
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 8, 2016

INTERNATIONAL STEM CELL CORPORATION

(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)

5950 Priestly Drive, Carlsbad, California 92008
(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 CFR 240.13e-4(c))
-
-

Item 1.01 Entry into a Material Definitive Agreement.

On January 8, 2016, to obtain funding for working capital purposes and to refinance the indebtedness incurred on December 10, 2015, International Stem Cell Corporation (the “Company”) issued an unsecured, non-convertible promissory note in the principal amount of \$3,810,000 (the “Note”) to Dr. Andrey Semechkin in return for Dr. Semechkin (i) surrendering the note issued to him by the Company on December 10, 2015 in the principal amount of \$3,110,000 and (ii) providing an additional \$700,000 of funds to the Company. Dr. Semechkin is the Company’s Co-Chairman and Chief Executive Officer.

The principal amount under the Note accrues interest at a rate of One Half of One Percent (0.50%) per annum. The Note is due and payable March 10, 2016 but may be pre-paid by the Company without penalty at any time.

The foregoing summary of the Note is qualified in its entirety by reference to the full text of the form of Note filed as Exhibit 10.1 to this Current Report on Form 8-K.

On January 8, 2016, International Stem Cell Corporation (the “Company”) entered into a Note Conversion Agreement with Dr. Andrey Semechkin, the Company’s Co-Chairman and Chief Executive Officer (the “Conversion Agreement”). The Conversion Agreement provides for the conversion of the outstanding principal amount of, and all accrued and unpaid interest under, the promissory note issued to Dr. Semechkin on January 8, 2016 into shares of the Company’s common stock (the “Common Stock”), Series A warrants to purchase shares of Common Stock and Series B warrants to purchase shares of Common Stock (collectively, the “Warrants” and, together with the Common Stock, the “Securities”) on the terms and conditions equivalent to those offered to purchasers under the Company’s proposed offering set forth on the Registration Statement on Form S-1 (No. 333-205193).

In connection with the Conversion Agreement, the Company also entered into a Registration Rights Agreement (the “Registration Rights Agreement”) with Dr. Semechkin which provides Dr. Semechkin with the right on one occasion to request registration of the common stock issued or issuable as part of the Securities, together with other shares of common stock issued to (or issuable on conversion of shares of preferred stock or exercise of warrants held by) Dr. Semechkin, his affiliates and members of his immediate family, but only at such time as the Company meets the requirements for the registration of securities on Form S-3, or such other registration statement allowing for an offering to be made on a continuous basis pursuant to Rule 415 of the Securities Act of 1933, as amended, and providing for the incorporation by reference (similar to Form S-3) of future filings pursuant to the Securities Exchange Act of 1934, as amended.

The foregoing descriptions of the Conversion Agreement and the Registration Rights Agreement are subject to, and qualified in their entirety by, such documents attached hereto as Exhibits 10.2 and 10.3, respectively, which are incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities.

The information included in Item 1.01 above is incorporated by reference into this Item 3.02.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits**

<u>Exhibit Number</u>	<u>Description</u>
10.1	Form of Note issued on January 8, 2016
10.2	Note Conversion Agreement, dated January 8, 2016, by and between International Stem Cell Corporation and Andrey Semechkin.
10.3	Registration Rights Agreement, dated January 8, 2016, by and between International Stem Cell Corporation and Andrey Semechkin.

Signature(s)

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

Date: January 12, 2016

By: /s/ Mahnaz Ebrahimi
Mahnaz Ebrahimi
Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
10.1	Form of Note issued on January 8, 2016
10.2	Note Conversion Agreement, dated January 8, 2016, by and between International Stem Cell Corporation and Andrey Semechkin.
10.3	Registration Rights Agreement, dated January 8, 2016, by and between International Stem Cell Corporation and Andrey Semechkin.

**INTERNATIONAL STEM CELL CORPORATION
PROMISSORY NOTE**

FOR VALUE RECEIVED, and subject to the terms and conditions set forth herein, on this 18th day of January, 2016 (the “**Issuance Date**”), International Stem Cell Corporation, a Delaware corporation (the “**Borrower**”), hereby unconditionally promises to pay to the order of Andrey Semechkin or his assigns (the “**Noteholder**”), the principal amount of *three million eight hundred ten thousand dollars* (\$3,810,000) (the “**Loan**”), together with all accrued interest thereon, as provided in this Promissory Note (the “**Note**”).

1. Previous Loan. On December 10, 2015 Noteholder was issued a Promissory Note in the principal amount of \$3,110,000 by the Borrower (the “**Original Note**”). The Noteholder and the Borrower have agreed to revise the Original Note to extend the maturity date set forth therein to March 10, 2016. On January 8, 2016, the Noteholder provided an additional \$700,000 of funds to the Borrower and surrendered the Original Note, in return for which the Noteholder was issued this Note, reflecting the revised terms of the Loan.

2. Final Payment Date; Optional Prepayments.

2.1 Final Payment Date. The aggregate unpaid principal amount of the Loan and all accrued and unpaid interest shall be due and payable March 10, 2016 (the “**Maturity Date**”).

2.2 Optional Prepayment. The Borrower may prepay the Loan in whole or in part at any time or from time to time without penalty or premium by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. No prepaid amount may be reborrowed.

3. Interest.

3.1 Interest Rate. The outstanding principal amount of the Loan made hereunder shall bear interest at the annual rate of One-Half of One Percent (0.50%) from the date the Loan was made until the Loan is paid in full, whether at maturity, by prepayment or otherwise.

3.2 Interest Payment Dates. Interest shall be payable on maturity, or earlier with respect to any prepayment.

3.3 Computation of Interest. All computations of interest shall be made on the basis of a year of 360 days and the actual number of days elapsed. Interest shall accrue on the Loan on the day on which such Loan is made, and shall not accrue on the Loan (or any portion thereof) for the day on which it is paid.

3.4 Interest Rate Limitation. If at any time and for any reason whatsoever, the interest rate payable on the Loan shall exceed the maximum rate of interest permitted to be charged by the Noteholder to the Borrower under applicable law, such interest rate shall be reduced automatically to the maximum rate of interest permitted to be charged under applicable law, and that portion of any sum paid attributable to that portion of such interest rate that exceeds the

maximum rate of interest permitted by applicable law shall be deemed a voluntary prepayment of principal.

4. Payment Mechanics. All payments of principal and interest shall be made in lawful money of the United States of America by check or by wire transfer of immediately available funds to the Noteholder’s account at a bank specified by the Noteholder in writing to the Borrower from time to time.

5. Governing Law. This Note and any claim, controversy, dispute or cause of action based upon, arising out of or relating to this Note, and the transactions contemplated hereby, shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, the Borrower has executed this Note as of the Issuance Date written above.

BORROWER
International Stem Cell Corporation

NOTEHOLDER
Andrey Semechkin

Signature

Signature

Mahnaz Ebrahimi

Chief Financial Officer

NOTE CONVERSION AGREEMENT

THIS NOTE CONVERSION AGREEMENT (the "**Agreement**") is made as of January 8, 2016, by and among International Stem Cell Corporation, a Delaware corporation (the "**Company**"), and Andrey Semechkin (the "**Holder**").

RECITALS

A. Holder is the Co-Chairman and Chief Executive Officer of the Company, and fully understands the present condition, opportunities and risks of the Company, as well as the terms of the contemplated Offering (as defined below).

B. The Company previously issued that certain promissory note to the Holder on January 8, 2016 and in the principal amount set forth opposite the Holder's name on Exhibit A (the "**Note**").

C. The Company has proposed and the Holder has agreed to convert the outstanding principal amount of, and all accrued and unpaid interest under (collectively, the "**Outstanding Amount**"), the Note into shares of the Company's common stock (the "**Common Stock**"), Series A warrants to purchase shares of Common Stock and Series B warrants to purchase shares of Common Stock (collectively, the "**Warrants**") on the terms and conditions equivalent to those offered to purchasers under the Company's proposed offering set forth on the Registration Statement on Form S-1 (No. 333-205193) (the "**Offering**").

D. The Company and the Holder desire to enter into this Agreement to confirm their agreement to convert all outstanding principal and interest payable under the Note into shares of the Common Stock and Warrants (the "**Conversion**"), with such conversion to be effective at the closing of the Offering.

AGREEMENT

In consideration of the foregoing and the mutual covenants contained herein, the parties hereto agree as follows:

1. Effective at the time of the closing of the Offering, (i) the outstanding principal amount and all accrued and unpaid interest on the Note shall be converted into that number of shares of Common Stock and Warrants which would be issued if Holder paid such Outstanding Amount in connection with the Offering. Any portion of the Outstanding Amount that would otherwise result in the issuance of a fractional share or fractional warrants shall be repaid in cash. Upon issuance of the shares of Common Stock and Warrants to the Holder pursuant to this Agreement and payment of the remaining Outstanding Amount (in lieu of fractional shares or warrants), all obligations of the Company to the Holder pursuant to the Note shall immediately terminate and the Note shall be canceled and have no further force and effect.

2. Immediately following the Conversion, the Holder shall deliver Holder's Note to the Company for cancellation and the Company shall issue and deliver to the Holder the shares of Common Stock and Warrants (and cash in lieu of fractional shares or warrants) that such Holder is entitled to receive pursuant to the terms of this Agreement. Notwithstanding the

foregoing or anything to the contrary contained herein, the full amount of the Note shall automatically convert as described herein at the closing of the Offering without any further action required by the Holder of the Note, with the delivery of the Note for cancellation being only a matter of administrative maintenance.

3. Holder understands that the securities received upon conversion of the Note have not been registered under federal or state securities laws and, as such, cannot be sold unless so registered or an exemption from such registration becomes available in the future. In recognition of the fact that the shares and warrants received upon conversion of the Note will be “restricted securities,” concurrent with the execution of this Agreement the Company and the Holder will enter into a registration rights agreement (the “**Registration Rights Agreement**”) in the form attached hereto as Exhibit B.

4. This Agreement (including the Registration Rights Agreement) sets forth the entire agreement of the parties hereto with respect to the subject matter hereof.

5. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

6. This Agreement may be executed electronically and in counterparts by the parties hereto, all of which together shall constitute one instrument.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have executed this Note Conversion Agreement as of the date first written above.

COMPANY:

INTERNATIONAL STEM CELL CORPORATION

By: /s/ Mahnaz Ebrahimi

Name: Mahnaz Ebrahimi

Title: CFO

HOLDER:

/s/ Andrey Semechkin

Andrey Semechkin

EXHIBIT A

<u>Holder</u>	<u>Principal Amount</u>	<u>Accrued Interest*</u>
Andrey Semechkin	\$ 3,810,000.00	\$ 8,824
	\$ 3,810,000.00	\$ 8,824

*
through the date of this Note Conversion Agreement

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of January 8, 2016, between International Stem Cell Corporation, a Delaware corporation (the "Company"), and Andrey Semechkin (the "Purchaser").

This Agreement is made pursuant to the Note Conversion Agreement, dated as of the date hereof, between the Company and the Purchaser (the "Conversion Agreement").

The Company and the Purchaser hereby agrees as follows:

1. Definitions.

Capitalized terms used and not otherwise defined herein that are defined in the Conversion Agreement shall have the meanings given such terms in the Conversion Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Effectiveness Period" shall have the meaning set forth in Section 2.

"Holder" or "Holders" means the holder or holders, as the case may be, from time to time of Registrable Securities.

"Prospectus" means the prospectus included in a Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated by the Commission pursuant to the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by a Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"Registrable Securities" means, as of any date of determination, (a) all shares of Common Stock issued to Purchaser pursuant to the Conversion Agreement, (b) all shares of Common Stock underlying the Warrants issued to Purchaser pursuant to the Conversion Agreement, and (c) all shares of Common Stock, previously issued or issuable upon conversion of shares of Preferred Stock or exercise of warrants outstanding as of the date hereof held by Purchaser, Purchaser's affiliates or any member of Purchaser's immediate family (in each case, including any securities issued or then issuable upon any stock split, dividend or other distribution, recapitalization or similar event with respect to the foregoing); provided, however, that any such Registrable Securities shall cease to be Registrable Securities (and the Company shall not be required to maintain the effectiveness of any, or file another, Registration Statement hereunder with

respect thereto) for so long as (a) a Registration Statement with respect to the sale of such Registrable Securities is declared effective by the Commission under the Securities Act and such Registrable Securities have been disposed of by the Holder in accordance with such effective Registration Statement, (b) such Registrable Securities have been previously sold in accordance with Rule 144, or (c) such securities become eligible for resale without volume or manner-of-sale restrictions and without current public information pursuant to Rule 144, as reasonably determined by the Company, upon the advice of counsel to the Company.

“Registration Statement” means any registration statement required to be filed hereunder pursuant to Section 2, including the Prospectus, amendments and supplements to any such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in any such registration statement.

“Rule 415” means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

“Rule 424” means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

2. Shelf Registration. On the request of Holder and on one occasion, but only at such time as the Company meets the requirements for the registration of securities on Form S-3 (or such other registration statement allowing for an offering to be made on a continuous basis pursuant to Rule 415 and providing for the incorporation by reference (similar to Form S-3) of future filings pursuant to the Securities Exchange Act of 1934, as amended), the Company shall prepare and file with the Commission a Registration Statement covering the resale of all (or any requested portion) of the Registrable Securities by the holders thereof. Subject to the terms of this Agreement, the Company shall use its commercially reasonable efforts to cause a Registration Statement filed under this Agreement to be declared effective under the Securities Act as promptly as possible after the filing thereof, and shall use its commercially reasonable efforts to keep such Registration Statement continuously effective under the Securities Act until all Registrable Securities covered by such Registration Statement (i) have been sold, thereunder or pursuant to Rule 144, or (ii) may be sold without volume or manner-of-sale restrictions pursuant to Rule 144 and without the requirement for the Company to be in compliance with the current public information requirement under Rule 144 (the “Effectiveness Period”).

3. Registration Procedures.

In connection with the Company's registration obligations hereunder, the Company shall:

(a) (i) Prepare and file with the Commission such amendments, including post-effective amendments, to a Registration Statement and the Prospectus used in connection therewith as may be necessary to keep the Registration Statement continuously effective as to the applicable Registrable Securities for the Effectiveness Period, (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement (subject to the terms of this Agreement), and, as so supplemented or amended, to be filed pursuant to Rule 424, (iii) respond as promptly as reasonably possible to any comments received from the Commission with respect to a Registration Statement or any amendment thereto, and (iv) comply in all material respects with the applicable provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by a Registration Statement during the applicable period in accordance (subject to the terms of this Agreement) with the intended methods of disposition by the Holders thereof set forth in such Registration Statement as so amended or in such Prospectus as so supplemented.

(b) Use its commercially reasonable efforts to avoid the issuance of, or, if issued, obtain the withdrawal of (i) any order stopping or suspending the effectiveness of a Registration Statement, or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable time.

(c) Comply with all applicable rules and regulations of the Commission.

4. Registration Expenses. All fees and expenses incident to the performance of or compliance with, this Agreement by the Company shall be borne by the Company whether or not any Registrable Securities are sold pursuant to a Registration Statement.

5. Miscellaneous.

(a) Compliance. Each Holder covenants and agrees that it will comply with the prospectus delivery requirements of the Securities Act as applicable to it (unless an exemption therefrom is available) in connection with sales of Registrable Securities pursuant to a Registration Statement.

(b) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by the Company and the Holders of a majority of the

then outstanding Registrable Securities (for purposes of clarification, this includes any Registrable Securities issuable upon exercise or conversion of any Security).

(c) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties and shall inure to the benefit of each Holder.

(d) Execution and Counterparts. This Agreement may be executed in counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original thereof.

(e) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be determined in accordance with the laws of the State of California.

(f) Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any other remedies provided by law.

(g) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(h) Headings. The headings in this Agreement are for convenience only, do not constitute a part of the Agreement and shall not be deemed to limit or affect any of the provisions hereof.

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

INTERNATIONAL STEM CELL CORPORATION

By: /s/ Mahnaz Ebrahimi

Name: Mahnaz Ebrahimi

Title: CFO

ANDREY SEMECHKIN

/s/ Andrey Semechkin

Andrey Semechkin