

5474163

Morrison & Foerster

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
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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

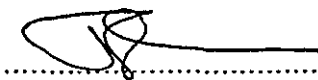
AS WITNESS the parties have executed and delivered this Deed by way of DEED on the day and year first above written.

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)
(Execution of Documents) Regulations)
1994:)
Signature of Authorised Signatory
Print Name: *M. M. McGlynn*
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: DEVEIL 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

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

.....
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
**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
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:
Print Position:

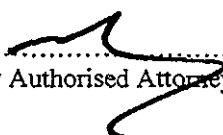
EXECUTED as a DEED by
**MERLIN GENERAL PARTNER II
LIMITED** as general partner of The
Merlin Bioscience Fund GbR . acting by its
duly authorised signatory

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Signature of Authorised Signatory
Print Name:
Print Position:

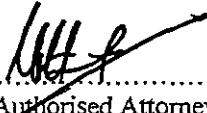
EXECUTED and DELIVERED
by way of a DEED
for and on behalf of
MERLIN EQUITY LIMITED
acting by its duly authorised attorney

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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

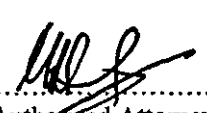
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Duly Authorised Attorney

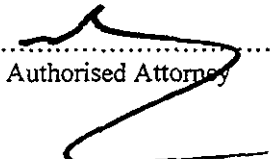
EXECUTED as a DEED
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acting by his duly authorised attorney

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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

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