
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): **January 15, 2008**

INTERNATIONAL STEM CELL COPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-51891
(Commission File Number)

20-4494098
(IRS Employer Identification
Number)

2595 Jason Court, Oceanside, California 92056
(Address of principal executive offices, including zip code)

(760) 940-6383
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CAR 240.13e-4(c))
-
-

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

On January 15, 2008, to obtain funding for working capital, International StemCell Corporation (the "Company") entered into a series of subscription agreements (the "Agreement") with a total of four accredited investors (the "Investors") for the sale of a total of one million Units, each Unit consisting of one share of Series A Preferred Stock ("Preferred") and two Warrants ("Warrants") to purchase Common Stock for each \$1.00 invested. The total purchase price received by the Company was \$1.0 million. One of the Investors was Kenneth Aldrich, our Chairman, who purchased Units on the same terms as the other investors. The Preferred is convertible into shares of common stock at the initial conversion ratio of two shares of common stock for each share of Preferred converted (which was established based on an initial conversion price of \$0.95 per share, the closing market price on the date of the closing), and the warrants will be exercisable at \$0.50 per share until December 12, 2012. The Preferred and Warrants contain anti-dilution clauses whereby, (subject to the exceptions contained in those instruments) if the Company issues equity securities or securities convertible into equity at a price below the respective conversion price of the Preferred or the exercise price of the Warrant, such conversion and exercise prices shall be adjusted downward to equal the price of the new securities. The Preferred has a priority on any sale or liquidation of the Company equal to the purchase price of the Units, plus a liquidation premium of 6% per year. If the Company elects to declare a dividend in any year, it must first pay to the Preferred a dividend equal to the greater of 6% of the Unit price or the amount of the dividend the Preferred holder would receive if the Preferred were converted just prior to the dividend declaration. Each share of Preferred has the same voting rights as the number of shares of Common Stock into which it would be convertible on the record date.

ITEM 3.02 UNREGISTERED SALE OF EQUITY SECURITIES

The Units discussed in Item 1.01 securities were offered and sold to the Investors in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated thereunder. The Investors are accredited investors as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933. The terms of the purchase, conversion and exercise rights and use of proceeds are discussed in Item 1.01

ITEM 3.03 MATERIAL MODIFICATION IN RIGHTS OF SECURITY HOLDERS

On January 15, 2008, the Company filed with the Secretary of State of the State of Delaware a Certificate of Designation of Rights, Preferences, Privilege and Restrictions, which authorized 5 million shares of Preferred. The rights and preferences of the Preferred are discussed in Item 1.01. The Certificate of Designation is filed as Exhibit 4.1

ITEM 9.01 Financial Statements and Exhibits.**(d) EXHIBITS**

Exhibit No.	Exhibit Description
10.1	Form of Subscription Agreement
4.1	Certificate of designation or rights, preferences, privileges and restrictions of series A Preferred Stock of international Stem Cell Corporation dated January 15, 2008
10.2	Form of Warrant Certificate

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

International Stem Cell Corporation

By: /s/ Jeff Krstich
Jeff Krstich
Chief Executive Officer

Dated: January 15, 2008

EXHIBIT INDEX

Exhibit No.	Exhibit Description
10.1	Form of Subscription Agreement
4.1	Certificate of designation or rights, preferences, privileges and restrictions of series A Preferred Stock of international Stem Cell Corporation dated January 15, 2008
10.2	Form of Warrant Certificate

**CERTIFICATE OF DESIGNATION OF
RIGHTS, PREFERENCES, PRIVILEGES AND RESTRICTIONS OF
SERIES A PREFERRED STOCK OF
INTERNATIONAL STEM CELL CORPORATION**

The Board of Directors of International Stem Cell Corporation (the "Company") hereby provides for the issuance of a series of preferred stock of the Company and does hereby fix and determine the rights, preferences, privileges, restrictions and other matters related to said series of preferred stock as follows:

Section 1 Designation and Amount. The shares of such series shall be designated as "Series A Preferred Stock" and the number of shares constituting such series shall be Five Million (5,000,000).

Section 2 Dividends. The Series A Preferred Stock shall not be entitled to receive any dividends whatsoever, except as follows: If the Company declares and pays any dividends on the Common Stock (other than a dividend payable in shares of Common Stock), then, in that event, holders of shares of Series A Preferred Stock shall be entitled to share in such dividends on a pro rata basis, as if their shares had been converted into shares of Common Stock pursuant to Section 5(a) below ("Common Share Equivalents") immediately prior to the record date for determining the shareholders of the Company eligible to receive such dividends.

Section 3 Liquidation Preference.

(a) Preference. In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, subject to the rights of any holders of any debt of the Company, the holders of Series A Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Company to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the sum of (i) One Dollar (\$1.00) for each outstanding share of Series A Preferred Stock (the "Original Series A Issue Price") (subject to adjustment of such fixed dollar amount for any stock splits, stock dividends, combinations, recapitalizations or the like) plus (ii) one percent (1%) of the Original Series A Issue Price for every full two (2) calendar months from January 1, 2008 to the date of such liquidation, dissolution or winding up of the Company. If, upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series A Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then, subject to the rights of any debt holders of the Company and the rights of any other series of Preferred Stock that may from time to time come into existence, the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Stock in proportion to the amount of such stock owned by each such holder.

(b) Remaining Assets. Upon completion of the distribution required by subsection (a) of this Section 3 and any other distribution that may be required with respect to any other series of Preferred Stock that may from time to time come in to existence, holders of the Series A Preferred Stock shall not participate in any distribution of such remaining assets.

(c) Mergers and Consolidations. A merger or consolidation of the Company with any other corporation shall not be deemed a liquidation, dissolution or winding up of the Company within the meaning of this Section 3.

(d) Sale or Other Transfer of All or Substantially All Assets. For purposes of this Section 3, a liquidation, dissolution or winding up of the Company shall be deemed to include a sale, lease, transfer or other disposition of all or substantially all of the assets of the Company, other than to a wholly-owned subsidiary of the Company.

Section 4 Redemption. The Series A Preferred Stock shall not be entitled to any rights of redemption whatsoever.

Section 5 Conversion. The holders of the Series A Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Subject to Sections 5(b) and 5(c), each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Company or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock ("Shares") as is determined by dividing the Original Series A Issue Price by the Conversion Rate (defined below) applicable to such share, determined as hereafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Rate per share for shares of Series A Preferred Stock shall be Ninety-Five Cents (\$0.95) and shall thereafter be subject to adjustment as set forth in Section 6 below (the "Conversion Rate").

(b) Minimum Conversion. A holder of Series A Preferred Stock may not convert, at any time, less than ten thousand shares of Series A Preferred Stock or all shares of Series A Preferred Stock then owned by such holder, whichever amount is less.

(c) Mechanics of Conversion. Before any holder of shares of Series A Preferred Stock shall be entitled to convert the same into Shares, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for the Series A Preferred Stock and shall give written notice to the Company at its principal corporate office, of the election to convert the same and shall state therein the number of shares of Series A Preferred Stock to be converted and the name or names in which the certificate or certificates for Shares are to be issued. The Company shall, as soon as practicable thereafter, issue and deliver at such office to such holder of the Series A Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of fully paid and nonassessable shares of Common Stock to which such holder shall be entitled as aforesaid together with a cash adjustment in respect of any fraction of a share to which the holder shall be entitled as provided in Section 5(d), and, if less than the entire number of shares of Series A Preferred Stock represented by the certificate or certificates surrendered is to be converted, a new certificate for the number of shares of Series A Preferred Stock not so converted. For purposes of a conversion pursuant to Section 5(a), such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of the Series A Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date.

(d) No Fractional Shares. No fractional shares of Common Stock or scrip representing fractional shares of Common Stock shall be issued upon any conversion of any shares of Series A Preferred Stock. All Shares (including fractions thereof) issuable upon conversion of more than one share of Series A Preferred Stock by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of any fractional share, the Company shall, in lieu of issuing any fractional share, pay cash equal to the product of such fraction multiplied by the fair market value per share (as determined in good faith by the Board of Directors) of the Common Stock on the date of conversion.

(e) Automatic Conversion. At any time (following the date on which shares of Series A Preferred Stock are first issued) that there are less than a total of two hundred thousand (200,000) shares of Series A Preferred Stock outstanding, then each remaining share of Series A Preferred Stock shall automatically be converted into such number of fully and nonassessable shares of Common Stock as is determined by dividing the Original Series A Issue Price by the then applicable Conversion Rate. The Company will not be required to issue the certificate(s) for the shares of Common Stock issued on conversion until the certificates for the shares of Series A Preferred Stock so converted are surrendered at the office of the Company.

Section 6 Adjustments. The Shares into which a share of Series A Preferred Stock is convertible and the Conversion Rate shall be subject to adjustment as follows:

(a) In case the Company shall (i) pay a dividend in shares of Common Stock or make a distribution to all holders of shares of Common Stock in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its shares of Common Stock other securities of the Company, the number of Shares issuable upon exercise of each share of Series A Preferred Stock immediately prior thereto shall be adjusted so that the Holder of each share of Series A Preferred Stock shall be entitled to receive the kind and number of Shares or other securities of the Company which he would have owned or would have been entitled to receive after the happening of any of the events described above, had such share of Series A Preferred Stock been converted immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this paragraph (a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(b) In case the Company shall issue rights, options or warrants to all holders of its shares of Common Stock, without any charge to such holders, entitling them to subscribe for or purchase shares of Common Stock at a price per share which is lower on the date of issuance thereof than the then current market price per share of Common Stock (as defined in paragraph (f) below), the number of Shares thereafter issuable upon the conversion of each share of Series A Preferred Stock shall be determined by multiplying the number of Shares theretofore issuable upon conversion of each share of Series A Preferred Stock by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights, options or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights, options or warrants plus the number of shares which the aggregate offering price of the total number of shares of Common Stock so offered would purchase at the such then current market price per share of Common Stock. Such adjustment shall become effective immediately after the date such rights, options or warrants are issued, retroactive to the record date for the determination of stockholders entitled to receive such rights, options or warrants.

(c) In case the Company shall distribute to all holders of its shares of Common Stock evidence of its indebtedness or assets (excluding regular and ordinary cash dividends) or rights, options or warrants or convertible securities containing the right to subscribe for or purchase shares of Common Stock (excluding those referred to in paragraph (b) above), then in each case the Conversion Rate shall be adjusted to a price determined by multiplying the Conversion Rate in effect immediately prior to such distribution by a fraction, of which the numerator shall be the then current market price per share of Common Stock (as defined in paragraph (f) below) on the date of such distribution, less the then fair value (as determined in good faith by the Board of Directors of the Company) of the portion of the assets or evidence of indebtedness so distributed or of such rights, options, warrants or convertible securities applicable to one share of Common Stock, and of which the denominator shall be such then current market price per share of Common Stock. Such adjustment shall be made whenever any such distribution is made, and shall become effective on the date of distribution retroactive to the record date for the determination of stockholders entitled to receive such distribution.

(d) No adjustment in the number of Shares issuable hereunder shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of Shares issuable upon the conversion of all Series A Preferred Stock then outstanding; provided however, that any adjustments which by reason of this paragraph (d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(e) Whenever the number of Shares issuable upon the conversion of each share of Series A Preferred Stock is adjusted, as herein provided, the Conversion Rate per share of Series A Preferred Stock payable upon conversion of each share of Series A Preferred Stock shall be adjusted (to the nearest cent) by multiplying such Conversion Rate immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Shares issuable upon the conversion of each share of Series A Preferred Stock immediately prior to such adjustment, and of which the denominator shall be the number of Shares so issuable immediately thereafter.

(f) If the Company shall issue, after the date upon which any shares of Series A Preferred Stock were first issued (the "Issue Date") (i) not less than two hundred fifty thousand (250,000) shares of Common Stock for a purchase price per share less than the Conversion Rate in effect immediately prior to such issuance (other than pursuant to the exercise or conversion or options, warrants or rights outstanding as of the Issue Date), or (ii) options, warrants or rights to purchase shares of Common Stock, or convertible securities convertible into or exchangeable for shares of Common Stock (such options, warrants, rights and convertible securities are hereinafter referred to collectively as "Common Stock Rights"), which Common Stock Rights are exercisable for or convertible into not less than two hundred fifty thousand (250,000) shares of Common Stock at an exercise price or conversion rate per share that is less than the Conversion Rate in effect immediately prior to such issuance, then, in either such event, the Conversion Rate shall automatically be adjusted to equal the purchase price of such shares or the exercise price or conversion rate of the Common Stock Rights, as applicable.

(g) Whenever the number of Shares issuable upon the conversion of each share of Series A Preferred Stock or the Conversion Rate is adjusted, as herein provided, the Company shall promptly mail by first class mail, postage prepaid, to each Holder, notice of such adjustment or adjustments setting forth the number of Shares issuable upon the conversion of each share of Series A Preferred Stock and the Conversion Rate after such adjustment, a brief statement of the facts requiring such adjustment, and the computation by which such adjustment was made.

(h) For the purpose of this Section 6, the term "shares of Common Stock" shall mean (i) the class of stock designated as the Common Stock of the Company as of the Issue Date, or (ii) any other class of stock resulting from successive changes or reclassifications of such shares consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that at any time, as a result of an adjustment made pursuant to paragraph (a) above, the Holders shall become entitled to purchase any shares of the Company other than shares of Common Stock thereafter the number of such other shares so issuable upon conversion of each share of Series A Preferred Stock and the Conversion Rate of such share shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions relating to the Shares contained in paragraphs (a) through (f), inclusive, above, and the provisions of Section 7 relating to the Shares shall apply.

(i) Upon the expiration of any rights, options, warrants or conversion privileges, if any thereof shall not have been exercised, the Conversion Rate and the number of shares of Common Stock issuable upon the conversion of a share of Series A Preferred Stock shall, upon such expiration, be readjusted and shall thereafter be such as it would have been had it been originally adjusted (or had the original adjustment not been required, as the case may be) on the basis of (A) the only shares of Common Stock so issued were the shares of Common Stock, if any, actually issued or sold upon the conversion of such rights, options, warrants or conversion rights and (B) such shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such conversion plus the consideration, if any, actually received by the Company for the issuance, sale or grant of all such rights, options, warrants or conversion rights whether or not exercised, provided, further, that no such readjustment shall have the effect of increasing the Conversion Rate by an amount in excess of the amount of the adjustment initially made in respect of the issuance, sale or grant of such rights, options, warrants or conversion rights.

(j) In case of any consolidation of the Company with or merger of the Company into another corporation or in case of any sale or conveyance to another entity of the property of the Company as an entirety or substantially as an entirety, the Company or such successor or purchasing entity, as the case may be, shall be obligated to issue to a Holder, upon conversion thereof, the same consideration as such Holder would have owned or would have been entitled to receive after the happening of such consolidation, merger, sale or conveyance had such Series A Preferred Stock been converted immediately prior to such action. If the action involves two or more transactions involving different consideration to holders of Common Stock, each Holder may elect which consideration to receive pursuant to this paragraph (j).

Section 7 Payment of Taxes. The issuance of a stock certificate or certificates on conversion of the Series A Preferred Stock shall be made without charge to the converting Holder for any tax in respect of the issue thereof. The Holder shall be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of stock in any name other than that of the Holder.

Section 8 Reservation of Shares; Shares to be Fully Paid. The Company shall reserve for issuance out of its authorized but unissued shares of Common Stock, sufficient shares to provide for the conversion of the Series A Preferred Stock from time to time as shares of Series A Preferred Stock are presented for conversion. All shares of Common Stock which may be issued upon conversion of the Series A Preferred Stock will, upon issue, be fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof.

Section 9 Voting Rights. The holders of Series A Preferred Stock shall have no voting rights or powers except as provided in this Section 9.

(a) Except as to matters specified in Section 9(b) below, each holder of Preferred Stock shall be entitled to vote on each matter on which holders of shares of Common Stock are entitled to vote. For such purposes, each share of Series A Preferred Stock shall represent as many votes as the number of shares of Common Stock into which it is then convertible. Except as otherwise expressly provided in this Section 9 or as required by law, the holders of shares of Series A Preferred Stock and the Common Stock shall vote together as a single class on all matters submitted to a vote of stockholders.

(b) Each share of Series A Preferred Stock shall be entitled to one vote on any matter relating to an adverse change in the rights of the Series A Preferred Stock or the rights of the Holders of the Series A Preferred Stock and on any matter as to which the approval of the holders of the Series A Preferred Stock as a class is required by law. Holders of Series A Preferred Stock shall vote separately as a class on any such matter. The approval of Holders of more than a majority of the then outstanding shares of Series A Preferred Stock shall be required for any amendment to the rights of the Series A Preferred Stock, including a material adverse change in the rights of the Series A Preferred Stock or the rights of the Holders of the Series A Preferred Stock.

IN WITNESS WHEREOF, the Company has caused this Certificate to be executed by Jeffrey Janus, its President, on this 15 day of January, 2007.

/s/ Jeffrey Janus

01-15-08

Attest:

/s/ Ray Wood

INTERNATIONAL STEM CELL CORPORATION

Subscription Agreement

International Stem Cell Corporation
 2595 Jason Court
 Oceanside, CA 92056

Gentlemen:

I, the undersigned (the "Purchaser"), have been advised that INTERNATIONAL STEM CELL CORPORATION, a Delaware corporation (the "Company" wishes to raise cash funds from various investors such as me by selling units ("Units") consisting of one (1) share of Series A Preferred Stock having the rights, preferences and privileges set forth on Exhibit A hereto (the "Preferred Stock"), and two (2) Common Stock Purchase Warrants in the form of Exhibit E hereto (the "Warrants"), at a price of One Dollar (\$1.00) per Unit, with a minimum investment of Five Hundred Thousand Dollars (\$500,000), or 500,000 Units from each investor (unless such minimum investment is waived by the Company as to a particular investor in the sole discretion of the Company). You have advised me that officers, directors and employees of the Company may participate in this offering, and that the Company may elect to utilize one or more broker-dealers or finders to assist in the offering, for which assistance such broker-dealers or finders would receive a commission and/or expenses.

I understand that there is no private placement memorandum with respect to the offering of Units by the Company, and that, in lieu thereof, it is my responsibility to read the filings of the Company with the Securities and Exchange Commission and posted on the Commission's EDGAR site, including without limitation (i) the registration statement on Form SB-2, as amended, including all supplements thereto pursuant to Rule 424 (collectively, the "Registration Statement"), all Quarterly Reports on Form 10-QSB for the Company, and (iii) all Current Reports on Form 8-K for the Company (all such EDGAR filing being sometimes hereinafter referred to as the "SEC Filings").

I understand that you will rely on the following information to confirm that I am an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), and that I am qualified to be a Purchaser.

This Subscription Agreement is one of a number of such subscriptions for Units. By signing this Subscription Agreement, I offer to purchase from the Company the number of Units set forth below on the terms specified herein. The Company reserves the right, in its complete discretion, to reject any subscription offer. If my offer is accepted, the Company will execute a copy of this Subscription Agreement and return it to me.

1. Subscription. Upon the terms and subject to the conditions set forth in this Subscription Agreement, I hereby subscribe for and agree to purchase from the Company the number of Units set forth on the Signature Page to this Subscription Agreement (the "Subscribed Units") at a price equal to \$1.00 per Unit. A check or wire transfer in full payment of the purchase price must be delivered to the Company contemporaneously with the execution and delivery of this Subscription Agreement.

2. Representations and Warranties. I represent and warrant to the Company that:

- A. I (i) have adequate means of providing for my current needs and possible contingencies and I have no need for liquidity of my investment in the Units, (ii) can bear the economic risk of losing the entire amount of my investment in Units, and (iii) have such knowledge and experience that I am capable of evaluating the relative risks and merits of this investment.
- B. I have received and carefully read, and am familiar with the SEC Filings, including, without limitation, the "Certain Risk Factors" section of the Registration Statement. All documents, records and books pertaining to the Company and requested by me, financial and otherwise, have been made available or delivered to me.
- C. I have had the opportunity to ask questions of and receive answers from the Company's management concerning the Company's affairs generally and the terms and conditions of my proposed investment in the Units. I have had the opportunity, and I have been encouraged by the Company, to consult my financial and legal advisers in determining whether to invest in the Subscribed Units.

- D. I understand the risks implicit in the business of the Company. Among other things, I understand that there is no assurance that the Company will be successful in obtaining the funds necessary for its success.
- E. No person or entity has made any representation or warranty whatsoever with respect to any matter or thing concerning the Company and this offering, and I am purchasing the Units based solely upon my own investigation and evaluation.
- F. I acknowledge that the Units are being sold by the Company in a non-public offering pursuant to the exemption from registration provided by Section 4(2) of the Securities Act, and/or Rule 506 of Regulation D promulgated thereunder. I acknowledge that this offering consequently has not been reviewed by the Securities and Exchange Commission. I understand that no Units have been qualified pursuant to the provisions of the securities or other laws of applicable jurisdictions.
- G. The Units for which I subscribe are being acquired solely for my own account, for investment and are not being purchased with a view to or for their resale or distribution. In order to induce the Company to sell Units to me, the Company will have no obligation to recognize the ownership, beneficial or otherwise, of the Units by anyone but me. I understand that the Units have not been registered under the Securities Act by reason of a claimed exemption under the provisions of the Securities Act which depends, in part, upon my investment intention.
- H. I have not received any advertisement or general solicitation with respect to the sale of the Units.
- I. If I am a Registered Representative of an FINRA member firm, I acknowledge that I must give such firm the notice required by FINRA's Rules of Fair Practice or any applicable successor rule of FINRA, receipt of which must be acknowledged by such firm on the signature page hereof.
- J. Except as specifically indicated to the contrary on the Subscription Agreement, I certify that my taxpayer identification number is correct and, if I am not a corporation, IRA, Keogh, or Qualified Trust (as to which there would be no withholding), I am not subject to backup withholding on interest or dividends. If I have not provided a taxpayer identification number certified to be correct or do not make the certification that I am not subject to backup withholding, then I may be subject to twenty percent (20%) withholding on interest or dividends paid to me.
- K. I represent and warrant that I am an "accredited investor" and come within one or more of the categories set forth below.

Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase, exceeds \$1,000,000;

Explanation. In calculating net worth you may include equity in personal property and real estate, including your principal residence, cash, short-term investments, stock and securities. Equity in personal property and real estate should be based on the fair market value of such property less debt secured by such property.

- (2) Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

Explanation. In determining income, an investor should add to the investor's adjusted gross income any amounts attributable to tax exempt income received, losses claimed as a limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA or KEOGH retirement plan, alimony payments, and any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income.

- (3) A bank as defined in Section 3(a)(2) of the Securities Act or any savings and loan company or other institution as defined in Section 3(a)(5) of the Securities Act, whether acting in its individual or fiduciary capacity;
- (4) Any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended;
- (5) An insurance company as defined in Section 2(13) of the Securities Act;
- (6) An investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act;
- (7) A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958;
- (8) An employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- (9) Any private business development company, as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;
- (10) An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose, of acquiring the securities offered, with total assets in excess of \$5,000,000;
- (11) Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the Act; and
- (12) An entity in which

Subscriber belongs to this investor category only, a list of the equity owners of the Subscriber, and the investor category which each such equity owner satisfies, should be attached to this Agreement as Attachment A.

- O. I understand that the Subscribed Units and any shares issuable upon exercise of the Warrants (collectively, the "Covered Securities") are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering, and that under such laws and applicable regulations such Covered Securities cannot be resold unless they are registered under the Securities Act or unless an exemption from registration is available. It is understood that any certificates or other documents evidencing the Covered Securities may bear a legend substantially as follows:

"These securities have not been registered under the Securities Act. They may not be sold, offered for sale, pledged or hypothecated in the absence of a registration statement in effect with respect to the securities under such Act or an opinion of counsel satisfactory to the Company that such registration is not required."

I hereby agree that the Company shall be required to refuse to register any transfer of the Covered Securities not made pursuant to registration under the Securities Act, or pursuant to an available exemption from registration.

- P. I understand that the Company reserves the unrestricted right to reject or limit any subscription.
- Q. I hereby represent that, except as set forth in this Subscription Agreement, no representations or warranties have been made to me by the Company, the Managers or any agent, finder, employee or affiliate of the Company, and in entering into this transaction, I am not relying on any information, other than that contained in the Memorandum and the results of independent investigation by me.
- R. This Subscription Agreement has been duly executed and delivered by me and constitutes the legal, valid, binding and enforceable obligation of me, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity.
- S. Each of the representations and warranties herein shall survive the execution and delivery of this Subscription Agreement, any investigation by or on behalf of the Company and the issuance of the Subscribed Units.

The foregoing representations and warranties are true and accurate as of the date hereof, shall be true and accurate as of the date of the delivery of the funds to the Company and shall survive such delivery.

3. Indemnification. I understand the meaning and legal consequences of the representations and warranties contained herein, and I will indemnify and hold harmless the Company, its officers, directors, managers and representatives involved in the offer or sale of the Units to me, as well as each of the managers and representatives, employees and agents and other controlling persons of each of them, from and against any and all loss, damage or liability due to or arising out of a breach of any representation or warranty of mine contained in this Subscription Agreement.

4. Revocation. I will not cancel, terminate or revoke this Subscription Agreement or any agreement made by me hereunder and this Subscription Agreement shall survive my death or disability.

5. Termination of Agreement. If this subscription is rejected by the Company, then this Subscription Agreement shall be null and void and of no further force and effect, no party shall have any rights against any other party hereunder, and the Company shall promptly return to me any and all funds delivered with this Subscription Agreement.

6. Miscellaneous.

A. Any dispute involving, arising out of or related to the interpretation, application or enforcement of this Subscription Agreement shall be submitted to binding arbitration before the American Arbitration Association, whose rules applicable to commercial disputes shall apply except as modified hereby. The arbitration hearing shall take place in Los Angeles County, California before one arbitrator, who shall be a retired judge. The arbitrator shall comply with the provisions hereof unless the parties to the arbitration consent in writing otherwise. The arbitrator may award attorney and expert witness fees and costs to the successful party and may award exemplary or punitive damages as well. The arbitrator shall submit a written finding of facts and conclusions of law. The arbitrator shall have authority only to interpret and apply provisions of this Subscription Agreement and shall have no authority to add to, subtract from or modify terms of this Subscription Agreement except to the extent otherwise provided herein. The judgment of the arbitrator shall be binding and may be entered as a final judgment by any court having jurisdiction over the parties hereto. THE PARTIES UNDERSTAND AND ACKNOWLEDGE THAT UNDER THIS SECTION EACH WAIVES THE RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY ARBITRABLE CONTROVERSY OR CLAIM. Prior to arbitration, if the parties agree they shall first participate in mediation of any dispute. The mediator shall be selected pursuant to the rules of the American Arbitration Association unless otherwise agreed by the parties, and shall be conducted in accordance with the mediation procedures of the American Arbitration Association; provided, however, that a matter subject to mediation pursuant to this Section that is not resolved by mediation within thirty (30) days shall be submitted to binding arbitration pursuant to this Section.

- B. This Subscription Agreement is expressly not intended for the benefit of any other person; and except and only to the extent provided by applicable statute, no such creditor or third party shall have any rights under this Subscription Agreement.
- C. Except as otherwise provided in this Subscription Agreement, any notice required or permitted to be given pursuant to the provisions of this Subscription Agreement shall be effective as of the day personally delivered, or if sent by mail, on the third day after deposit with the United States Postal Service, prepaid and addressed to the intended recipient at the address set forth below the signature of such party to this Subscription Agreement or such other address specified in writing by such party pursuant to written notice in accordance herewith, or, if sent by facsimile, when confirmed.
- D. This Subscription Agreement constitutes the entire agreement between the parties pertaining to the subject matter of the transactions contemplated by this Subscription Agreement. This Subscription Agreement supersedes all written or oral, prior and contemporaneous agreements, representations, warranties and understandings of the parties with respect thereto.
- E. This Subscription Agreement and the rights of stockholders shall be governed by and construed and enforced in accordance with the internal laws of the state of California, inclusive of any statutes of limitation, but without regard to the conflict of laws rules thereof. Jurisdiction and venue for any action concerning a dispute involving, arising out of or related to the interpretation, application or enforcement of this Subscription Agreement shall be in Los Angeles County, California.
- F. This Subscription Agreement may be executed in several counterparts and all counterparts so executed shall constitute one Subscription Agreement binding on all parties hereto, notwithstanding that all the parties are not signatories to the original or the same counterpart. Facsimile signatures shall be acceptable as if original signatures had been exchanged.
- G. If a court or an arbitrator of competent jurisdiction holds any provision of this Subscription Agreement to be illegal, unenforceable or invalid in whole or in part for any reason, such provision shall be adjusted rather than voided, if possible to achieve the intent of the parties to the extent possible, and in any event the validity and enforceability of the remaining sections shall not be affected unless an essential purpose of this Subscription Agreement would be defeated by the loss of the illegal, unenforceable, or invalid provision. Without limiting the foregoing, in the event that any provision of this Subscription Agreement relating to time period and areas of restriction shall be declared by an arbitrator or court of competent jurisdiction to exceed the maximum time period or areas such arbitrator or court deems reasonable and enforceable, the agreed upon time period and areas of restriction shall be deemed to become and thereafter be the maximum time period and areas which said arbitrator or court deems reasonable and enforceable.
- H. This Subscription Agreement may be amended or modified from time to time only by a written instrument executed by all parties hereto.
- I. Except as herein otherwise provided, this Subscription Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, successors and assigns.
- J. Headings are used merely for reference purposes and do not affect content in any manner.
- K. Wherever applicable, references herein to the masculine, feminine or neuter shall equally apply to the neuter, feminine and masculine. Furthermore, wherever applicable in this Subscription Agreement, the singular shall include the plural. Except as otherwise provided herein, "Person" means any natural person, firm or corporation or any group of individuals, firms or corporations, or any other entities.
- L. Time is of the essence of every provision of this Subscription Agreement that specifies a time for performance.
- M. The parties agree to execute and deliver all such further documents, agreements and instruments and take such other and further action as may be necessary or appropriate to carry out the purposes and intent of this Subscription Agreement.

7. **Ownership Information.** Please print here the total number of Units to be purchased, and the exact name(s) in which the Interest(s) will be held; then sign and date this document in the space below.

Total Units: _____; total purchase price \$ _____ (\$1.00 per Unit)

Names: _____
_____ Single Person _____ Husband and Wife, as community property
_____ Joint Tenants (with right of Survivorship) _____ Tenants in Common
_____ A Married Person as separate property _____ Corporation of other organization
_____ A Partnership _____ Trust
_____ Other: _____

Social Security Number or Tax I.D. Number: _____

Residence Address: _____

Mailing Address (if different): _____

Email Address: _____

Phone Numbers:
Home: (____) _____
Business (____) _____
Facsimile (____) _____

8. **Date and Signatures – Individual Investor.** Dated _____, 200__

Signature(s) Purchaser Name (Print)

(Each co-owner or joint venture owner must sign – Names must be signed exactly as listed under "Purchaser Name")

9. **Date and Signatures –Legal Entity (partnership, corp., etc).** _____, 200__ Dated

_____ Name of Entity	_____ Number of Partners (if applicable)
_____ Signature	_____ Person's Name (Print) and Title/Position Of Person Signing on Behalf of Entity

ACCEPTED:

INTERNATIONAL STEM CELL CORPORATION

By: _____ Dated: _____, 200__

FORM OF WARRANT CERTIFICATE

WARRANT TO PURCHASE UP TO

SHARES OF COMMON STOCK
OF
INTERNATIONAL STEM CELL CORPORATION

THE SECURITIES REPRESENTED HEREBY AND THE UNDERLYING SHARES OF COMMON STOCK HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SALE OF SUCH SECURITIES UNDER SAID ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

This certifies that, for value received, _____ (the "Holder") is entitled to purchase from International Stem Cell Corporation (the "Company"), and the Company promises and agrees to sell and issue to Holder, up to _____ shares of Common Stock of the Company, at a per share price of Fifty Cents (\$0.50) (the "Warrant Price"), subject to adjustment as hereinafter provided, at any time on and after the date of this Warrant and on or before December 10, 2012. The Holder and all other persons acquiring similar Warrants to purchase Common Stock from the Company are sometimes hereinafter referred to collectively as the "Holders" and individually as a "Holder").

This Warrant Certificate evidences the right to purchase shares of Common Stock of the Company and is issued in accordance with and subject to the following terms and conditions:

I. THE WARRANTS

1.01 General. The Warrants shall be numbered and registered on the books of the Company when issued. The Warrants shall be dated as of the date of signature thereof on behalf of the Company either upon initial issuance or upon division, exchange, substitution or transfer.

1.02 Transfer. The Warrants shall be transferable only on the books of the Company maintained at its principal executive office upon delivery thereof duly endorsed by the Warrant holders or by their duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment or authority to transfer. Upon any registration to transfer, the Company shall execute and deliver a new Warrant to the person entitled thereto.

1.03 Combination or Transfer of Warrants. Any Warrant may be divided or combined, upon request to the Company by the Holder of such Warrant, into a new Warrant certificate or certificates evidencing the same aggregate number of shares of Common Stock of the Company represented by the Warrant ("Warrant Shares") issuable thereunder. Unless the context indicates otherwise, the term "Holder" shall include any transferee or transferees of any Warrant, and the term "Warrants" shall include this Warrant and all other warrants evidenced by a certificate or certificates issued upon division, exchange, substitution or transfer.

1.04 Validity of Warrants and Warrant Shares. The Company represents and warrants to the Holder that (i) this certificate representing the Warrant issued to the Holder is in due and proper form, (ii) the Warrants and the Warrant Shares have been duly authorized by all necessary corporate action on the part of the Company, (iii) the Warrants (upon payment of the consideration therefor) will be validly issued, fully paid and non-assessable, (iv) the Holder will acquire valid title to such Warrants free and clear of any encumbrances, and (v) the Warrant Shares issuable upon exercise of such Warrants have been duly and validly reserved and upon issuance and upon payment of the exercise price therefor will be duly and validly issued, fully paid and nonassessable.

1.05 Term. Subject to the terms of this Warrant Certificate, each Holder shall have the right, for the period commencing on the date on which the Warrants are first issued by the Company and ending on the Termination Date (as hereinafter defined), to purchase up to the number of Warrant Shares specified on the face of the Warrant Certificate, subject to adjustment in accordance hereto, upon surrender to the Company at its principal executive office of the certificate evidencing the Warrant to be exercised, together with a written election to exercise duly completed and signed, and upon payment to the Company of the Warrant Price (as defined in and determined in accordance with the provisions of this Article) for the number of Warrant Shares in respect of which the Warrant is then exercised. Payment of the aggregate Warrant Price shall be made by wire transfer, in cash or by certified check. "Termination Date" shall mean 5:00 p.m., Los Angeles time, on December 10, 2012.

1.06 Exercise of Warrants.

(a) Cash Exercise. Upon notice by any Holder to the Company and upon surrender of the Warrant Certificate for the Warrants to be exercised and payment of such Warrant Price, the Company shall issue and cause to be delivered, within five (5) business days after payment is received by the Company, to or upon the written order of such Holder and in such name or names as such Holder may designate, a certificate or certificates for the number of full Warrant Shares so purchased upon the exercise of such Warrants, together with payment in respect of any fractional shares otherwise issuable upon such surrender. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of the Warrant Shares as of the date of the surrender of such Warrant and payment of the Warrant Price, as aforesaid; provided, however, that if, at the date of surrender of such Warrants and payment of the Warrant Price, the transfer books for the Warrant Shares or other class of stock purchasable upon the exercise of such Warrant shall be closed, the certificates for the Warrant Shares in respect of which such Warrants are then exercised shall be issuable as of the date on which such books shall next be opened (whether before or after the Termination Date) and until such date the Company shall be under no duty to deliver any certificate for such Warrant Shares; provided, further, that the transfer books of record, unless otherwise required by law, shall not be closed at any one time for a period longer than twenty (20) days. The rights of purchase represented by each Warrant shall be exercisable, at the election of the Holder, either in full or from time to time in part and, in the event that a certificate evidencing any Warrant is exercised in respect of less than all of the Warrant Shares specified therein at any time prior to the date of expiration of such Warrant, a new certificate evidencing the right to acquire the remaining unacquired Warrant Shares will be promptly issued by the Company.

(b) Cashless Exercise Right. Notwithstanding the payment provisions set forth above, the Holder may elect to convert Warrants into Warrant Shares (a "Cashless Exercise Right") by surrendering the Warrant Certificate for the subject Warrants at the principal office of the Company and delivering to the Company written notice of the Holder's intention to exercise this Cashless Exercise Right, which notice shall specify the number of Warrant Shares subject to this Cashless Exercise Right (hereinafter, a "Cashless Exercise"). Upon such delivery, the Company shall issue to the Holder the number of Warrant Shares equal to the result obtained by (a) subtracting B from A, (b) multiplying the difference by C, and (c) dividing the product by A, as set forth in the following equation:

$$X = \frac{(A - B) \times C}{A} \quad \text{where:}$$

X = the number of Warrant Shares issuable upon net issuance exercise pursuant to the provisions of this Section 1.06(b).

A = the Fair Market Value (as hereinafter defined) of one Warrant Share on the date of net issuance exercise.

B = the Warrant Price.

C = the number of Warrant Shares for which this Warrant is being exercised.

If the foregoing calculation results in a negative number, then no Warrant Shares shall be issued upon net issuance exercise pursuant to this Section 1.06(b).

(c) Definition of Fair Market Value. "Fair Market Value" shall be the closing sale price for one share of the Company's Common Stock on the business day immediately prior to the date on which the Company receives written notice of the Cashless Exercise, or if no sale occurred on such date, the average of the bid and asked prices for one share of the Company's Common Stock on such date.

1.07 Payment of Taxes. The Company shall pay all stock transfer taxes and similar governmental charges that may be imposed with respect to the issuance of Warrant Shares; provided, however, that the Company shall not be required to pay any tax or other charge imposed in connection with any transfer of Warrants or the issuance or delivery of certificates for Warrant Shares to a person or entity other than a then existing Holder of the Warrant; provided, further, that the Company shall not be required to pay any income or other similar tax levied on any Holder of the Warrant.

1.08 Mutilated or Missing Warrant. In case the certificate or certificates evidencing any Warrant shall be mutilated, lost, stolen or destroyed, the Company shall, at the request of the Holder and upon delivery by the Holder to the Company of reasonably satisfactory proof thereof and (except in the case of a mutilated certificate) an indemnity agreement satisfactory to the Company, issue and deliver in exchange and substitution for and upon cancellation of the mutilated certificate or certificates, or in lieu of and substitution for the certificate or certificates lost, stolen or destroyed, a new Warrant certificate or certificates of like tenor and representing an equivalent right or interest.

1.09 Reservation of Shares. There has been reserved, and the Company shall at all times keep reserved so long as the Warrants remain outstanding, out of its authorized but unissued Common Stock a number of shares of Common Stock sufficient to provide for the exercise of the rights of purchase represented by the outstanding Warrants.

1.10 Warrant Price. The price per share (the "Warrant Price") at which Warrant Shares shall be purchasable upon exercise of the Warrants shall be Fifty Cents (\$0.50) per share, subject to further adjustment pursuant to this Article.

1.11 Adjustments of Warrant Shares and/or Warrant Price. The number of Warrant Shares purchasable upon the exercise of the Warrants and the Warrant Price therefor shall be subject to adjustment as follows:

(a) In case the Company shall (i) pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock, (ii) subdivide or split its outstanding shares of Common Stock, (iii) combine in the form of a reverse stock split or otherwise change its outstanding shares of Common Stock into a smaller number of shares of Common Stock or (iv) issue, by reclassification of its shares of Common Stock, other securities of the Company, the number of Warrant Shares purchasable upon exercise of each Warrant immediately prior thereto shall be adjusted so that the Holder holding such Warrant shall be entitled to receive the kind and number of shares or other securities of the Company which the Holder would have owned or have been entitled to receive after the happening of any of the events described above had such Warrant been exercised immediately prior to the happening of such event or any record date with respect thereof.

(b) In case the Company shall issue rights, options, warrants or convertible securities to all or substantially all holders of its shares of Common Stock, without any charge to such holders, entitling them to subscribe for or purchase shares of Common Stock at a price per share which is lower at the record date mentioned below than the Warrant Price, the number of Warrant Shares thereafter purchasable upon the exercise of each Warrant shall be determined by multiplying the number of Warrant Shares theretofore purchasable upon the exercise of such Warrant by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options or warrants plus the number of additional shares of Common Stock offered for subscription or purchase to all or substantially all holders of its shares of Common Stock, and of which the denominator shall be the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options or warrants plus the number of shares which the aggregate offering price of the total number of shares of Common Stock so offered would purchase at such Warrant Price. Such adjustment shall be made whenever such rights, options or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights, options or warrants; provided, however, that in no event shall the number of Warrant Shares purchasable upon exercise of such Warrant be adjusted pursuant to the computation provided in this subsection 1.11(b) to a number less than the number of Warrant Shares purchasable immediately prior to such computation.

(c) In case the Company shall distribute to all or substantially all holders of its shares of Common Stock evidences of its indebtedness or assets (excluding cash dividends or distributions out of earnings) or rights, options, warrants or convertible securities containing the right to subscribe for or purchase shares of Common Stock (excluding those referred to in paragraph (b) above), then in each case the number of Warrant Shares thereafter purchasable upon the exercise of each Warrant shall be determined by multiplying the number of Warrant Shares theretofore purchasable upon exercise of such Warrant by a fraction, of which the numerator shall be the Warrant Price on the date of such distribution, and of which the denominator shall be such Warrant Price on such date minus the then fair value of the portion of the assets or evidences of indebtedness so distributed or such subscription rights, options, warrants or convertible securities applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective on the date of distribution retroactive to the record date for the determination of stockholders entitled to receive such distribution; provided, however, that in no event shall the number of Warrant Shares purchasable upon exercise of such Warrant be adjusted pursuant to the computation provided in this subsection 1.11(c) to a number less than the number of Warrant Shares purchasable immediately prior to such computation.

(d) No adjustment in the number of Warrant Shares purchasable hereunder shall be required unless such adjustment would require an increase or decrease of at least one percent in the number of Warrant Shares then purchasable upon the exercise of the Warrants; provided, however, that any adjustments which by reason of this subsection 1.11(d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(e) Whenever the number of Warrant Shares purchasable upon the exercise of any Warrant is adjusted, as herein provided, the Warrant Price payable upon exercise of such Warrant shall be adjusted by multiplying such Warrant Price immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Warrant Shares purchasable upon the exercise of such Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Warrant Shares so purchasable immediately thereafter.

(f) If the Company shall issue, after the date of this Warrant (the "Issue Date"), (i) not less than two hundred fifty thousand (250,000) shares of Common Stock for a purchase price per share less than the Warrant Price in effect immediately prior to such issuance (other than pursuant to the exercise or conversion or options, warrants or rights outstanding as of the Issue Date), or (ii) options, warrants or rights to purchase shares of Common Stock, or convertible securities convertible into or exchangeable for shares of Common Stock (such options, warrants, rights and convertible securities are hereinafter referred to collectively as "Common Stock Rights"), which Common Stock Rights are exercisable for or convertible into not less than two hundred fifty thousand (250,000) shares of Common Stock at an exercise price or conversion rate per share that is less than the Warrant Price in effect immediately prior to such issuance, then, in either such event, the Warrant Price shall automatically be adjusted to equal the purchase price of such shares or the exercise price or conversion rate of the Common Stock Rights, as applicable.

(g) Upon the occurrence of each adjustment or readjustment of the number of Warrant Shares issuable upon exercise of the Warrants or the Warrant Price pursuant to this Section 1.11, the Company at its expense shall promptly compute such adjustment or readjustment and furnish to the Holder a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of any Holder, furnish or cause to be furnished to the Holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Warrant Price in effect at the time, and (iii) the number of Warrant Shares and the amount, if any, of other property which at the time would be received upon exercise of the Warrants.

(h) For the purpose of this Section 1.11, the term "shares of Common Stock" shall mean (i) the class of stock designated as the Common Stock of the Company at the date of this Agreement or (ii) any other class of stock resulting from successive changes or reclassifications of such shares of Common Stock. In the event that at any time, as a result of an adjustment made pursuant to this Article II, the Holders shall become entitled to purchase any shares of the Company other than shares of Common Stock, thereafter the number of such other shares so purchasable upon exercise of the Warrants and the Warrant Price of such shares shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Warrant Shares contained in this Section 1.11.

(i) Upon the expiration without exercise of any rights, options, warrants or conversion privileges for which an adjustment has been made pursuant to this Section 1.11, the number of Warrant Shares purchasable upon exercise of each Warrant and the Warrant Price, to the extent such Warrant has not been exercised, shall, upon such expiration, be readjusted and shall thereafter be such as they would have been had they been originally adjusted (or had the original adjustment not been required, as the case may be) on the basis that (i) the only shares of Common Stock so issued were the shares of Common Stock, if any, actually issued or sold upon the exercise of such rights, options, warrants or conversion rights and (ii) such shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise plus the consideration, if any, actually received by the Company for the issuance, sale or grant to all of such rights, option, warrants or conversion rights whether or not exercise; provided, however, that no such readjustment shall have the affect of increasing the Warrant Price by an amount in excess of the amount of the adjustment initially made in respect of the issuance, sale or grant of such rights, options, warrants or convertible rights.

1.12 No Adjustment for Dividends. Except as provided in Section 1.11, no adjustment in respect of any dividends shall be made during the term of the Warrants or upon the exercise of the Warrants.

1.13 Rights upon Reclassification, Consolidation, Etc. in case of any consolidation of the Company with, or merger of the Company into, another corporation or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the Company or such successor or purchasing corporation, as the case may be, shall execute, and the Holders shall execute, an agreement that the Holders will have the right thereafter upon payment of the Warrant Price in effect immediately prior to such action to purchase upon exercise of the Warrants the kind and amount of shares and other securities and property which they would have owned or have been entitled to receive after the happening of such consolidation, merger, sale or conveyance had the Warrants been exercised immediately prior to such action or the record date therefor, whichever would be greater. Such agreement shall provide for adjustments, which shall be as nearly equivalent as may be practicable to the adjustments provided for herein. The provisions of this Section 1.13 shall similarly apply to successive consolidations, mergers, sales or conveyances.

1.14 Statement on Warrants. Irrespective of any adjustments in the Warrant Price or the number or kind of securities purchasable upon the exercise of the Warrants, the Warrant certificates theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in the Warrants initially issuable pursuant hereto.

1.15 Fractional Interests. The Company shall not be required to issue fractional shares on the exercise of the Warrants. In the event any fractional shares are so issuable, the Company shall round such fraction down to the nearest whole share.

1.16 No Rights as Stockholder; Notices to Holders. Nothing contained in this Warrant shall be construed as conferring upon the Holders or their transferees any rights whatsoever as stockholders of the Company by virtue of the ownership of the Warrants, including the right to vote, receive dividends, consent or receive notices as a stockholder in respect of any meeting of stockholders for the election of directors of the Company or any other matter. If, however, at any time prior to the expiration of the Warrants and prior to their exercise, any of the following events shall occur:

- (a) the Company shall declare any dividend payable in any securities upon any class of its shares of capital stock or make any distribution (other than a cash dividend) to the holders of any class of its capital stock;
- (b) the Company shall offer to the holders of any class of its shares of capital stock any additional shares of capital stock or securities convertible into shares of any class of capital stock or any right to subscribe thereto;
- (c) a dissolution, liquidation or winding up of the Company shall be proposed; or
- (d) a consolidation of the Company with, or merger of the Company into, another corporation, or a sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety or any other corporate reorganization in which the Company is the acquired party shall be proposed;

then in any of said events, the Company shall give notice in writing of such event to the Holders as provided by the provisions of this Agreement (i) at least 10 days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution or subscription rights, or for the determination of stockholders entitled to vote on such proposed dissolution, liquidation or winding up, and (ii) at least 10 days prior to the effective date or the closing date, whichever is earlier, of such proposed merger, consolidation, sale, conveyance or other reorganization. Such notice shall specify such record date, the date of closing the transfer books, and the effective date or the closing date, as the case may be.

1.17 Authority of Board in Certain Events. If any event occurs as to which, in the good faith opinion of the Board of Directors of the Company, the other provisions of this Article I are not strictly applicable or as strictly applied would not fairly protect the purchase rights of the Warrant in accordance with the essential intent and principles of such provisions, then the Board shall have the authority to make an adjustment in the application of such provisions, in accordance with principles of equity and fairness, in order to accomplish the intent and principles of such provisions, provided that no such adjustment may be to the detriment of the rights of the

II. MISCELLANEOUS PROVISIONS

2.01 Survival of Representations, Warranties and Agreements. Notwithstanding any investigation conducted or notice or knowledge obtained by or on behalf of any Holder, each representation and warranty of the Company herein and each agreement or covenant of the Company herein which does not by its own terms expire at an earlier time shall survive until the exercise or expiration of the Warrants, and any claim for breach of any representation or warranty in this Warrant must be brought within one (1) year after such exercise or expiration.

2.02 Governing Law. THIS WARRANT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES CREATED HEREBY SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD TO THE CONFLICT OF LAW RULES THEREOF.

2.03 Severability of Provisions. If any provision of any portion of any provision of this Warrant or the application of any such provision or any portion thereof to any person or circumstance, shall be held invalid or unenforceable for any reason, it shall be adjusted rather than voided, if possible, to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Warrant shall be deemed valid and enforceable to the extent possible.

2.04 Modification; Waiver. No modification of or amendment to the terms of this Warrant shall be valid unless in a writing signed by the Company and all Holders referring specifically to this Agreement and stating the parties' intention to modify or amend the same. Any waiver of any term or condition of this Warrant must be in a writing signed by the party or parties sought to be charged with such waiver referring specifically to the term or condition to be waived, and no such waiver shall be deemed to constitute the waiver of any other breach of the same or of any other term or condition of this Warrant.

2.05 Gender. The use of the masculine, feminine or neuter gender herein shall be deemed to include the other genders.

IN WITNESS WHEREOF, International Stem Cell Corporation has caused this Warrant to be duly executed on its behalf as of the ____ day of _____, 2008.

INTERNATIONAL STEM CELL CORPORATION

By: _____

