEY'RE DEVELOPING HAS NOT MET ITS GOALS. IT TURNED
3 OUT TO NOT WORK THE WAY EVERYBODY HAD HOPED AND
4 EXPECTED IT WOULD. SO IT'S GOING TO HAPPEN. YOU
5 SEE IT ALL THE TIME. YOUNG COMPANIES FOLDING SIMPLY
6 BECAUSE THEIR CLINICAL TRIALS FAILED. SO WE ARE NOT
7 GOING TO SEE MUCH.

8 DR. IMBASCIANI: OKAY. THANKS. GREAT
9 ANSWER. THANK YOU.

10 CHAIRMAN JUELSGAARD: ANY OTHER QUESTIONS
11 BEFORE WE KIND OF COME TO A VOTE ON THIS? SHYAM,
12 ANYTHING YOU WANT TO ADD?

13 DR. PATEL: NO. THANK YOU.

14 DR. ABOUSALEM: STEVE, I'D LIKE JUST A
15 COMMENT.

16 CHAIRMAN JUELSGAARD: SURE.

17 DR. ABOUSALEM: JUST A QUICK COMMENT AS WE
18 GET TO THE VOTE HERE. I JUST WANT TO REALLY PUT A
19 SHOUT-OUT FOR SHYAM ON THIS EFFORT BECAUSE IT IS A
20 LOT OF WORK. HE'S DONE A GOOD JOB IN SHEPHERDING
21 THE CONCEPT THROUGH FOR US TO BE ABLE TO PURSUE
22 THOSE HIGH-RISK PROJECTS THAT WILL, HOPEFULLY, HAVE
23 HIGH REWARDS AT THE END, SHYAM, YOU KNOW, THE
24 THERAPEUTICS AND THE SOLUTIONS THAT THESE PRODUCTS
25 WILL BRING; BUT WE DO, AS STEVE EXPLAINED, IN THOSE

BETH C. DRAIN, CA CSR NO. 7152

1 KINDS OF SITUATIONS. SO THE RISK IS ACKNOWLEDGED,
2 BUT I THINK THAT SHYAM DID A GOOD JOB THREADING THE
3 NEEDLE AND GETTING THE INPUT FROM EVERYBODY AND
4 REALLY BEING VERY THOUGHTFUL AND METHODICAL IN
5 PUTTING THIS TOGETHER. SO I JUST WANTED TO POINT
6 THAT OUT. AND THANKS TO YOU, SHYAM.

7 DR. PATEL: THANK YOU.

8 CHAIRMAN JUELSGAARD: BEFORE I CALL ON
9 SHLOMO, LET ME JUST ECHO WHAT YOU JUST SAID,
10 MOHAMAD. THIS HAS BEEN -- THIS HAS NOT BEEN AN EASY
11 PROCESS. AND JUST GIVEN THE COMPLEXITY OF THE
12 PRESENTATION THAT WE SAW, ALL THE DIFFERENT
13 VARIABLES THAT HAD TO BE CONSIDERED, I COMPLETELY
14 CONCUR. SHYAM, YOU REALLY DESERVE OUR APPRECIATION
15 FOR THE HARD WORK THAT YOU PUT INTO THIS AND THE
16 WORK PRODUCT THAT YOU WERE ABLE TO PRODUCE. SO I,
17 FOR ONE, THANK YOU FOR THAT.

18 SHLOMO, DO YOU HAVE --

19 DR. MELMED: AGAIN, I RE-ECHO THOSE
20 COMPLIMENTS. ABSOLUTELY.

21 I JUST A WORD OF CAUTION FOR US AS THE
22 SUBCOMMITTEE AND CERTAINLY FOR SHYAM. WHEN YOU MAKE
23 THE PRESENTATION TO THE BIG BOARD AND CERTAINLY FOR
24 THE PUBLIC, I THINK YOU ARE GOING TO GET A LOT OF
25 QUESTIONS ABOUT THE DISPOSITION AND THE CONTROL OF

BETH C. DRAIN, CA CSR NO. 7152

1 THE FUNDS AT THE END. SO PERHAPS ADD AN EXTRA SLIDE
2 JUST OUTLINING THE RISKS, THE BENEFITS, AND THE
3 CONTROL, THAT THESE ASSETS WILL REMAIN WITHIN THE
4 PURVIEW OF CIRM BASED UPON THE ANSWERS THAT YOU GAVE
5 TO OUR QUESTIONS, AND YOUR ANSWER WERE TERRIFIC. SO
6 JUST A SUGGESTION FOR YOUR PRESENTATION.

7 DR. PATEL: THANK YOU, SHLOMO. THAT'S A
8 GOOD POINT IN TERMS OF SOME OF THE CONFUSION THAT
9 WAS COMING HERE WITH RESPECT TO ISSUING OF WARRANTS,
10 EXERCISING WARRANTS, AND LIQUIDATION OF SHARES,
11 BEING ABLE TO CLARIFY THAT AND PROVIDING A REAL
12 EXAMPLE OF IT WOULD BE HELPFUL.

13 CHAIRMAN JUELSGAARD: YES. GREAT IDEA.
14 ALL RIGHT. I DON'T SEE ANY OTHER HANDS RAISED. NO
15 HANDS IN THE CONFERENCE ROOM? ALL RIGHT. WELL, IF
16 THAT, THEN I WOULD ENTERTAIN A MOTION FOR APPROVAL
17 OF THE PROPOSAL THAT SHYAM HAS PUT ON THE TABLE
18 BECAUSE I'M NOT GOING TO REPEAT IT.

19 DR. STAMOS: SO MOVED.

20 CHAIRMAN JUELSGAARD: IS THERE A SECOND?

21 DR. ABOUSALEM: SECOND.

22 CHAIRMAN JUELSGAARD: SO MICHAEL HAS
23 PRESENTED THE MOTION AND MOHAMAD HAS SECONDED. SO,
24 SCOTT, LET'S DO THE ROLL CALL PLEASE.

25 MR. TOCHER: SURE. I'D JUST LIKE TO ASK

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1 IF THERE'S ANY PUBLIC COMMENT ON THE LINE?

2 CHAIRMAN JUELSGAARD: GOOD QUESTION.

3 YEAH. PUBLIC COMMENT.

4 MR. TOCHER: AND WE ARE CHECKING. NO
5 HANDS RAISED. OKAY. GREAT. THEN I'LL PROCEED TO
6 THE ROLL CALL.

7 MOHAMAD ABOUSALEM.

8 DR. ABOUSALEM: YES. AYE.

9 MR. TOCHER: THANK YOU. KIM BARRETT.

10 DR. BARRETT: AYE.

11 MR. TOCHER: JUDY CHOU.

12 DR. CHOU: AYE.

13 MR. TOCHER: LARRY GOLDSTEIN.

14 DR. GOLDSTEIN: AYE.

15 MR. TOCHER: VITO IMBASCIANI.

16 DR. IMBASCIANI: AYE.

17 MR. TOCHER: STEVE JUELSGAARD.

18 CHAIRMAN JUELSGAARD: YES.

19 MR. TOCHER: SHLOMO MELMED.

20 DR. MELMED: YES.

21 MR. TOCHER: JOE PANETTA.

22 MR. PANETTA: YES.

23 MR. TOCHER: GREAT. WE CAN HEAR YOU.

24 MICHAEL STAMOS.

25 DR. STAMOS: YES.

BETH C. DRAIN, CA CSR NO. 7152

1 MR. TOCHER: AND I'LL CHECK. MARIA
2 BONNEVILLE. KAROL WATSON. GREAT. THANKS VERY
3 MUCH. AND THE MOTION CARRIES.

4 CHAIRMAN JUELSGAARD: ALL RIGHT. THANK
5 YOU VERY MUCH, ALL OF YOU, FOR YOUR TIME AND
6 ATTENTION ON THIS MEETING. BUT I THINK WE CAME TO A
7 GOOD RESULT, AND I APPRECIATE ALL THE COMMENTS AND
8 THE QUESTIONS. I THINK WE'LL HAVE AN EXCELLENT
9 PRESENTATION WHEN IT COMES TIME FOR THE ICOC MEETING
10 ASSUMING, OF COURSE, THE SCIENCE SUBCOMMITTEE
11 APPROVES. THEY BETTER.

12 DR. GOLDSTEIN: THERE'S A REASONABLE
13 CHANCE.

14 CHAIRMAN JUELSGAARD: OKAY. GOOD. GLAD
15 TO HEAR THAT.

16 DR. STAMOS: GREAT WORK, GREAT MEETING.
17 THANK YOU.

18 CHAIRMAN JUELSGAARD: HAVE A GREAT REST OF
19 YOUR DAY, EVERYONE. TAKE CARE.

20 (THE MEETING WAS THEN CONCLUDED.)
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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 VIRTUAL PROCEEDINGS BEFORE THE IP AND INDUSTRY SUBCOMMITTEE OF THE INDEPENDENT CITIZEN'S OVERSIGHT COMMITTEE OF THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE IN THE MATTER OF ITS REGULAR MEETING HELD ON NOVEMBER 8, 2023, 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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