

ORIGINAL FILED AT  
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IN RESPECT OF  
RENEURON  
GROUP PLC

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*Morrison & Foerster*

DATED 1 July 2005

Morrison & Foerster MNP

5474163

RENEURON GROUP PLC

- and -

RENEURON LIMITED

- and -

RENEURON (UK) LIMITED

- and -

THE EXISTING SHAREHOLDERS

- and -

STEMCELLS INC.

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SUBSCRIPTION AND  
SHARE EXCHANGE AGREEMENT

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## TABLE OF CONTENTS

	Page
1 INTERPRETATION .....	2
2 FIRST COMPLETION.....	8
3 FURTHER COMPLETION(S) .....	9
4 TERMINATION OF RIGHT TO RECEIVE FURTHER SHARES .....	10
5 CONSIDERATION.....	10
6 WARRANTIES .....	11
7 FURTHER COVENANTS AND AGREEMENTS .....	12
8 POWER OF ATTORNEY.....	13
9 ADHERENCE TO SHAREHOLDERS AGREEMENT.....	15
10 ACCESS TO INFORMATION.....	15
11 LISTING.....	16
12 CONFIDENTIALITY .....	16
13 ANNOUNCEMENTS .....	16
14 WAIVERS AND RELEASE.....	17
15 AMENDMENT .....	17
16 INVALIDITY .....	17
17 NO PARTNERSHIP OR AGENCY .....	17
18 ENTIRE AGREEMENT .....	17
19 RIGHTS OF THIRD PARTIES .....	17
20 ASSIGNMENT .....	18
21 NOTICES .....	18
22 FURTHER ASSURANCE .....	19
23 COSTS.....	19
24 COUNTERPARTS.....	19
25 GOVERNING LAW AND JURISDICTION.....	19
SCHEDULE 1 THE EXISTING SHAREHOLDERS .....	21
SCHEDULE 2 WARRANTIES.....	23
SCHEDULE 3 FULLY DILUTED SHARE CAPITAL OF RENEURON GROUP PLC.....	27

**THIS AGREEMENT** (this "**Agreement**") is made by way of deed on 1 June 2005 between the following parties:

- (1) **RENEURON GROUP PLC** a company incorporated in England and Wales (registered number 05474163) whose registered office is at 10 Nugent Road, Surrey Research Park, Guildford, Surrey GU2 7AF, United Kingdom ("**TopCo**");
- (2) **RENEURON LIMITED** a company incorporated in England and Wales (registered number 03375897) whose registered office is at 10 Nugent Road, Surrey Research Park, Guildford, Surrey GU2 7AF, United Kingdom ("**ReN**");
- (3) **RENEURON (UK) LIMITED** a company incorporated in England and Wales (registered number 04083134) whose registered office is at 10 Nugent Road, Surrey Research Park, Guildford, Surrey GU2 7AF, United Kingdom ("**ReNUK**");
- (4) **THE EXISTING SHAREHOLDERS OF TOPCO** whose names and addresses are set out in schedule 1 of this Agreement (the "**Existing Shareholders**"); and
- (5) **STEMCELLS, INC.** a corporation organised and existing under the laws of the State of Delaware, whose principal place of business is at 3155 Porter Drive, Palo Alto, California 94304, United States of America ("**SCI**").

**WHEREAS**

- (A) ReN and SCI have agreed to enter into:
  - (i) the License Agreement, pursuant to which SCI and ReN grant to each other licences in respect of certain of their respective patents on the terms and conditions more particularly set out therein; and
  - (ii) this Agreement, as required by the Licence Agreement, pursuant to which ReN allots certain shares in the capital of ReN as consideration for the grant by SCI to ReN of the rights pursuant to the License Agreement, which ReN shares are then exchanged for shares in the capital of TopCo, all on the terms more particularly set out hereinafter.
- (B) ReNUK and the Existing Shareholders are parties to this Agreement to consent to the matters referred to herein and, in the case of the Existing Shareholders, to also obtain the benefit of the covenants in clause 9.
- (C) The Appendix to this Agreement sets out details of the Fully Diluted Share Capital as applied by the parties hereto for the purposes of calculating the number of Initial TopCo Shares.

**IT IS AGREED** as follows:

**1 INTERPRETATION**

- 1.1 In this Agreement, the following expressions shall have the following meanings:

"Act" the Companies Act 1985 (as amended);

"AIM"	the Alternative Investment Market of the London Stock Exchange;
"Articles"	the articles of association of ReN and/or TopCo;
"Business Day"	any day other than a Saturday or Sunday on which banks are normally open for general business in London;
"Encumbrance"	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) or any right to a dividend payment arising on any shares;
"Excess Equity"	<p data-bbox="810 846 1409 1272">(a) any TopCo Shares, or options, warrants or other rights to subscribe for or to be allotted or convert or exchange into TopCo Shares, allotted, issued, granted or created after the time at which TopCo has (subsequent to the date of First Completion and excluding any cash received in respect of any options, warrants or other rights to subscribe for or to be allotted or convert or exchange into TopCo Shares outstanding as at the date of First Completion) received a cumulative total of £12,500,000 in cash subscriptions for the issue of new TopCo Shares; and</p> <p data-bbox="810 1305 1409 1975">(b) where an issue of TopCo Shares is made for cash, such that the cumulative total received by TopCo (subsequent to the date of First Completion and excluding any cash received in respect of any options, warrants or other rights to subscribe for or to be allotted or convert or exchange into TopCo Shares outstanding as at the date of First Completion) in cash subscriptions for the issue of new TopCo Shares is as a result of such issue increased from an amount less than £12,500,000 to an amount greater than £12,500,000 (the "Relevant Issue"), then to the extent that TopCo Shares issued as part of the Relevant Issue result in TopCo receiving (subsequent to the date of First Completion and excluding any cash received in respect of any options, warrants or other rights to subscribe for or to be allotted or convert or exchange into TopCo Shares outstanding as at the date of First</p>

Completion) an amount in excess of a cumulative total of £12,500,000 in cash subscriptions for the issue of new TopCo Shares then such excess TopCo Shares shall be Excess Equity;

**"First Completion"**

the completion by the parties of their respective obligations in accordance with clause 2;

**"First Completion Date"**

the date on which First Completion occurs in accordance with clause 2;

**"Fully Diluted Share Capital"**

means the number of TopCo Shares equal to the aggregate of (a) the issued TopCo Shares, and (b) the number of TopCo Shares that would be required to be issued if all existing options, warrants or other rights to subscribe for or to be allotted or convert or exchange into TopCo Shares were exercised in full;

**"Further Completion"**

the completion by the parties of their respective obligations in accordance with clause 3 in respect of a Further Issue Event;

**"Further Completion Date"**

the date on which a Further Completion occurs in accordance with clause 3 in respect of a Further Issue Event;

**"Further Issue Event"**

means:

(a) an issue of TopCo Shares for cash pursuant to a further funding round by TopCo; or

(b) a Sale;

**"Further ReN Shares"**

means, in respect of a Further Issue Event, such further number of ReN shares which when exchanged on a one for one basis for TopCo Shares pursuant to Clause 3.2.2, exchange into a number of TopCo Shares equal to the Further TopCo Shares to be issued pursuant to Clause 3.2.4 in respect of such Further Issue Event;

**"Further TopCo Shares"**

means such further number of TopCo Shares which when aggregated with the Previously Acquired TopCo Shares (or, where there has been a consolidation or sub-division or scrip or bonus issue of TopCo Shares since First Completion, the number of TopCo Shares now representing such Previously Acquired TopCo Shares), equals 7.5% of the Fully Diluted Share Capital (excluding any Excess Equity) immediately

	following the relevant Further Issue Event (with any fraction of a TopCo Share less than 0.5 being rounded down to the nearest whole number of TopCo Shares and any fraction of a TopCo Share equal to or greater than 0.5 being rounded up to the nearest whole number of TopCo Shares);
<b>"Initial Shares"</b>	3,774,493 ReN Shares which, when exchanged for TopCo Shares in accordance with Clause 2, provides SCI with a number of TopCo Shares equal to 7.5% of the Fully Diluted Share Capital of TopCo as at the First Completion Date;
<b>"Initial TopCo Shares"</b>	3,774,493 TopCo Shares to be issued to SCI in exchange for the transfer of the Initial Shares to TopCo at First Completion in accordance with Clause 2;
<b>"License Agreement"</b>	the patent cross license agreement entered into between (1) ReN and (2) SCI on even date;
<b>"Listing"</b>	has the meaning given to the term in clause 11, and <b>"Listed"</b> shall be construed accordingly ;
<b>"London Stock Exchange"</b>	the London Stock Exchange plc;
<b>"Novation Deed"</b>	the deed of novation dated 21 June 2005 between, inter alia, the Existing Shareholders and TopCo;
<b>"Previously Acquired ReN Shares"</b>	means, in respect of a Further Issue Event, the Initial Shares together with all Further ReN Shares issued prior to such Further Issue Event;
<b>"Previously Acquired TopCo Shares"</b>	means, in respect of a Further Issue Event, the Initial TopCo Shares together with all Further TopCo Shares issued prior to such Further Issue Event;
<b>"RHL"</b>	ReNeuron Holdings Limited, a company incorporated in England and Wales (registered number 04697300);
<b>"ReNeuron Group"</b>	TopCo and its subsidiaries from time to time (and currently comprising RHL, ReNUK and ReN);
<b>"ReN Shares"</b>	A ordinary shares of 10p each in the capital of ReN (as consolidated or sub-divided from time to time);
<b>"ReN's Solicitors"</b>	Morrison & Foerster MNP of CityPoint, One Ropemaker Street, London EC2Y 9AW, United

Kingdom;

**"Sale"**

means:

- (i) if at the relevant time TopCo is not Listed:
  - (a) completion of a sale of the entire issued share capital of TopCo;
  - (b) completion of a sale of the entire issued share capital of ReN; or
  - (c) a sale of the whole (or substantially the whole) of the business and assets of ReN; or
- (ii) if at the relevant time TopCo is Listed, then the acquisition (whether by a single transaction or a series of transactions over a period time) by any person of TopCo Shares which results in such person, together with persons acting in concert with such person, together holding TopCo Shares carrying more than 50% of the voting rights exercisable at a general meeting of the members of TopCo;

**"SCI Permitted Transferees"**

means:

- (i) any licensor or other person (a **"Principal Transferee"**) to whom SCI is obliged to transfer TopCo Shares pursuant to an agreement existing as at the date of this Agreement;
- (ii) any inventor or other person (a **"Secondary Transferee"**) to whom a Principal Transferee is obliged to transfer TopCo Shares; or
- (iii) if the Principal Transferee or Secondary Transferee (the **"Relevant Transferee"**) is a natural person, then a Family Member (as defined in the TopCo Articles) (including any divorced spouse entitled to TopCo Shares pursuant to a divorce settlement) or Family Trust (as defined in the TopCo Articles) of such Relevant Transferee (and, in respect of a transfer made upon the death of a Relevant Transferee, to his/her executors, administrators or beneficiaries) (in any such case, a **"Tertiary**

**Transferee”),**

provided always that the maximum number of SCI Permitted Transferees holding TopCo Shares at any given time shall not exceed 10 persons (and TopCo shall not be obliged to register any transfer of TopCo Shares to the extent that such transfer would result in more than 10 SCI Permitted Transferees holding TopCo Shares);

**“SCI’s Solicitors”**

Slaughter and May of One Bunhill Row, London EC1Y 8YY, United Kingdom;

**“Sensitive Information”**

means all reports, analyses, compilations, forecasts, studies, memoranda, agreements, contracts, documents and all other information (in whatever form (including, without limitation, electronically stored information)), which is confidential to TopCo and/or its subsidiaries and which TopCo would be entitled not to disclose to a director of TopCo if such director had the same commercial and other interests as SCI and/or any observer appointed by SCI pursuant to clause 10;

**“Shareholders’ Agreement”**

the shareholders agreement dated 6 May 2003 and entered into between (1) RHL and (2) certain of the Existing Shareholders (and as adhered to subsequently by all other Existing Shareholders) as and to the extent novated and therefore applicable to TopCo and shareholders in TopCo in accordance with the Novation Deed;

**“TopCo Shares”**

ordinary shares of 10p each in the capital of TopCo (as consolidated or sub-divided from time to time);

**“Warranties”**

the warranties given pursuant to clause 6; and

**“Warranty Claim”**

a claim by SCI against TopCo for breach of a Warranty.

**1.2 In this Agreement:**

- 1.2.1 references to **“holding company”** and **“subsidiary”** shall have the same meaning in this Agreement as their respective definitions in section 736 of the Act, references to the allotment and/or issue of shares for **“cash”** shall be construed in accordance with section 738(2) of the Act and the expressions **“subsidiary undertaking”** and **“parent undertaking”** shall have the same meaning in this Agreement as their respective definitions in section 258 of the Act;



- 1.2.2 the expression “**acting in concert**” shall have the meaning given thereto in The City Code on Takeovers and Mergers;
- 1.2.3 references to a document in the “**agreed form**” are to that document in the form agreed to and initialled for the purposes of identification by or on behalf of the parties;
- 1.2.4 references to a “**person**” include an individual, body corporate (wherever incorporated), unincorporated association, trust or partnership (whether or not having separate legal personality), government, state or agency of a state, or two or more of the foregoing;
- 1.2.5 references to a clause or schedule are to a clause or schedule of this Agreement, and references to this Agreement include the schedules;
- 1.2.6 the headings in this Agreement do not affect its construction or interpretation;
- 1.2.7 references to a statute or a statutory provision are to include references to such statute or provision as amended or re-enacted whether before or after the date of this Agreement (but not any amendment after the date of this Agreement to the extent that its effect would be to increase the liability of any party under this Agreement) and include all subordinate legislation made under the relevant statute whether before or after the date of this Agreement;
- 1.2.8 a reference to a document is a reference to that document as amended or modified from time to time in writing by the mutual consent of the parties; and
- 1.2.9 the singular includes the plural and vice versa and any gender includes any other gender.

## **2 FIRST COMPLETION**

- 2.1 First Completion shall take place at the offices of ReN’s Solicitors immediately following the signature of this Agreement by all the parties hereto.
- 2.2 At First Completion:
  - 2.2.1 each of SCI and ReN shall deliver to the other the Licence Agreement duly executed by it;
  - 2.2.2 TopCo shall deliver to SCI certified copies of the following:-
    - (a) minutes of a meeting of the shareholders of TopCo increasing the authorised share capital of TopCo and granting sufficient authorities pursuant to ss. 80 and 89 of the Act to enable the allotment and issue by the directors of TopCo of the Initial TopCo Shares in accordance with this agreement in the agreed form;
    - (b) the Articles of each of TopCo and ReN; and
    - (c) a written resolution of the shareholders of ReN increasing the authorised share capital of ReN and granting sufficient authorities pursuant to ss. 80

and 89 of the Act to enable the allotment and issue by the directors of ReN of the Initial Shares in accordance with this agreement in the agreed form;

- 2.2.3 the directors of ReN shall cause a board meeting of ReN to be held at which it is resolved that the Initial Shares are issued and allotted to SCI free from any Encumbrance and credited as fully paid up as to nominal value (with no premium) and ReN shall procure that the details of the allotment to SCI are forthwith recorded in the registers of allotments and members of ReN and an appropriate share certificate shall be executed and issued to SCI in respect of the Initial Shares;
- 2.2.4 TopCo shall purchase, and SCI shall sell with full title guarantee and free from any Encumbrance, the Initial Shares, together with all rights attaching or accruing to the Initial Shares on or after the First Completion Date, and SCI shall deliver to TopCo a duly executed transfer of all of its Initial Shares in favour of TopCo together with the relevant share certificate in consideration of the allotment by TopCo to SCI of the Initial TopCo Shares;
- 2.2.5 the directors of TopCo shall cause a board meeting of TopCo to be held at which it is resolved that the Initial TopCo Shares are issued and allotted to SCI free from any Encumbrance and credited as fully paid up as to nominal value (with no premium) and TopCo shall procure that the details of the allotment to SCI are forthwith recorded in the registers of allotments and members of TopCo and an appropriate share certificate shall be executed and issued to SCI in respect of such Initial TopCo Shares; and
- 2.2.6 the directors of ReN shall cause a board meeting of ReN to be held at which the transfer of the Initial Shares (subject to stamping) to TopCo is approved and ReN shall procure that the details of the transfer to TopCo are forthwith recorded in the registers of transfers and members of ReN and an appropriate share certificate shall be executed and issued to TopCo in respect of such Initial Shares.

### 3 FURTHER COMPLETION(S)

- 3.1 Subject always to Clause 4, if after First Completion a Further Issue Event occurs then a Further Completion shall take place at the offices of ReN's Solicitors within 10 Business Days of the occurrence of such Further Issue Event (or, if the Further Issue Event is a Sale, then such Further Completion shall take place immediately prior to, but conditional on, completion of such Sale).
- 3.2 At a Further Completion:
  - 3.2.1 TopCo shall deliver to SCI certified copies of the following:-
    - (a) to the extent not covered pursuant to the documents delivered in accordance with clause 2.2.2., minutes of a meeting of the shareholders of TopCo increasing the authorised share capital of TopCo and granting sufficient authorities pursuant to ss. 80 and 89 of the Act to enable the allotment and issue by the directors of TopCo of Further TopCo Shares in accordance with this agreement; and

- (b) to the extent not covered pursuant to the documents delivered in accordance with clause 2.2.2., a written resolution of the shareholders of ReN increasing the authorised share capital of ReN and granting sufficient authorities pursuant to ss. 80 and 89 of the Act to enable the allotment and issue by the directors of ReN of Further ReN Shares in accordance with this agreement;
- 3.2.2 the directors of ReN shall cause a board meeting of ReN to be held at which it is resolved that Further ReN Shares (determined and calculated by reference to the relevant Further Issue Event) are issued and allotted to SCI free from any Encumbrance and credited as fully paid up as to nominal value (with no premium) and ReN shall procure that the details of the allotment to SCI are forthwith recorded in the registers of allotments and members of ReN and an appropriate share certificate shall be executed and issued to SCI in respect of such Further ReN Shares;
- 3.2.3 TopCo shall purchase, and SCI shall sell with full title guarantee and free from any Encumbrance, the Further ReN Shares issued pursuant to clause 3.2.2, together with all rights attaching or accruing to such Further ReN Shares on or after the relevant Further Completion Date, and SCI shall deliver to TopCo a duly executed transfer of all of such Further ReN Shares in favour of TopCo together with the relevant share certificate in consideration of the allotment by TopCo to SCI of the Further TopCo Shares;
- 3.2.4 the directors of TopCo shall cause a board meeting of TopCo to be held at which it is resolved that Further TopCo Shares (determined and calculated by reference to the relevant Further Issue Event) are issued and allotted to SCI free from any Encumbrance and credited as fully paid up as to nominal value (with no premium) and TopCo shall procure that the details of the allotment to SCI are forthwith recorded in the registers of allotments and members of TopCo and an appropriate share certificate shall be executed and issued to SCI in respect of such Further TopCo Shares; and
- 3.2.5 directors of ReN shall cause a board meeting of ReN to be held at which the transfer of Further ReN Shares (subject to stamping) to TopCo is approved and ReN shall procure that the details of such transfer to TopCo are forthwith recorded in the registers of transfers and members of ReN and an appropriate share certificate shall be executed and issued to TopCo in respect of such Further ReN Shares.
- 3.3 Unless all the requirements of clause 3.2 have been complied with, each of the parties shall have the right to: (a) defer the relevant Further Completion until those provisions that have not been satisfied can be satisfied; or (b) complete so far as practicable, without prejudice to its rights under this Agreement, and the non-complying party or parties shall be obliged to use its or their respective best endeavours to perform those matters still outstanding.
- 4 **TERMINATION OF RIGHT TO RECEIVE FURTHER SHARES**
- 4.1 The right of SCI to be allotted and issued Further ReN Shares and Further TopCo Shares pursuant to clause 3 shall terminate on the first to occur of:
  - (a) TopCo receiving (subsequent to the date of First Completion and excluding any cash received in respect of any options, warrants or other rights to subscribe for or to be

allotted or convert or exchange into TopCo Shares outstanding as at the date of First Completion) a cumulative total of £12,500,000 in cash subscriptions for the issue of new TopCo Shares;

- (b) completion of a Sale; or
- (c) the Licence Agreement being terminated (other than in the event that the Licence Agreement is terminated by ReN at will and without cause),

save that the termination of such rights shall not prejudice any right arising in respect of a Further Issue Event occurring prior to the time of such termination (or a Further Issue Event giving rise to such termination of rights pursuant to sub-paragraphs (a) or (b) above).

## 5 CONSIDERATION

- 5.1 The consideration for the issue and allotment of the Initial Shares and Further ReN Shares shall be SCI's entry into the Licence Agreement and its covenants thereunder.
- 5.2 The consideration for the sale and purchase of the Initial Shares and Further ReN Shares by TopCo shall be the allotment and issue of the Initial TopCo Shares and Further TopCo Shares respectively, all credited as paid up as to nominal value (10p per share). Each TopCo Share shall on issue rank pari passu (including as to dividends and voting rights at shareholder meetings) in all respects with all other shares of the same class comprised in the share capital of the TopCo in issue at First Completion or the relevant Further Completion (as applicable).

## 6 WARRANTIES

- 6.1 TopCo warrants to SCI that each of the Warranties set out in Schedule 2 is true and accurate and not misleading as at the date of this Agreement.
- 6.2 Each of the Warranties shall be construed as a separate and independent Warranty and shall not be limited or restricted by the term of any other Warranty or any other term of this Agreement (save for this Clause 6).
- 6.3 TopCo shall be under no liability in respect of any claim under the Warranties to the extent that the facts or circumstances giving rise thereto are expressly provided for or stated to be exceptions under the terms of this Agreement.
- 6.4 TopCo acknowledges that SCI is entering into this agreement in reliance on each of the Warranties.
- 6.5 Each of TopCo and SCI agree to notify the other as soon as reasonably practicable after it becomes aware of any breach of any of the Warranties after the date of this agreement.
- 6.6 The Warranties shall continue in full force and effect notwithstanding First Completion and (if at the time of a Further Completion the time limit for making claims under the Warranties has not expired) a Further Completion.
- 6.7 The only right of SCI in relation to any breach of any Warranty shall be to claim damages, and in particular SCI shall have no right to rescind or terminate this Agreement or the Licence Agreement.
- 6.8 Save in the case of fraud or fraudulent concealment by TopCo:

- 6.8.1 the aggregate liability of TopCo for all Warranty Claims shall not exceed £1,000,000 (including all costs and expenses incurred by SCI in pursuing any Warranty Claims);
- 6.8.2 no Warranty Claim may be made unless:
- (a) the amount of any individual Warranty Claim exceeds £5,000; and
  - (b) the aggregate amount of all individual Warranty Claims not prevented from being made by (a) above, exceeds £50,000 (in which case SCI shall be entitled to claim the whole amount of such Warranty Claims and not only the excess over such amount);
- 6.8.3 no Warranty Claim may be made unless:
- (a) SCI serves written notice of the Warranty Claim on TopCo specifying in reasonably sufficient detail the matter giving rise to the claim, the nature of the claim and so far as practicable the amount being claimed before the earlier of (i) completion of a Listing and (ii) the date three months after the date of delivery by TopCo to SCI of the consolidated audited accounts of the ReNeuron Group for the financial year ending 31 March 2006; and
  - (b) legal proceedings are commenced in relation to that Warranty Claim within six months of the date on which the notice referred to in paragraph (a) above was served on TopCo.
- 6.9 SCI shall only be entitled to claim once in respect of the same loss.
- 6.10 Nothing in the Agreement or the Licence Agreement shall in any way derogate from SCI's duty to mitigate any loss.
- 6.11 SCI warrants to TopCo that as at the date of this Agreement:
- 6.11.1 it is not actually aware of any matter, fact or circumstance which is a breach of any Warranty;
  - 6.11.2 SCI has and has obtained all corporate authorisations and all other applicable consents, licenses, waivers or exemptions required to empower it to enter into this Agreement and to perform this Agreement;
  - 6.11.3 the obligations of SCI under this Agreement constitute legal, binding and valid obligations of SCI in accordance with its terms;
  - 6.11.4 the execution and delivery of, and the performance by SCI of its obligations under, this Agreement will not:
    - (a) result in a breach of any provision of the certificate of incorporation or bylaws or equivalent of SCI; or
    - (b) result in a breach of, or constitute a default under, any instrument to which SCI is a party or by which it is bound; or
    - (c) result in a breach of any order, judgment or decree of any court or governmental agency to which SCI is a party or by which it is bound; and

6.11.5 SCI is a corporation duly organised and validly existing under the laws of the State of Delaware.

## **7 FURTHER COVENANTS AND AGREEMENTS**

7.1 RenUK and TopCo hereby waive any rights of pre-emption (if any) conferred on them by ReN's Articles or otherwise over the ReN Shares to be allotted, issued or transferred pursuant to this Agreement and consents to the allotment of the Initial Shares and Further ReN Shares to SCI and the sale and transfer of such shares to TopCo in accordance with this Agreement.

7.2 The Existing Shareholders hereby waive any rights of pre-emption (if any) conferred on them by TopCo's Articles or otherwise over the TopCo Shares to be allotted and issued pursuant to this Agreement and consent to the allotment to SCI of the Initial TopCo Shares and Further TopCo Shares in accordance with this Agreement.

7.3 If at a Further Completion Date, the ordinary shares of TopCo are listed, traded, quoted or otherwise dealt in on any securities, stock or investment exchange (including AIM), TopCo shall use all reasonable endeavours to obtain admission to or permission for (as the case may be) listing, trading or dealings in or of Further TopCo Shares which are to be allotted to SCI at such Further Completion, on or within ten Business Days after allotment of the same.

7.4 In calculating the number of ReN Shares and TopCo Shares to be allotted and issued on a Further Completion, full account shall be taken of all Initial Shares, Initial TopCo Shares, Previously Acquired TopCo Shares and Previously Acquired ReN Shares allotted and issued to SCI on First Completion and each previous Further Completion, irrespective of whether or not such Initial Shares, TopCo Shares, Previously Acquired TopCo Shares or Previously Acquired ReN Shares (or shares representing such shares following any consolidation, sub-division, scrip or bonus issue) are held by SCI at the time of such Further Completion. In respect of each Further Issue Event (other than a Sale) the number of Further TopCo Shares (if any) shall be determined and calculated by reference to the Fully Diluted Share Capital (excluding any Excess Equity) as it is immediately subsequent to such Further Issue Event. In respect of a Sale, being a Further Issue Event, the number of Further TopCo Shares (if any) shall be determined and calculated by reference to the Fully Diluted Share Capital (excluding any Excess Equity) as it is immediately prior to such completion of such Sale.

7.5 SCI acknowledges that TopCo may raise further funding without a simultaneous Listing pursuant to an issue of shares in TopCo (of whatever class) or an issue of an instrument(s) convertible or exchangeable into shares in TopCo (of whatever class) ("a Private Fundraising"). In connection with any such Private Fundraising SCI hereby agrees and undertakes:

7.5.1 to provide all reasonable assistance in connection with any proposed Private Fundraising, being that which could be reasonably expected of a shareholder with a 7.5 per cent holding of the Fully Diluted Share Capital (excluding Excess Equity);

7.5.2 not to do or omit to do anything which would prevent or delay completion of any such Private Fundraising, but SCI shall be entitled to vote any TopCo Shares held by it as it sees fit in its absolute discretion; and

7.5.3 to consent to the convening at short notice of any TopCo shareholders meeting convened for the purpose of passing any resolutions necessary or desirable to facilitate such Private Fundraising.

7.6 TopCo and the Existing Shareholders agree that in relation to any Private Fundraising SCI will be treated in the same way as every other holder of TopCo Shares is treated in their capacity as the holder of such TopCo Shares.

## 8 POWER OF ATTORNEY

8.1 With effect from First Completion in respect of the Initial Shares provided that the Initial TopCo Shares are allotted and issued to SCI and are registered in SCI's name and with effect from each Further Completion in respect of Further ReN Shares allotted and issued at such Further Completion provided that Further TopCo Shares are allotted and issued to SCI in accordance with this Agreement on such Further Completion and are registered in SCI's name, SCI irrevocably and unconditionally appoints TopCo as its lawful attorney, with full power pending registration of TopCo as the legal holder of the Initial Shares and such Further ReN Shares (as applicable) to exercise all rights of ownership which are capable of exercise by SCI in the capacity of a registered holder of the relevant ReN Shares including (but not limited to):

8.1.1 receiving notice of, attending and voting at any general meeting of the shareholders of ReN, or signing any resolution as holder of the relevant ReN Shares;

8.1.2 the right to nominate proxies on behalf of SCI, the right to consent to short notice and any other documents required to be signed by the holder of the relevant ReN Shares;

8.1.3 to receive any dividend or other distribution made in respect of the relevant ReN Shares; and

8.1.4 otherwise executing and delivering all deeds or instruments and doing all acts in SCI's name insofar as may be done in the capacity of a registered holder of the relevant ReN Shares,

in each case as TopCo in its absolute discretion sees fit.

8.2 As from First Completion in respect of the Initial Shares provided that the Initial TopCo Shares are allotted and issued to SCI and are registered in SCI's name and with effect from a Further Completion in respect of Further ReN Shares allotted and issued at such Further Completion provided that Further TopCo Shares are allotted and issued to SCI in accordance with this Agreement on such Further Completion and are registered in SCI's name, SCI undertakes:

8.2.1 not to exercise any rights attaching to the Initial Shares and such Further ReN Shares or exercisable in the capacity as a registered holder thereof without TopCo's prior written consent;

8.2.2 to hold on trust for TopCo and to promptly notify TopCo of anything received by it in its capacity as registered holder of the Initial Shares and such Further ReN

Shares, and to act promptly in accordance with TopCo's instructions in relation to any such thing;

8.2.3 to ratify whatever TopCo does or lawfully causes to be done under the authority or purported authority of this power of attorney.

8.3 This power is given to secure the proprietary interest of TopCo in the Initial Shares and Further ReN Shares with effect as from First Completion and/or a Further Completion (as applicable). This power shall terminate in respect of the relevant ReN Shares (but not otherwise, and, without prejudice to anything done by TopCo as attorney pursuant to it before termination) on the date on which TopCo is entered in the register of members of ReN as the legal holder of such relevant ReN Shares.

## 9 ADHERENCE TO SHAREHOLDERS AGREEMENT

9.1 Subject to Clause 9.2, SCI hereby confirms that it has been supplied with a copy of each of the Shareholders' Agreement, Novation Deed and Articles and hereby covenants with each of the Existing Shareholders and TopCo to observe perform and be bound by all the terms of the Shareholders' Agreement which are capable of applying to SCI and which have not been performed at the date of this Agreement to the intent and effect that SCI shall be deemed with effect from the date on which SCI is registered as a member of TopCo to be a party to the Shareholders' Agreement (as if named as a "Shareholder" and a "Party" in that Shareholders' Agreement). SCI further undertakes to comply in all respects with the Articles of TopCo.

9.2 The parties hereto (including, without limitation, the Existing Shareholders) agree that notwithstanding any provision of the TopCo Articles or the Shareholders' Agreement, a transfer of TopCo Shares by SCI (or a Principal Transferee, Secondary Transferee or Tertiary Transferee (each as defined in the definition of SCI Permitted Transferee)) to a SCI Permitted Transferee in accordance with article 2.1.12 (subject to article 2.4) of the TopCo Articles may be made and registered (subject to stamping) in the statutory books of TopCo notwithstanding that such SCI Permitted Transferee may not have executed a deed of adherence to the Shareholders' Agreement.

9.3 The parties hereto agree that the Shareholders' Agreement shall be amended by the addition of the following paragraph as a new clause 11.3 thereto:

*"11.3 The provisions of clause 11.1 of this Agreement shall not apply in respect of a transfer of Ordinary Shares by Stemcells, Inc. (or a Principal Transferee, Secondary Transferee or Tertiary Transferee (each as defined in the definition of SCI Permitted Transferee)) to a SCI Permitted Transferee in accordance with article 2.1.12 of the articles of association of ReNeuron Group PLC. In this Clause the term "SCI Permitted Transferee" shall have the meaning given to such term in the articles of association of ReNeuron Group PLC."*

## 10 ACCESS TO INFORMATION

10.1 For so long as SCI remains the legal and beneficial owner of at least 50% of the TopCo Shares issued to it pursuant to this Agreement, it is entitled to receive from TopCo and TopCo will provide to SCI:



- 10.1.1 audited annual financial statements, and an unaudited quarterly financial and product development report:
- 10.1.2 notice of and the agenda for all board meetings of TopCo at the same time as such notice and agenda are sent to the directors of TopCo; and
- 10.1.3 the minutes of all board meetings of TopCo at the same time as such minutes are sent to the directors of TopCo.
- 10.2 For so long as SCI remains the legal and beneficial owner of at least 50% of the TopCo Shares issued to it pursuant to this Agreement it is also entitled to have one person ("observer") attend board meetings of TopCo as an observer on its behalf. The observer shall not be a director of TopCo and shall have no right to vote.
- 10.3 SCI's rights pursuant to clauses 10.1 and 10.2 terminate immediately upon any Listing of TopCo Shares on any securities, stock or investment exchange (including AIM).
- 10.4 Notwithstanding the foregoing provisions of this clause 10, nothing in this Agreement shall require TopCo to provide SCI, or any observer, with any Sensitive Information (or otherwise confer any right to have access to any Sensitive Information), including without limitation, by attendance at any meeting of the directors of TopCo if and to the extent that Sensitive Information would be disclosed to such observer if he/she attended such meeting.

## 11 LISTING

- 11.1 SCI acknowledges that TopCo may seek a listing on a securities, stock or investment exchange (including AIM) ("Listing"). In connection with any proposed Listing SCI agrees:
  - 11.1.1 to provide all reasonable assistance in connection with any proposed Listing, being that what could reasonably be expected of a shareholder with a 7.5 per cent shareholding;
  - 11.1.2 not to do or omit to do anything which would prevent or delay completion of any such Listing, but SCI shall be entitled to vote any TopCo Shares held by it as it sees fit in its absolute discretion;
  - 11.1.3 to consent to the convening on short notice of any TopCo shareholders meeting convened for the purposes of passing any resolutions which are necessary or desirable to enable or facilitate completion of such Listing; and
  - 11.1.4 to adhere to the rules and requirements of the stock exchange on which any such Listing takes place.
- 11.2 It is agreed that any Listing shall extend to any TopCo Shares held by SCI at the time of such Listing. TopCo confirms that any Listing will be of TopCo, and not of another member of the ReNeuron Group except with the prior written consent of SCI.

## 12 CONFIDENTIALITY

This Agreement and its contents and any confidential information disclosed by one party to the others in furtherance of or pursuant to this Agreement shall be kept confidential and shall not be disclosed to third parties without the prior written consent of the other parties, save as

required by law, regulation or the rules of any relevant recognised investment exchange or where such information is or becomes generally available to the public other than as a result of the breach of this clause. For the avoidance of doubt all information provided to or received by SCI pursuant to Clause 10 shall be deemed confidential unless otherwise specified in writing by TopCo.

### **13 ANNOUNCEMENTS**

No public announcement, communication or circular (other than if and to the extent required by law or any regulatory authority or the rules of any relevant recognised investment exchange to which a party is subject) concerning the transaction referred to in this Agreement or the financial affairs of the parties shall be made or despatched without the prior written consent of the other parties (such consent not to be unreasonably withheld or delayed).

### **14 WAIVERS AND RELEASE**

14.1 A waiver of any term, provision or condition of, or consent granted under, this Agreement shall be effective only if given in writing and signed by the waiving or consenting party and then only in the instance and for the purpose for which it is given.

14.2 No failure or delay on the part of any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

### **15 AMENDMENT**

No variation to this Agreement shall be effective unless made in writing and signed by or on behalf of all the parties, acting by their duly authorised representatives.

### **16 INVALIDITY**

If any provision or term of this Agreement is held or rendered illegal, invalid or unenforceable under any applicable law, such provision or term shall, insofar as it is severable from the remaining provisions or terms, be deemed omitted from this Agreement and shall not adversely affect the remaining provisions or terms. Any such illegal, invalid or unenforceable provision or term shall be considered not severable if and to the extent that its omission from this Agreement would or may materially alter or affect the commercial intent or effect of this Agreement. In such event, the parties shall use their best endeavours to replace any such illegal, invalid or unenforceable provision or term with provisions and terms which most closely reflect their commercial intent and effect.

### **17 NO PARTNERSHIP OR AGENCY**

17.1 Nothing in this Agreement shall be deemed to constitute a partnership or agency relationship between the parties to it.

17.2 Save as expressly provided in this Agreement, the execution, completion and implementation of this Agreement shall not confer on any party any power to bind or impose any obligations on any other party.

**18 ENTIRE AGREEMENT**

This Agreement and the documents referred to in it in agreed form constitutes the entire agreement between the parties in connection with the subject matter of this Agreement and supersedes any previous agreements and it is agreed that no party has entered into this Agreement in reliance upon any representation warranty or undertaking which is not expressly set out in this Agreement. Notwithstanding the foregoing, nothing in this Agreement shall exclude any liability for fraud.

**19 RIGHTS OF THIRD PARTIES**

A person who is not a party to this Agreement has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

**20 ASSIGNMENT**

No party shall assign or transfer or purport to assign or transfer any of its rights or obligations under this Agreement without the prior consent of each other party.

**21 NOTICES**

- 21.1 Any notice, demand or other communication given or made under or in connection with the matters contemplated by this Agreement shall be in writing in English and shall be delivered personally or sent by fax or prepaid first-class post (air mail if posted to or from a place outside the United Kingdom):

In the case of the ReNeuron Group to:

ReNeuron Limited  
10 Nugent Road,  
Surrey Research Park  
Guildford  
Surrey GU2 7AF  
United Kingdom  
Fax: +44 (0)1483 534 864  
Attention: Michael Hunt

with a copy to Morrison & Foerster MNP of CityPoint, One Ropemaker Street, London EC2Y 9AW, United Kingdom, Fax: +44 (0)20 7496 8500 (for the attention of Paul Claydon / James Gubbins);

In the case of the Existing Shareholders to:

Their respective addresses set out at schedule 1 of this Agreement.

In the case of SCI to:

StemCells, Inc.  
3155 Porter Drive  
Palo Alto  
California 94304  
United States of America

Fax: +1 650 475 3101  
Attention: General Counsel

with a copy to Slaughter and May of One Bunhill Row, London EC1Y 8YY, United Kingdom, Fax: +44 (0)207 090 5000 (for the attention of Nilufer Von Bismarck);

and shall be deemed to have been duly given or made as follows:

- 21.1.1 if personally delivered, upon delivery at the address of the relevant party;
- 21.1.2 if sent by first class post, two Business Days after the date of posting;
- 21.1.3 if sent by air mail, 5 Business Days after the date of posting; and
- 21.1.4 if sent by fax, when despatched;

provided that if, in accordance with the above provisions, any such notice, demand or other communication would otherwise be deemed to be given or made after 5.00 p.m. on a Business Day such notice, demand or other communication shall be deemed to be given or made at 9.00 a.m. on the next Business Day.

- 21.2 A party may notify the other party to this Agreement of a change to its name, relevant addressee, address or fax number for the purposes of Clause 21.1 provided that such notification shall only be effective on:

- 21.2.1 the date specified in the notification as the date on which the change is to take place; or
- 21.2.2 if no date is specified or the date specified is less than five Business Days after the date on which notice is given, the date falling five Business Days after notice of any such change has been given.

## 22 FURTHER ASSURANCE

At any time (whether before or after First Completion or a Further Completion) each party shall do and execute, or procure to be done and executed, all necessary acts, deeds, documents and things as may be reasonably requested of it by the other party to give effect to this Agreement.

## 23 COSTS

Save as otherwise expressly stated in this Agreement, each party shall pay its own costs in connection with the negotiation, preparation and implementation of this Agreement and all agreements ancillary to it.

## 24 COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all the counterparts together shall constitute one and the same instrument. No counterpart shall be effective until each party has executed at least one counterpart.

25      **GOVERNING LAW AND JURISDICTION**

- 25.1      This Agreement (and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this Agreement or its formation) shall be governed by and construed in accordance with English law.
- 25.2      Each of the parties to this Agreement irrevocably agrees that the courts of England shall have exclusive jurisdiction to hear and decide any suit, action or proceedings, and/or to settle any disputes, which may arise out of or in connection with this Agreement (respectively, "**Proceedings**" and "**Disputes**") and, for these purposes, each party irrevocably submits to the jurisdiction of the courts of England.
- 25.3      Each party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to hear and decide any Proceedings and to settle any Disputes and agrees not to claim that the courts of England are not a convenient or appropriate forum for any such Proceedings or Disputes and further irrevocably agrees that a judgment in any Proceedings or Disputes brought in any court referred to in this clause 25 shall be conclusive and binding upon the parties and may be enforced in the courts of any other jurisdiction.
- 25.4      Without prejudice to any other permitted mode of service the parties agree that service of any claim form, notice or other document ("**Documents**") for the purpose of any Proceedings begun in England shall be duly served upon it if delivered personally or sent by registered post, in the case of:
- 25.4.1      the ReNeuron Group to the address set out in clause 21 (for the attention of the person referred to therein); and
- 25.4.2      the Existing Shareholders to the address set out in clause 21;
- or such other person and address as the parties shall notify each other from time to time.
- 25.5      Each party irrevocably agrees that the courts of England have exclusive jurisdiction to decide and to settle any dispute or claim arising out of this Agreement.

**SCHEDULE 1**  
**THE EXISTING SHAREHOLDERS**

Name	Address
Merlin Equity Limited	33 Kings Street St James's London
Merlin General Partner Limited (as general partner of The Merlin Fund LP)	La Motte Chambers St Helier Jersey
Merlin General Partner II Limited (as general partner of Merlin Bioscience Fund LP)	La Motte Chambers St Helier Jersey
Merlin General Partner II Limited (as managing partner of Merlin Biosciences Fund GbR)	La Motte Chambers St Helier Jersey
John Sinden	c/o ReNeuron 10 Nugent Road Surrey Research Park Guildford Surrey GU2 7AF
Martin Edwards	c/o ReNeuron 10 Nugent Road Surrey Research Park Guildford Surrey GU2 7AF
Helen Hodges	c/o ReNeuron 10 Nugent Road Surrey Research Park Guildford Surrey GU2 7AF
William Bains	37 The Moor Melbourn Royston Herts SG8 6ED

Name	Address
Jane Whitrow	40 Gun Lane Knebworth Herts SG3 6BH
Sue Foden	9 Staunton Road Headington Oxford OX3 7TJ
Sir Christopher Evans	c/o Merlin Biosciences 33 Kings Street St James's London
Mark Clement	c/o Merlin Biosciences 33 Kings Street St James's London
Alison Graham-Wilson	29c Elm Grove London SE15 5DB

## **SCHEDULE 2 WARRANTIES**

In this Schedule 2, the expression "so far as TopCo is aware" or any similar expression means the actual knowledge of the executive officers and directors of TopCo (without having made any enquiries of any nature whatsoever). In this Schedule 2 "executive officers and directors of TopCo" means John Sinden and Michael Hunt.

### **1. Incorporation**

Each member of the ReNeuron Group is a company duly incorporated and validly existing under the laws of England and Wales.

### **2. Capacity**

- 2.1 Save for any additional shareholder resolutions that may be required to enable a Further Completion, TopCo has and has obtained all corporate authorisations and all other applicable consents, licences, waivers or exemptions required to empower it to enter into this Agreement and to perform this Agreement including to perform its obligations at First Completion and any Further Completion (including sufficient authorised and unissued share capital and sufficient authorities pursuant to sections 80 and 89 of the Act to allot and issue the Initial TopCo Shares and Further TopCo Shares in accordance with this Agreement).
- 2.2 Save for any additional shareholder resolutions that may be required to enable a Further Completion, ReN has and has obtained all corporate authorisations and all other applicable consents, licences, waivers or exemptions required to empower it to enter into this Agreement and to perform this Agreement including to perform its obligations at First Completion and any Further Completion (including sufficient authorised and unissued share capital and sufficient authorities pursuant to sections 80 and 89 of the Act to allot and issue the Initial Shares and Further ReN Shares in accordance with this Agreement).
- 2.3 The obligations of TopCo , ReN, ReNUK and the Existing Shareholders under this Agreement constitute legal, binding and valid obligations of each of TopCo , ReN, ReNUK and the Existing Shareholders in accordance with its terms.
- 2.4 The execution and delivery of, and the performance by each of TopCo , ReN, ReNUK and the Existing Shareholders of their obligations under this Agreement will not:
  - (a) result in a breach of any provision of the memorandum or articles of association or equivalent of any of them (in the case of a company); or
  - (b) result in a breach of, or constitute a default under, any instrument to which any of them are a party or by which any of them are bound; or
  - (c) result in a breach of any order, judgement or decree of any court or governmental agency to which any of them are a party or by which any of them are bound.



### **3. Arrangements between shareholders**

- 3.1 The copy of the Shareholders' Agreement and Novation Deed provided to SCI's Solicitors is a true and complete copy of the same and there are no other amendments or variations thereto. There are no other shareholders' agreements in relation to TopCo or any other agreements or arrangements (except for the TopCo Articles) imposing obligations or restrictions on any one or more of the parties with respect to their use, retention or disposal of their interests in TopCo Shares.
- 3.2 There are no shareholders' agreements in relation to ReN or any other agreements or arrangements (except for the ReN Articles) imposing obligations or restrictions on any one or more of the parties with respect to their use, retention or disposal of their interests in ReN Shares.
- 3.3 The copies of the Articles and the memorandum or association of each of ReN and TopCo provided to SCI's Solicitors are true and complete copies of the same.

### **4. Share capital**

- 4.1 The authorised and issued share capital of TopCo and details of the registered owners of the shares in TopCo as at the date of this Agreement are as set out in Schedule 3.
- 4.2 Save as provided for in this Agreement or as set out in Schedule 3:
- (a) TopCo has not created or issued or agreed to create or issue any share or loan capital;
  - (b) TopCo has not granted any still outstanding right to subscribe for, or to convert any security into, shares in TopCo and no person has the outstanding right to call for the issue of any shares or loan capital of TopCo by reason of any rights under any option or incentive scheme or other agreement; and
  - (c) the issued share capital of TopCo as shown in Schedule 3 constitutes the entire issued share capital of TopCo and is fully paid or credited as fully paid.

### **5. Subsidiaries**

- 5.1 Other than RHL, ReNUK and ReN, TopCo has no subsidiaries and does not own, whether legally or beneficially, any shares or stock in the capital of or have any beneficial interest in any other company or business.
- 5.2 TopCo is the beneficial owner of the entire issued share capital of ReN and RHL; and RHL is the legal and beneficial owner of the entire issued share capital of ReNUK.
- 5.3 Save as set out in Schedule 3:
- (a) None of RHL, ReNUK or ReN has created or issued or agreed to create or issue any share or loan capital which, in any such case, is still outstanding;
  - (b) None of RHL, ReNUK or ReN has granted any still outstanding right to subscribe for, or to convert any security into, shares in any such company and no person has any outstanding right to call for the issue of any shares or loan capital of any such company by reason of any rights under any option or incentive scheme or other agreement.

**6. Borrowings**

- 6.1 Save for intra-ReNeuron Group loans, loans for Merlin as detailed in Schedule 3, ordinary trade credit and hire purchase or similar agreements, no member of the ReNeuron Group has any outstanding borrowings.
- 6.2 RHL is not in breach of the material terms of any of its loans from Merlin.

**7. Litigation**

No member of the ReNeuron Group is involved in any litigation, arbitration, prosecution or other legal proceedings (whether as plaintiff or defendant) nor, so far as TopCo is aware, are any such proceedings threatened or pending against any member of the ReNeuron Group, which, in any such case, are likely to have a material adverse effect on the financial position or prospects of the ReNeuron Group taken as a whole.

**8. Insolvency**

With respect to each member of the ReNeuron Group:

- (a) no order has been made and no resolution has been passed for its winding up or for a provisional liquidator to be appointed in respect of it and, so far as TopCo is aware, no petition has been presented and not withdrawn and no meeting has been convened for the purpose of winding it up;
- (b) no administration order has been made and, so far as TopCo is aware, no petition for such an order has been presented and not withdrawn in respect of it;
- (c) no receiver (which expression shall include an administrative receiver) has been appointed in respect of it or all or any of its assets;
- (d) no voluntary arrangement has been proposed under section 1 of the Insolvency Act 1986 in respect of it; and
- (e) so far as TopCo is aware no unsatisfied judgment is outstanding against it which is likely to have a material adverse effect on the financial position or prospects of the ReNeuron Group taken as a whole;

**9. Intellectual Property**

- 9.1 So far as TopCo is aware, no member of the ReNeuron Group is in material breach of the terms of any licence granted to any member of the ReNeuron Group to use any intellectual property right which right is material to the business of the ReNeuron Group taken as a whole.
- 9.2 So far as TopCo is aware, no third party is infringing, or making unauthorised use of, any intellectual property right which is owned by a member of the ReNeuron Group and which is material to the business of the ReNeuron Group taken as a whole.
- 9.3 So far as TopCo is aware, no member of the ReNeuron Group is infringing, or making unauthorised use of, any intellectual property rights not owned by or licensed to a member of the ReNeuron Group which intellectual property right is material to the business of the ReNeuron Group taken as a whole.

**10. Accounts**

The consolidated balance sheet, consolidated profit and loss account and other financial information contained in the annual report for RHL for the period ended 31 March 2005 (initialled by SCI and TopCo for the purposes of identification) (the "**Accounts**") show a true and fair view of the state of affairs of RHL and its subsidiaries at such date and of its profit and loss for the period ending on such date and were prepared in accordance with accounting principles generally accepted in, and in accordance with the relevant laws of, the United Kingdom.

**SCHEDULE 3:**

**FULLY DILUTED SHARE CAPITAL OF RENEURON GROUP PLC**

(registered in England & Wales, no. 5474163)

**PART A**

**AUTHORISED AND ISSUED SHARE CAPITAL**

**Authorised Share Capital**

130,000,000 Ordinary Shares of £0.10 each in nominal value

**Issued Share Capital**

35,874,705 Ordinary Shares of £0.10 each in nominal value held by the persons detailed in the Table set out at Part B of this Schedule.

**PART B**

**ISSUED SHARE CAPITAL**

Name	Address	Ordinary Shares
Merlin Equity Limited	33 Kings Street St James's London	4,500,130
Merlin General Partner Limited (as general partner of The Merlin Fund LP)	La Motte Chambers St Helier Jersey	14,389,280
Merlin General Partner II Limited (as general partner of Merlin Bioscience Fund LP)	La Motte Chambers St Helier Jersey	13,597,089
Merlin General Partner II Limited (as managing partner of Merlin Biosciences Fund GbR)	La Motte Chambers St Helier Jersey	817,171
John Sinden	c/o ReNeuron 10 Nugent Road Surrey Research Park Guildford Surrey GU2 7AF	1,150,000
Martin Edwards	c/o ReNeuron 10 Nugent Road Surrey Research Park Guildford Surrey GU2 7AF	12,820

Name	Address	Ordinary Shares
Helen Hodges	c/o ReNeuron 10 Nugent Road Surrey Research Park Guildford Surrey GU2 7AF	1,396,680
William Bains	37 The Moor Melbourn Royston Herts SG8 6ED	2,564
Jane Whitrow	40 Gun Lane Knebworth Herts SG3 6BH	1,025
Sue Foden	9 Staunton Road Headington Oxford OX3 7TJ	1,025
Sir Christopher Evans	c/o Merlin Biosciences 33 Kings Street St James's London	1,024
Mark Clement	c/o Merlin Biosciences 33 Kings Street St James's London	5,128
Alison Graham-Wilson	29c Elm Grove London SE15 5DB	769
<b>TOTAL</b>		<b>35,874,705</b>

## PART C

### RIGHTS TO ACQUIRE ORDINARY SHARES

#### Merlin Convertible Loan

Merlin Biosciences LP and Merlin Biosciences GbR (together "**Merlin Biosciences**") have made available to ReNeuron Holdings Limited ("**RHL**") a convertible loan facility of £1,000,000 (pursuant to a facility letter dated 29 November 2004 and which has been advanced in full to ReNeuron Holdings Limited) and a further convertible loan facility of a further £1,000,000

(pursuant to a further facility letter dated 28 April 2005 and of which £500,000 has, prior to the date hereof, been advanced to the RHL and a further £500,000 is due to be advanced to RHL shortly).

The outstanding amount of the loans, £2,000,000 in aggregate (once fully drawn down) advanced by Merlin Bioscience to RHL may be capitalised into Ordinary Shares in RHL:

- (a) immediately prior to a Change of Control Event (being "any form of merger of RHL with another company or any other transaction in which the shareholders of RHL prior to such transaction hold less than a majority of the voting rights of RHL following such transaction, or a sale of a substantial part of RHL's assets"), at a rate of £0.16 per Ordinary Share (being of £0.10 each in nominal value); or
- (b) immediately prior to completion of a fund raising, at a price equal to 75% of the fund raising price per share.

It is proposed that the terms of the loan facilities be clarified to expressly provide that in the event of the admission ("Admission") to trading on an investment exchange of share in the capital of RHL, or a holding company of RHL (such as ReNeuron Group PLC), the outstanding amount of the loan advanced by Merlin Bioscience to RHL may be capitalised into Ordinary Shares in RHL at a price equal to 75% of the price at which shares are offered to investors in connection with the Admission.

It is proposed that an agreement be entered into between Merlin Biosciences and ReNeuron Group PLC pursuant to which ReNeuron Group PLC may acquire shares issued to Merlin Biosciences by RHL on capitalisation of outstanding loan amounts in consideration of the issue of new Ordinary Shares by ReNeuron Group PLC to Merlin Biosciences (in the ratio: 1 new Ordinary Shares in the capital of ReNeuron Group PLC per RHL Ordinary Share).

#### **Merlin Indemnity Fee**

In connection with a guarantee previously provided by The Merlin Fund LP in respect of certain loan facilities made available to ReNeuron Limited ("RN"), RN agreed to pay The Merlin Fund LP a fee calculated by reference to The Merlin Fund LP's exposure under the guarantee. Such fee may be capitalised by The Merlin Fund LP into Ordinary Shares in RN at a price of £3.60 per share.

By put/call agreement dated 6 November 2000 shares in RN acquired under the fee arrangements by The Merlin Fund LP may be exchanged for shares in ReNeuron (UK) Limited ("RUK") (on a 10 RUK: 1 RN basis (i.e. 36p per share)).

The total number of RUK Ordinary Shares which The Merlin Fund LP may acquire pursuant to the capitalisation of such fee is 46,575 RUK Ordinary Shares.

It is proposed that an agreement be entered into between The Merlin Fund LP and ReNeuron Group PLC pursuant to which the existing put/call agreement will be terminated and ReNeuron Group PLC may acquire shares issued to The Merlin Fund LP by RN on capitalisation of the fee in consideration of the issue of new Ordinary Shares by ReNeuron Group PLC to The Merlin Fund LP (in the ratio: 10 new Ordinary Shares in the capital of ReNeuron Group PLC per RN Ordinary Share, being 46,575 ReNeuron Group PLC Ordinary Shares in total).

## **Warrants**

By an instrument dated 19 May 2000 RN constituted a series of warrants (the "Warrants") to subscribe Ordinary Shares of £0.001 in the capital of RN, at a price of £17.16 per share.

By put/call agreement dated 6 November 2000 shares in RN acquired on exercise of the Warrants may be exchanged for shares in RUK (on a 10 RUK: 1 RN basis, and being equivalent to £1.716 per RUK share).

There are currently 58,239 Warrants in issue, which Warrants are held by WestLB & Panmure Growth Fund Limited ("WestLB Panmure") (which pursuant to the put/call arrangements confer a right to acquire 582,390 RUK Ordinary Shares).

It is proposed that an agreement be entered into between WestLB Panmure and ReNeuron Group PLC pursuant to which the existing put/call agreement will be terminated and ReNeuron Group PLC may acquire shares issued to WestLB Panmure by RN on exercise of the Warrants in consideration of the issue of new Ordinary Shares by ReNeuron Group PLC to WestLB Panmure (in the ratio: 10 new Ordinary Shares in the capital of ReNeuron Group PLC per RN Ordinary Share, being 582,390 ReNeuron Group PLC Ordinary Shares in total).

## **Contractual Options**

### **(i) John Sinden**

On 19 January 1998 John Sinden was granted an option to subscribe 24,668 Ordinary Shares in the capital of RN at an exercise price of £0.001 per share.

By put/call agreement dated 6 November 2000 Ordinary Shares in RN acquired under the option by John Sinden may be exchanged for shares in RUK (on a 10 RUK: 1 RN basis).

By put/call agreement dated 6 May 2003 shares in RUK acquired under the put/call option by John Sinden may be exchanged for shares in RHL (on a 1 RHL : 1 RUK basis).

It is proposed that an agreement be entered into between John Sinden and ReNeuron Group PLC pursuant to which the existing option agreement and put/call agreements will be terminated and ReNeuron Group PLC will grant John Sinden a new option to acquire 246,680 Ordinary Shares in the capital of ReNeuron Group PLC at an exercise price of £0.10 per share.

### **(ii) Martin Edwards**

On 6 November 2000 Martin Edwards was granted an option to subscribe 500,000 Ordinary Shares in the capital of RUK at an exercise price of £0.001 per share.

By put/call agreement dated 6 May 2003 shares in RUK acquired under the put/call option by Martin Edwards may be exchanged for shares in RHL (on a 1 RHL : 1 RUK basis).

It is proposed that an agreement be entered into between Martin Edwards and ReNeuron Group PLC pursuant to which the existing option agreement and put/call agreement will be terminated and ReNeuron Group PLC will grant Martin Edwards a new option to acquire 500,000 Ordinary Shares in the capital of ReNeuron Group PLC at an exercise price of £0.10 per share.

### **(iii) Jack Price**

On 16 November 2004 Martin Edwards was granted an option to subscribe 100,000 Ordinary Shares in the capital of RHL at an exercise price of £0.10 per share.

It is proposed that an agreement be entered into between Jack Price and ReNeuron Group PLC pursuant to which the existing option agreement will be terminated and ReNeuron Group PLC will grant Jack Price a new option to acquire 100,000 Ordinary Shares in the capital of ReNeuron Group PLC at an exercise price of £0.10 per share.

### Unapproved Share Option Scheme

RHL operates an unapproved share option scheme (the "Scheme") in respect of Ordinary Shares comprised in the capital of RHL.

Outstanding options to subscribe a total of 2,175,000 Ordinary Shares in RHL have been granted under the Scheme. Details of these options are set out below:

Name	Number of options	Exercise price per share	Date of grant	Notes
Paul Blomfield	75,000	£0.10	23 July 2004	Lapsed
Bill Edge (non-exec. director)	50,000	£0.10	23 July 2004	Lapsed
Daphane Hemmings	15,000	£0.10	23 July 2004	
Caroline Hicks	35,000	£0.10	23 July 2004	
Michael Hunt	900,000	£0.10	[23 July 2004]	
Trevor Jones (non-exec. director)	100,000	£0.10	23 July 2004	
Eric Milijan	75,000	£0.10	23 July 2004	
Sara Patel	75,000	£0.10	23 July 2004	
Kenny Pollock	100,000	£0.10	23 July 2004	
Julie Redmond	15,000	£0.10	23 July 2004	
Shelia Richardson	15,000	£0.10	23 July 2004	
John Sinden	650,000	£0.10	23 July 2004	
Peter Sowinski	35,000	£0.10	23 July 2004	
Lara Stevenato	50,000	£0.10	23 July 2004	
Paul Stroemer	75,000	£0.10	23 July 2004	
Ellen Tang	35,000	£0.10	23 July 2004	
Amanda Wilson	35,000	£0.10	23 July 2004	Lapsed
<b>Total (included lapsed options)</b>	<b>2,335,000</b>			
<b>Total Outstanding</b>	<b>2,175,000</b>			

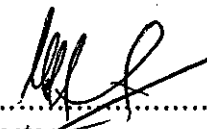
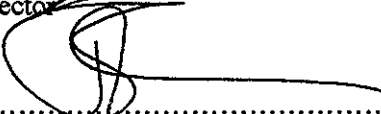


The terms of the existing Scheme options provide that they shall lapse, to the extent not exercised, on completion of the acquisition by ReNeuron Group PLC of the entire issued share capital of RHL. It is proposed that following the acquisition by ReNeuron Group PLC of the entire issued share capital of RHL, new options will be granted by ReNeuron Group PLC to those persons who held options granted under the Scheme. Such new options shall be in respect of 2,175,000 Ordinary Shares in ReNeuron Group PLC (in aggregate) and exercisable at a price of £0.10 per share.


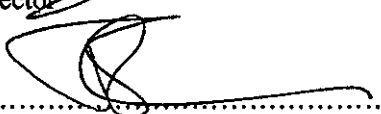
SIGNATURE PAGE TO SHARE EXCHANGE AGREEMENT

AS WITNESS the parties have executed and delivered this Agreement by way of **DEED** on the day and year first above written.


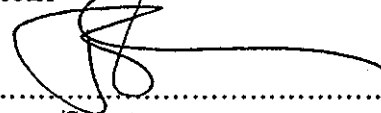
EXECUTED and DELIVERED as a DEED )  
by **RENEURON GROUP PLC** acting by )  
its duly authorised officers: )

  
.....  
Director  
  
.....  
Director/Secretary

EXECUTED and DELIVERED as a DEED )  
by **RENEURON LIMITED** acting by its )  
duly authorised officers: )

  
.....  
Director  
  
.....  
Director/Secretary

EXECUTED and DELIVERED as a DEED )  
by **RENEURON (UK) LIMITED** acting )  
by its duly authorised officers: )

  
.....  
Director  
  
.....  
Director/Secretary

EXECUTED and DELIVERED as a DEED )  
by **STEM CELLS INC.** acting by its duly )  
authorised signatories under its authority )  
pursuant to the Foreign Companies )  
(Execution of Documents) Regulations )  
1994: )  
)

.....  
Signature of Authorised Signatory  
Print Name:  
Print Position:

## SIGNATURE PAGE TO SHARE EXCHANGE AGREEMENT

AS WITNESS the parties have executed and delivered this Agreement by way of DEED on the day and year first above written.

EXECUTED and DELIVERED as a DEED )  
by RENEURON GROUP PLC acting by )  
its duly authorised officers: )

.....  
Director  
.....  
Director/Secretary

EXECUTED and DELIVERED as a DEED )  
by RENEURON LIMITED acting by its )  
duly authorised officers: )

.....  
Director  
.....  
Director/Secretary

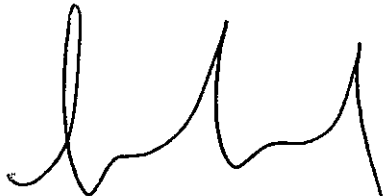
EXECUTED and DELIVERED as a DEED )  
by RENEURON (UK) LIMITED acting )  
by its duly authorised officers: )

.....  
Director  
.....  
Director/Secretary

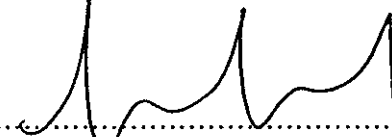
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Signature of Authorised Signatory  
Print Name:  
Print Position:

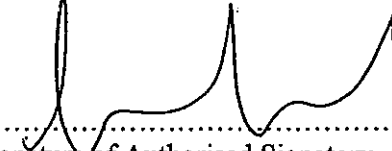
EXECUTED as a DEED by )  
MERLIN GENERAL PARTNER )  
LIMITED as general partner of The )  
Merlin Fund LP . acting by its duly )  
authorised signatory

  
.....  
Signature of Authorised Signatory  
Print Name: DENZIL BOSCHART  
Print Position: DIRECTOR

EXECUTED as a DEED by )  
MERLIN GENERAL PARTNER II )  
LIMITED as general partner of The )  
Merlin Bioscience Fund LP . acting by its )  
duly authorised signatory

  
.....  
Signature of Authorised Signatory  
Print Name: DENZIL BOSCHART  
Print Position: DIRECTOR

EXECUTED as a DEED by )  
MERLIN GENERAL PARTNER II )  
LIMITED as managing partner of The )  
Merlin Bioscience Fund GbR. acting by its )  
duly authorised signatory

  
.....  
Signature of Authorised Signatory  
Print Name: DENZIL BOSCHART  
Print Position: DIRECTOR

EXECUTED and DELIVERED )  
by way of a DEED )  
for and on behalf of )  
MERLIN EQUITY LIMITED )  
acting by its duly authorised attorney

.....  
Duly Authorised Attorney

EXECUTED as a DEED )  
by DR HELEN HODGES )  
acting by her duly authorised attorney )

.....  
Duly Authorised Attorney

EXECUTED as a DEED )  
by DR JOHN SINDEN )  
acting by his duly authorised attorney )

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Duly Authorised Attorney

EXECUTED as a DEED )  
by DR MARTIN EDWARDS )  
acting by his duly authorised attorney )

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Duly Authorised Attorney

EXECUTED as a DEED )  
By WILLIAM BAINS )  
acting by his duly authorised attorney )

.....  
Duly Authorised Attorney

EXECUTED as a DEED )  
by JANE WHITROW )  
acting by her duly authorised attorney )

.....  
Duly Authorised Attorney

EXECUTED as a DEED by )  
**MERLIN GENERAL PARTNER** )  
**LIMITED** as general partner of The )  
**Merlin Fund LP** . acting by its duly )  
authorised signatory

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Signature of Authorised Signatory  
Print Name:  
Print Position:

EXECUTED as a DEED by )  
**MERLIN GENERAL PARTNER II** )  
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**Merlin Bioscience Fund LP** . acting by its )  
duly authorised signatory

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Signature of Authorised Signatory  
Print Name:  
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EXECUTED as a DEED by )  
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**Merlin Bioscience Fund GbR**. acting by its )  
duly authorised signatory

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Signature of Authorised Signatory  
Print Name:  
Print Position:

EXECUTED and DELIVERED )  
by way of a DEED )  
for and on behalf of )  
**MERLIN EQUITY LIMITED** )  
acting by its duly authorised attorney

.....  
Duly Authorised Attorney

EXECUTED as a DEED )  
by **DR HELEN HODGES** )  
acting by her duly authorised attorney )

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Duly Authorised Attorney

EXECUTED as a DEED )  
by **DR JOHN SINDEN** )  
acting by his duly authorised attorney )

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Duly Authorised Attorney

EXECUTED as a DEED )  
by **DR MARTIN EDWARDS** )  
acting by his duly authorised attorney )

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Duly Authorised Attorney

EXECUTED as a DEED )  
By **WILLIAM BAINS** )  
acting by his duly authorised attorney )

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Duly Authorised Attorney

EXECUTED as a DEED )  
by **JANE WHITROW** )  
acting by her duly authorised attorney )

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Duly Authorised Attorney

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authorised signatory )

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Print Name:  
Print Position:

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duly authorised signatory )

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Signature of Authorised Signatory  
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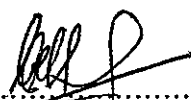
EXECUTED as a DEED by )  
MERLIN GENERAL PARTNER II )  
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duly authorised signatory )

.....  
Signature of Authorised Signatory  
Print Name:  
Print Position:

EXECUTED and DELIVERED )  
by way of a DEED )  
for and on behalf of )  
MERLIN EQUITY LIMITED )  
acting by its duly authorised attorney )

.....  
Duly Authorised Attorney


EXECUTED as a DEED )  
by DR HELEN HODGES )  
acting by her duly authorised attorney )

  
.....  
Duly Authorised Attorney

EXECUTED as a DEED )  
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acting by his duly authorised attorney )

  
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EXECUTED as a DEED )  
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acting by his duly authorised attorney )

  
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By WILLIAM BAINS )  
acting by his duly authorised attorney )

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Duly Authorised Attorney

EXECUTED as a DEED )  
by JANE WHITROW )  
acting by her duly authorised attorney )

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Duly Authorised Attorney

EXECUTED as a DEED  
by **SUE FODEN**  
acting by her duly authorised attorney

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Duly Authorised Attorney

EXECUTED as a DEED  
by **SIR CHRISTOPHER EVANS**  
acting by his duly authorised attorney

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Duly Authorised Attorney

EXECUTED as a DEED  
by **MARK CLEMENT**  
acting by his duly authorised attorney

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Duly Authorised Attorney

EXECUTED as a DEED  
by **ALISON GRAHAM-WILSON**  
acting by her duly authorised attorney

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.....  
Duly Authorised Attorney

# APPENDIX

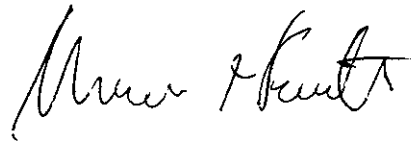
## FULLY DILUTED SHARE CAPITAL

as used to calculate the number of Initial TopCo Shares

Name	Shares	Options	Total	Undiluted	Diluted	Equity	Merlin Loan	Shares	Total	Shares	Total	Shares
Merlin Fund	14,389,280		14,389,280	40.11%	36.41%	4,095,584			4,095,584	14,389,280	14,389,280	28.59%
Merlin Biosciences Fund	14,414,260		14,414,260	40.18%	36.47%	4,102,694	2,000,000	7,026,729	6,102,694	21,440,989	21,440,989	42.60%
Merlin Equity	4,500,130		4,500,130	12.54%	11.39%	1,280,861			1,280,861	4,500,130	4,500,130	8.94%
John Sinden	1,150,000		1,150,000	3.21%	2.91%	327,322			327,322	1,150,000	1,150,000	2.29%
Martin Edwards	12,820		12,820	0.04%	0.03%	3,649			3,649	12,820	12,820	0.03%
Helen Hodges	1,396,680		1,396,680	3.89%	3.53%	397,533			397,533	1,396,680	1,396,680	2.78%
William Bains	2,564		2,564	0.01%	0.01%	730			730	2,564	2,564	0.01%
Jane Whitrow	1,025		1,025	0.00%	0.00%	292			292	1,025	1,025	0.00%
Sue foden	1,025		1,025	0.00%	0.00%	292			292	1,025	1,025	0.00%
Chris Evans	1,024		1,024	0.00%	0.00%	291			291	1,024	1,024	0.00%
Mark Clement	5,128		5,128	0.01%	0.01%	1,460			1,460	5,128	5,128	0.01%
Alison Graham Wilson	769		769	0.00%	0.00%	219			219	769	769	0.00%
Merlin Indemnity Fee		46,575	46,575		0.12%	13,257			13,257	46,575	46,575	0.09%
WestLB		582,390	582,390		1.47%	165,764			165,764	582,390	582,390	1.16%
John Sinden Options		246,680	246,680		0.62%	70,212			70,212	246,680	246,680	0.49%
Martin Edwards options		500,000	500,000		1.27%	142,314			142,314	500,000	500,000	0.99%
Jack Price options		100,000	100,000		0.25%	28,463			28,463	100,000	100,000	0.20%
Unapproved options		2,175,000	2,175,000		5.50%	619,065			619,065	2,175,000	2,175,000	4.32%
SCI										3,774,493		7.50%
	35,874,705	3,650,645	39,525,350	100.00%	100.00%	11,250,000	2,000,000	7,026,729	13,250,000	46,552,079	50,326,572	100.00%



We certify this to be a true copy of the original



Morrison & Foerster MNP

DATED 1 August 2005

ORIGINAL FILED  
AT COMPANIES HOUSE  
IN RESPECT OF  
RENEURON  
GROUP PLC

RENEURON GROUP PLC

- and -

RENEURON LIMITED

- and -

RENEURON (UK) LIMITED

- and -

THE EXISTING SHAREHOLDERS

- and -

STEMCELLS INC.

---

**DEED OF AMENDMENT**

in respect of a

Subscription and Share Exchange Agreement

dated 1 July 2005

---

Morrison & Foerster MNP  
CityPoint  
One Ropemaker Street  
London EC2Y 9AW  
United Kingdom  
Tel: +44 (0)20 7920 4000  
Fax: +44 (0)20 7496 8500

## TABLE OF CONTENTS

	Page
1 INTERPRETATION .....	2
2 AMENDMENTS .....	3
3 WAIVERS AND RELEASE .....	4
4 AMENDMENT .....	5
5 INVALIDITY .....	5
6 NO PARTNERSHIP OR AGENCY .....	5
7 ENTIRE AGREEMENT .....	5
8 RIGHTS OF THIRD PARTIES .....	5
9 ASSIGNMENT .....	5
10 NOTICES .....	6
11 FURTHER ASSURANCE .....	6
12 COSTS .....	6
13 COUNTERPARTS .....	6
14 GOVERNING LAW AND JURISDICTION .....	6
SCHEDULE 1 THE EXISTING SHAREHOLDERS .....	8

**THIS DEED** (this "Deed") is made by way of deed on 1 August ~~July~~ 2005 between the following parties:

- (1) **RENEURON GROUP PLC** a company incorporated in England and Wales (registered number 05474163) whose registered office is at 10 Nugent Road, Surrey Research Park, Guildford, Surrey GU2 7AF, United Kingdom ("**TopCo**");
- (2) **RENEURON LIMITED** a company incorporated in England and Wales (registered number 03375897) whose registered office is at 10 Nugent Road, Surrey Research Park, Guildford, Surrey GU2 7AF, United Kingdom ("**ReN**");
- (3) **RENEURON (UK) LIMITED** a company incorporated in England and Wales (registered number 04083134) whose registered office is at 10 Nugent Road, Surrey Research Park, Guildford, Surrey GU2 7AF, United Kingdom ("**ReNUK**");
- (4) **THE EXISTING SHAREHOLDERS OF TOPCO** whose names and addresses are set out in schedule 1 of this Agreement (the "**Existing Shareholders**"); and
- (5) **STEMCELLS, INC.** a corporation organised and existing under the laws of the State of Delaware, whose principal place of business is at 3155 Porter Drive, Palo Alto, California 94304, United States of America ("**SCI**").

**WHEREAS**

- (A) ReN and SCI have agreed to enter into:
  - (i) a the license agreement dated 1 July 2005 (the "**Licence Agreement**"); and
  - (ii) a subscription and share exchange agreement dated 1 July 2005 (the "**Subscription and Share Exchange Agreement**"), as required by the Licence Agreement.
- (B) ReN and SCI have agreed to make certain amendments to the Licence Agreement pursuant to an agreement (the "**Licence Amendment Agreement**") to be entered into on the same date as this Deed.
- (C) The parties hereto wish to amend the Subscription and Share Exchange Agreement in accordance with the terms of this Deed.

**IT IS AGREED** as follows:

**1 INTERPRETATION**

- 1.1 Save as defined in this Deed, expressions used in this Deed shall have the meanings given thereto in the Subscription and Share Exchange Agreement.
- 1.2 In this Deed:

- 1.2.1 the headings in this Deed do not affect its construction or interpretation;
- 1.2.2 a reference to a document is a reference to that document as amended or modified from time to time in writing by the mutual consent of the parties; and
- 1.2.3 the singular includes the plural and vice versa and any gender includes any other gender.

## 2 AMENDMENTS

- 2.1 Subject to the execution of the Licence Amendment Agreement by the parties thereto and in consideration of the parties thereto entering into such Licence Amendment Agreement, the parties to this Deed agree that the Subscription and Share Exchange Agreement shall be amended as follows:

- 2.1.1 in the definition of "Excess Equity" the figure of £12,500,000, as currently appears in four instances within such definition, shall in each instance be deleted and the figure of £15,000,000 be inserted in substitution thereof, such that the new definition of "Excess Equity" is as follows:

***"Excess Equity"***

*(a) any TopCo Shares, or options, warrants or other rights to subscribe for or to be allotted or convert or exchange into TopCo Shares, allotted, issued, granted or created after the time at which TopCo has (subsequent to the date of First Completion and excluding any cash received in respect of any options, warrants or other rights to subscribe for or to be allotted or convert or exchange into TopCo Shares outstanding as at the date of First Completion) received a cumulative total of £15,000,000 in cash subscriptions for the issue of new TopCo Shares; and*

*(b) where an issue of TopCo Shares is made for cash, such that the cumulative total received by TopCo (subsequent to the date of First Completion and excluding any cash received in respect of any options, warrants or other rights to subscribe for or to be allotted or convert or exchange into TopCo Shares outstanding as at the date of First Completion) in cash subscriptions for the issue of new TopCo Shares is as a result of*

*such issue increased from an amount less than £15,000,000 to an amount greater than £15,000,000 (the "Relevant Issue"), then to the extent that TopCo Shares issued as part of the Relevant Issue result in TopCo receiving (subsequent to the date of First Completion and excluding any cash received in respect of any options, warrants or other rights to subscribe for or to be allotted or convert or exchange into TopCo Shares outstanding as at the date of First Completion) an amount in excess of a cumulative total of £15,000,000 in cash subscriptions for the issue of new TopCo Shares then such excess TopCo Shares shall be Excess Equity;*

- 2.1.2 in clause 4.1(a) the figure of £12,500,000, as currently appears in once instance within such clause, shall be deleted and the figure of £15,000,000 be inserted in substitution thereof, such that the new clause 4.1(a) is as follows:

*"(a) TopCo receiving (subsequent to the date of First Completion and excluding any cash received in respect of any options, warrants or other rights to subscribe for or to be allotted or convert or exchange into TopCo Shares outstanding as at the date of First Completion) a cumulative total of £15,000,000 in cash subscriptions for the issue of new TopCo Shares;"*

- 2.2 If the amendment of the Licence Agreement pursuant to the Licence Amendment Agreement is held to be invalid or otherwise ineffective (for any reason whatsoever) then the amendment of the Subscription and Share Exchange Agreement pursuant to clause 2.1 above shall thereupon be deemed to be invalid and ineffective (regardless of whether such amendment of the Subscription and Share Exchange Agreement is otherwise valid or effective).

### **3 WAIVERS AND RELEASE**

- 3.1 A waiver of any term, provision or condition of, or consent granted under, this Deed shall be effective only if given in writing and signed by the waiving or consenting party and then only in the instance and for the purpose for which it is given.
- 3.2 No failure or delay on the part of any party in exercising any right, power or privilege under this Deed shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

**4 AMENDMENT**

No variation to this Deed shall be effective unless made in writing and signed by or on behalf of all the parties, acting by their duly authorised representatives.

**5 INVALIDITY**

If any provision or term of this Deed is held or rendered illegal, invalid or unenforceable under any applicable law, such provision or term shall, insofar as it is severable from the remaining provisions or terms, be deemed omitted from this Deed and shall not adversely affect the remaining provisions or terms. Any such illegal, invalid or unenforceable provision or term shall be considered not severable if and to the extent that its omission from this Deed would or may materially alter or affect the commercial intent or effect of this Deed. In such event, the parties shall use their best endeavours to replace any such illegal, invalid or unenforceable provision or term with provisions and terms which most closely reflect their commercial intent and effect.

**6 NO PARTNERSHIP OR AGENCY**

6.1 Nothing in this Deed shall be deemed to constitute a partnership or agency relationship between the parties to it.

6.2 Save as expressly provided in this Deed, the execution, completion and implementation of this Deed shall not confer on any party any power to bind or impose any obligations on any other party.

**7 ENTIRE AGREEMENT**

This Deed and the documents referred to in it in agreed form constitutes the entire agreement between the parties in connection with the subject matter of this Deed and supersedes any previous agreements and it is agreed that no party has entered into this Deed in reliance upon any representation warranty or undertaking which is not expressly set out in this Deed. Notwithstanding the foregoing, nothing in this Deed shall exclude any liability for fraud.

**8 RIGHTS OF THIRD PARTIES**

A person who is not a party to this Deed has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Deed.

**9 ASSIGNMENT**

No party shall assign or transfer or purport to assign or transfer any of its rights or obligations under this Deed without the prior consent of each other party.

10     **NOTICES**

- 10.1    The provisions of clause 21 of the Subscription and Share Exchange Agreement shall apply in respect of any notice, demand or other communication given or made under or in connection with the matters contemplated by this Deed.

11     **FURTHER ASSURANCE**

At any time each party shall do and execute, or procure to be done and executed, all necessary acts, deeds, documents and things as may be reasonably requested of it by the other party to give effect to this Deed.

12     **COSTS**

Save as otherwise expressly stated in this Deed, each party shall pay its own costs in connection with the negotiation, preparation and implementation of this Deed and all agreements ancillary to it.

13     **COUNTERPARTS**

This Deed may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all the counterparts together shall constitute one and the same instrument. No counterpart shall be effective until each party has executed at least one counterpart.

14     **GOVERNING LAW AND JURISDICTION**

- 14.1    This Deed (and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this Deed or its formation) shall be governed by and construed in accordance with English law.
- 14.2    Each of the parties to this Deed irrevocably agrees that the courts of England shall have exclusive jurisdiction to hear and decide any suit, action or proceedings, and/or to settle any disputes, which may arise out of or in connection with this Deed (respectively, "**Proceedings**" and "**Disputes**") and, for these purposes, each party irrevocably submits to the jurisdiction of the courts of England.
- 14.3    Each party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to hear and decide any Proceedings and to settle any Disputes and agrees not to claim that the courts of England are not a convenient or appropriate forum for any such Proceedings or Disputes and further irrevocably agrees that a judgment in any Proceedings or Disputes brought in any court referred to in this clause 14 shall be conclusive and binding upon the parties and may be enforced in the courts of any other jurisdiction.
- 14.4    Without prejudice to any other permitted mode of service the parties agree that service of any claim form, notice or other document ("**Documents**") for the purpose of any

Proceedings begun in England shall be duly served upon it if delivered personally or sent by registered post, in the case of:

14.4.1 the ReNeuron Group to the address set out in clause 21 of the Subscription and Share Exchange Agreement (for the attention of the person referred to therein); and

14.4.2 the Existing Shareholders to the address set out in clause 21 of the Subscription and Share Exchange Agreement;

or such other person and address as the parties shall notify each other from time to time.

14.5 Each party irrevocably agrees that the courts of England have exclusive jurisdiction to decide and to settle any dispute or claim arising out of this Deed.



**SCHEDULE 1**  
**THE EXISTING SHAREHOLDERS**


Name	Address
Merlin Equity Limited	33 Kings Street St James's London
Merlin General Partner Limited (as general partner of The Merlin Fund LP)	La Motte Chambers St Helier Jersey
Merlin General Partner II Limited (as general partner of Merlin Bioscience Fund LP)	La Motte Chambers St Helier Jersey
Merlin General Partner II Limited (as managing partner of Merlin Biosciences Fund GbR)	La Motte Chambers St Helier Jersey
John Sinden	c/o ReNeuron 10 Nugent Road Surrey Research Park Guildford Surrey GU2 7AF
Martin Edwards	c/o ReNeuron 10 Nugent Road Surrey Research Park Guildford Surrey GU2 7AF
Helen Hodges	c/o ReNeuron 10 Nugent Road Surrey Research Park Guildford Surrey GU2 7AF


Name	Address
William Bains	37 The Moor Melbourn Royston Herts SG8 6ED
Jane Whitrow	40 Gun Lane Knebworth Herts SG3 6BH
Sue Foden	9 Staunton Road Headington Oxford OX3 7TJ
Sir Christopher Evans	c/o Merlin Biosciences 33 Kings Street St James's London
Mark Clement	c/o Merlin Biosciences 33 Kings Street St James's London
Alison Graham-Wilson	29c Elm Grove London SE15 5DB

SIGNATURE PAGE TO DEED OF AMENDMENT

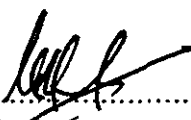
AS WITNESS the parties have executed and delivered this Deed by way of **DEED** on the day and year first above written.

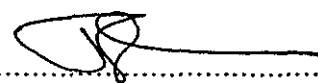
EXECUTED and DELIVERED as a DEED )  
by **RENEURON GROUP PLC** acting by )  
its duly authorised officers: )

  
.....  
Director


  
.....  
Director/Secretary


EXECUTED and DELIVERED as a DEED )  
by **RENEURON LIMITED** acting by its )  
duly authorised officers: )

  
.....  
Director

  
.....  
Director/Secretary

EXECUTED and DELIVERED as a DEED )  
by **RENEURON (UK) LIMITED** acting )  
by its duly authorised officers: )

  
.....  
Director

  
.....  
Director/Secretary

EXECUTED and DELIVERED as a DEED )  
by **STEM CELLS INC.** acting by its duly )  
authorised signatories under its authority )  
pursuant to the Foreign Companies )  
(Execution of Documents) Regulations )  
1994: )  
)

.....  
Signature of Authorised Signatory  
Print Name:  
Print Position:

SIGNATURE PAGE TO DEED OF AMENDMENT

AS WITNESS the parties have executed and delivered this Deed by way of **DEED** on the day and year first above written.

EXECUTED and DELIVERED as a DEED )  
by **RENEURON GROUP PLC** acting by ) Director  
its duly authorised officers: )

.....  
Director/Secretary

EXECUTED and DELIVERED as a DEED )  
by **RENEURON LIMITED** acting by its ) Director  
duly authorised officers: )

.....  
Director/Secretary

EXECUTED and DELIVERED as a DEED )  
by **RENEURON (UK) LIMITED** acting ) Director  
by its duly authorised officers: )

.....  
Director/Secretary

EXECUTED and DELIVERED as a DEED )  
by **STEM CELLS INC.** acting by its duly )  
authorised signatories under its authority )  
pursuant to the Foreign Companies ) Signature of Authorised Signatory  
(Execution of Documents) Regulations ) Print Name: *M. M. McGlynn*  
1994: ) Print Position: *CEO*  
)

EXECUTED as a DEED by  
**MERLIN GENERAL PARTNER  
LIMITED** as general partner of The  
**Merlin Fund LP** . acting by its duly  
authorised signatory

)  
)  
)

.....  
Signature of Authorised Signatory  
Print Name: DENZIL BOSCHAT  
Print Position: DIRECTOR

EXECUTED as a DEED by  
**MERLIN GENERAL PARTNER II  
LIMITED** as general partner of The  
**Merlin Bioscience Fund LP** . acting by its  
duly authorised signatory

)  
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.....  
Signature of Authorised Signatory  
Print Name: DENZIL BOSCHAT  
Print Position: DIRECTOR

EXECUTED as a DEED by  
**MERLIN GENERAL PARTNER II  
LIMITED** as managing partner of The  
**Merlin Bioscience Fund GbR**. acting by its  
duly authorised signatory

)  
)  
)

.....  
Signature of Authorised Signatory  
Print Name: DENZIL BOSCHAT  
Print Position: DIRECTOR

EXECUTED and DELIVERED  
by way of a DEED  
for and on behalf of  
**MERLIN EQUITY LIMITED**  
acting by its duly authorised attorney

)  
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.....  
Duly Authorised Attorney

EXECUTED as a DEED  
by **DR HELEN HODGES**  
acting by her duly authorised attorney

)  
)  
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.....  
Duly Authorised Attorney

EXECUTED as a DEED  
by **DR JOHN SINDEN**  
acting by his duly authorised attorney

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)

.....  
Duly Authorised Attorney

EXECUTED as a DEED  
by **DR MARTIN EDWARDS**  
acting by his duly authorised attorney

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)

.....  
Duly Authorised Attorney

EXECUTED as a DEED  
By **WILLIAM BAINS**  
acting by his duly authorised attorney

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)  
)

.....  
Duly Authorised Attorney

EXECUTED as a DEED by  
**MERLIN GENERAL PARTNER  
LIMITED** as general partner of The  
Merlin Fund LP . acting by its duly  
authorised signatory

.....  
Signature of Authorised Signatory  
Print Name:  
Print Position:

EXECUTED as a DEED by  
**MERLIN GENERAL PARTNER II  
LIMITED** as general partner of The  
Merlin Bioscience Fund LP . acting by its  
duly authorised signatory

.....  
Signature of Authorised Signatory  
Print Name:  
Print Position:

EXECUTED as a DEED by  
**MERLIN GENERAL PARTNER II  
LIMITED** as general partner of The  
Merlin Bioscience Fund GbR. acting by its  
duly authorised signatory

.....  
Signature of Authorised Signatory  
Print Name:  
Print Position:

EXECUTED and DELIVERED  
by way of a DEED  
for and on behalf of  
**MERLIN EQUITY LIMITED**  
acting by its duly authorised attorney

.....  
Duly Authorised Attorney

EXECUTED as a DEED  
by **DR HELEN HODGES**  
acting by her duly authorised attorney

.....  
Duly Authorised Attorney

EXECUTED as a DEED  
by **DR JOHN SINDEN**  
acting by his duly authorised attorney

.....  
Duly Authorised Attorney

EXECUTED as a DEED  
by **DR MARTIN EDWARDS**  
acting by his duly authorised attorney

.....  
Duly Authorised Attorney

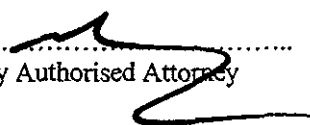
EXECUTED as a DEED  
By **WILLIAM BAINS**  
acting by his duly authorised attorney

.....  
Duly Authorised Attorney

EXECUTED as a DEED  
by **JANE WHITROW**  
acting by her duly authorised attorney

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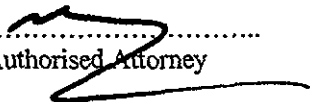
.....  
Duly Authorised Attorney



EXECUTED as a DEED  
by **SUE FODEN**  
acting by her duly authorised attorney

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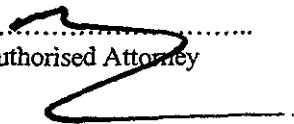
.....  
Duly Authorised Attorney



EXECUTED as a DEED  
by **SIR CHRISTOPHER EVANS**  
acting by his duly authorised attorney

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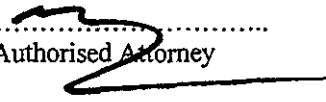
.....  
Duly Authorised Attorney



EXECUTED as a DEED  
by **MARK CLEMENT**  
acting by his duly authorised attorney

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)

.....  
Duly Authorised Attorney



EXECUTED as a DEED  
by **ALISON GRAHAM-WILSON**  
acting by her duly authorised attorney

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)  
)

.....  
Duly Authorised Attorney

