

Policy on Shareholder Communications

Stockholders who wish to communicate with the Board of Directors or with a particular director may send a letter to the Secretary of the Company at StemCells, Inc., 3155 Porter Drive, Palo Alto, California 94304. Any communication should clearly specify that it is intended to be made to the entire Board of Directors or to one or more particular director(s).

The Secretary of the Company will review all such correspondence and forward to the Board of Directors a summary of all such correspondence and copies of all correspondence that, in the opinion of the Secretary, deals with the functions of the Board of Directors or committees thereof or that she otherwise determines requires their attention. The Secretary shall also maintain a log of all correspondence received by the Company that is addressed to members of the Board of Directors, and any Director may at any time review and request copies of any such correspondence.

Concerns relating to accounting, internal controls or auditing matters shall immediately be brought to the attention of the Chairman of the Audit Committee and handled in accordance with established procedures, which are set out in the Audit Committee's Policy on Receipt, Retention and Treatment of Complaints Regarding Accounting, Internal Controls and Auditing Matters. A copy of the Policy shall be made available on the Company's website.