

Memorandum

To: Members of the ICOC
From: Dr. Shyam Patel, Associate VP of Preclinical Development; Rafael Aguirre-Sacasa, General Counsel
Re: CIRM Warrant Program – Proposed Updates
Date: March 26, 2026

I. Introduction

This memorandum provides an overview of the Co-Funding Warrant Program approved by the ICOC in December 2023 and outlines a proposed update to address practical challenges that have arisen in applying the program to certain early-stage applicants. In particular, staff proposes introducing a SAFE/Warrant bridge mechanism for companies that have not yet completed a priced equity financing. A SAFE, or Simple Agreement for Future Equity, is a commonly used venture financing instrument that allows an investor to defer valuation until a future equity financing, at which point the SAFE converts into equity (or, in the case of the proposed structure, into a warrant) based on the terms of that financing.

The proposed structure would preserve CIRM's warrant-based participation model while providing a more appropriate mechanism for determining warrant economics for companies that do not yet have a market-based valuation.

Staff requests that the IP and Industry Subcommittee review the proposed update and recommend that the ICOC approve the SAFE/Warrant structure for use in applicable Funding Programs.

II. Background

Under the Co-Funding Warrant Program (approved by the ICOC in December 2023), applicants may satisfy required co-funding through a warrant issued to CIRM in lieu of cash, with the warrant equal in value to the waived co-funding amount. Because state law prohibits CIRM from holding equity directly, the program was designed so that CIRM would instead receive warrants exercisable for company shares. The number of warrant shares was determined by dividing the waived co-funding amount by a Reference Price, which depended on the company's capitalization status. If the company had completed a preferred financing, the Reference Price was the price per share from the most recent preferred round and CIRM received a Preferred Stock Warrant. If the company was publicly traded, CIRM received a Common Stock Warrant priced using the company's market trading price. For companies without preferred financing and whose common stock was not publicly traded, the program used a default Reference Price of \$1.00 per share, subject to adjustment.

The Warrant Program applies only to certain CIRM funding opportunities where required co-funding may be waived and replaced with warrant participation. These include:

- Translational Stage Funding Opportunity for Therapeutic Research Projects (TRAN)
- Funding Opportunity for Late-Stage Preclinical Projects (CLIN1)
- Funding Opportunity for Clinical Trial Stage Projects (CLIN2)
- Funding Opportunity for Preclinical Development Projects (PDEV)
- Funding Opportunity for Late Stage Development Projects (CLIN4)

Each of the above programs is referred to as a “Funding Program.”

In practice, the third scenario described above (companies without preferred financing and whose common stock was not publicly traded) proved challenging for many early-stage applicants. Because these companies had not yet completed a priced financing, the \$1 reference price functioned as an arbitrary placeholder valuation, which could distort the resulting warrant coverage and create uncertainty for future investors. While the existing warrant structure works well for companies with established financing or public market pricing, it is less effective for companies that have not yet completed their first institutional equity round.

To address this issue, staff is proposing to introduce a SAFE/Warrant bridge mechanism for companies without a priced financing. Under this approach, CIRM would initially receive a SAFE convertible into a warrant equal to the waived co-funding amount. When the company later completes its first preferred stock financing, the SAFE would convert into a Preferred Stock Warrant structured to provide CIRM with the economic equivalent of a twenty percent (20%) discount to new investors. This structure preserves CIRM’s warrant-based participation model while deferring valuation until a market financing occurs and aligning the program with common venture financing practices for early-stage companies.

III. REQUEST

Staff requests that the ICOC approve the proposed SAFE/Warrant structure for use in applicable Funding Programs where a company has not yet completed a priced equity financing.

Exhibits to Memo:

Exhibit A – Presentation