

**Charter of the Corporate Governance and Nominating Committee
of the
Board of Directors of StemCells, Inc.**

1. Organization and Governance of the Corporate Governance and Nominating Committee. The Corporate Governance Committee and Nominating (the “Committee”) of the Company shall consist of no fewer than three members appointed by the Board of Directors (the “Board”) who satisfy the independence requirements of the Nasdaq Stock Market. In order to fulfill its role, the Committee shall be organized and governed in the following manner:

- Committee members will be appointed and removed by the Board;
- Action may be taken by the Committee upon the affirmative vote of a majority of the members;
- Any member of the Committee may call a meeting of the Committee upon due notice to each other member at least forty-eight hours prior to the meeting;
- Any two members of the Committee shall constitute a quorum at a meeting of the Committee;
- Action may be taken by the Committee without a meeting if all of the members of the Committee indicate their approval thereof in writing; and
- The Committee may delegate its authority to a subcommittee.

2. Statement of Purpose. The purposes of the Committee are (i) to identify individuals qualified to become members of the Board, (ii) to recommend that the Board select, the director nominees for the next annual meeting of shareholders, (iii) to develop and recommend to the Board a set of corporate governance principles applicable to the Company, and (iv) to oversee the evaluation of the board and its dealings with management.

3. Goals and Responsibilities of the Committee. The responsibilities of the Committee shall include the following:

- Identify individuals qualified to become board members, consistent with criteria approved by the board, receive nominations for such qualified individuals; select, or recommend that the Board select, the director nominees for the next annual meeting of shareholders; taking into account each candidate's ability, judgment and experience and the overall composition of the Board;
- Review and, in its discretion, revise the policy under which stockholders of the Company may recommend a candidate to the Committee for consideration for nomination as a director;
- Recommend to the Board qualified individuals to serve as committee members on the various Board committees, and assure that committee members continue to meet the qualifications for their respective committees;

- Clearly articulate to each director what is expected, including reference to the Company's corporate governance principles and directors' basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials;
- Develop and recommend to the full Board a set of corporate governance principles applicable to the Company. Such principles shall address the following subjects: (i) director qualification standards, (ii) director responsibilities, (iii) director access to management and, as necessary and appropriate, independent advisors, (iv) director compensation, and (v) director orientation and continuing education. The Committee shall review the principles on an annual basis, or more frequently if appropriate, and recommend changes as necessary;
- Review the Company's practices and policies with respect to directors, including retirement policies and compensation for non-employee directors, the size of the Board, the ratio of employee directors to non-employee directors, the meeting frequency of the Board and the structure of Board meetings and make recommendations to the Board with respect thereto;
- Review the functions, duties and composition of the committees of the Board and make recommendations to the Board with respect thereto;
- In concert with the Board, review the Company policies with respect to significant issues of corporate public responsibility, including contributions;
- Recommend to the Board or to the appropriate committee thereto processes for annual evaluations of the performance of the Board, the Chairman of the Board and the CEO;
- Consider and report to the Board any questions of possible conflicts of interest of Board members;
- Provide for new director orientation and continuing education for existing directors;
- Assist the Board in developing and evaluating potential candidates for executive positions (including the CEO) and oversee the development of executive succession plans.
- Review and assess the adequacy of this charter and submit any changes to the Board for approval; and
- Report its actions and any recommendations to the Board on a periodic basis

4. Powers of the Corporate Governance and Nominating Committee. In order to fulfill its role, the Committee shall have the authority to retain and terminate a search firm to assist in the identification of director candidates, and have the authority to approve the search firm's fees and other retention terms. The Committee shall also have the authority to retain legal, accounting or other experts that it determines to be necessary to carry out its duties and to determine compensation for such advisors.