STEMCELLS INC
Form 10-Q
July 30, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarter ended: June 30, 2007
Commission File Number: 0-19871
STEMCELLS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	94-3078125
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification No)

3155 PORTER DRIVE
PALO ALTO, CA 94304
(Address of principal executive offices including zip code)
(650) 475-3100
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter periods that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check One):
Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

At July 24, 2007, there were 80,068,593 shares of Common Stock, $.01 par value, issued and outstanding.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
STEMCELLS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2007 (unaudited)	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 49,182,102	$ 51,795,529
Receivables	370,117	482,850
Other current assets	1,193,709	1,119,467
Marketable securities		4,132,646
Total current assets	50,745,928	57,530,492
Marketable securities	2,273,443	3,133,632
Property, plant and equipment, net	3,422,746	3,596,150
Other assets, net	2,568,343	2,596,543
Total assets	$ 59,010,460	$ 66,856,817
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 699,184	$ 620,765
Accrued expenses	1,710,243	2,053,902
Accrued wind-down expenses, current portion	1,052,826	1,252,483
Deferred revenue, current portion	16,826	16,826
Capital lease obligations, current portion	17,005	
Bonds payable, current portion	140,833	205,833
Total current liabilities	3,636,917	4,149,809
Capital lease obligations, non-current portion	34,100	
Bonds payable, non-current portion	1,080,416	1,145,416
Deposits and other long-term liabilities	466,211	547,392
Accrued wind-down expenses, non-current portion	5,345,340	5,497,774
Deferred rent	850,598	959,732
Deferred revenue, non-current portion	172,278	180,691
Total liabilities	11,585,860	12,480,814
Stockholders equity:		
Common stock, $.01 par value; 125,000,000 shares authorized; 80,051,767 and 78,046,304 shares issued and outstanding at June 30,	800,517	780,462

2007 and December 31, 2006, respectively		
Additional paid in capital	261,556,025	255,299,508
Accumulated deficit	(214,935,687)	(204,891,945)
Accumulated other comprehensive income	3,745	3,187,978
Total stockholders equity	47,424,600	54,376,003
Total liabilities and stockholders equity	$ 59,010,460	$ 66,856,817

See accompanying notes to condensed consolidated financial statements .

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STEMCELLS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Revenue:				
Revenue from grants	$	$	$	$ 37,550
Revenue from licensing agreements	7,840	20,535	13,786	24,535
Total revenue	7.840	20,535	13,786	62,085
Operating expenses:				
Research and development	4,498,204	3,187,513	8,517,342	5,879,394
General and administrative	1,408,657	1,412,513	3,673,205	3,089,837
Wind-down expenses	134,045	174,901	355,810	331,018
Total operating expenses	6,040,906	4,774,927	12,546,357	9,300,249
Loss from operations	(6,033,066)	(4,754,392)	(12,532,571)	(9,238,164)
Other income (expense):				
License and settlement agreement, net		103,359	550,467	103,359
Realized gain on sale of marketable securities			717,621	
Interest income	655,531	703,551	1,309,137	1,043,365
Interest expense	(34,055)	(38,505)	(67,372)	(77,098)
Other	(12,400)	(3,372)	(21,024)	(13,947)
Total other income (expense)	609,076	765,033	2,488,829	1,055,679
Net loss	($ 5,423,990)	($ 3,989,359)	($ 10,043,742)	($ 8,182,485)
Net loss per share basic and diluted	($ 0.07)	($ 0.05)	($ 0.13)	($ 0.11)
Weighted average shares used to compute net loss per share basic and diluted	79,787,273	77,105,128	79,180,107	71,306,311

See accompanying notes to condensed consolidated financial statements.

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STEMCELLS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six months ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net loss	($10,043,742)	($8,182,485)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	568,532	528,755
Stock-based compensation expense	1,415,173	1,040,263
Loss on disposal of fixed assets		1,197
Non-cash income from license and settlement agreement	(550,467)	(103,359)
Gain on sale of marketable securities	(717,621)	
Changes in operating assets and liabilities:		
Receivables	112,733	(361,935)
Other current assets	(74,242)	(803,084)
Other assets		106,271
Accounts payable and accrued expenses	(265,240)	(58,665)
Accrued wind-down expenses	(352,091)	(236,486)
Deferred revenue	(8,413)	
Deferred rent	(109,134)	200,942
Deposits and other long-term liabilities	(81,181)	
Net cash used in operating activities	(10,105,693)	(7,868,586)
Cash flows from investing activities:		
Proceeds from the sale of marketable securities	3,076,691	
Purchase of property, plant and equipment	(307,554)	(1,111,357)
Acquisition of other assets	(49,375)	(68,375)
Net cash provided by (used in) investing activities	2,719,762	(1,179,732)
Cash flows from financing activities:		
Proceeds from issuance of common stock	3,547,376	33,421,534
Proceeds from the exercise of stock options	210,273	123,186
Proceeds from the exercise of warrants	1,093,750	994,896
Proceeds of capital lease obligations	51,105	
Repayment of debt obligations	(130,000)	(125,000)
Net cash provided by financing activities	4,772,504	34,414,616

Increase (decrease) in cash and cash equivalents	(2,613,427)	25,366,298
Cash and cash equivalents, beginning of period	51,795,529	34,540,908
Cash and cash equivalents, end of period	$ 49,182,102	$ 59,907,206
Supplemental disclosure of cash flow information:		
Interest paid	$ 67,372	$ 91,756
Stock issued for licensing agreements	$ 10,000(1)	

(1) Under terms of a license agreement with the California Institute of Technology (Cal Tech), annual fees of $5,000 were due on each of two patents to which StemCells holds a license from Cal Tech, payable in cash or stock at the Company s choice. The Company elected to pay the fees in stock and issued 3,865 unregistered shares to Cal Tech.

See accompanying notes to condensed consolidated financial statements

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Notes to Condensed Consolidated Financial Statements (Unaudited)
June 30, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The terms StemCells, the Company, our, we and us as used in this report refer to StemCells, Inc. The accompanying unaudited, condensed consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial statements include all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. Results of operations for the six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 31, 2007.

The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required for complete financial statements in accordance with accounting principles generally accepted in the United States of America. For the complete financial statements, refer to the audited financial statements and footnotes thereto as of December 31, 2006, included on Form 10-K.

The Company has incurred significant operating losses and negative cash flows since inception. It has not achieved profitability and may not be able to realize sufficient revenues to achieve or sustain profitability in the future. The Company has limited capital resources and will need to raise additional capital from time to time to sustain its product development efforts, acquisition of technologies and intellectual property rights, preclinical and clinical testing of anticipated products, pursuit of regulatory approvals, acquisition of capital equipment, laboratory and office facilities, establishment of production capabilities, general and administrative expenses and other working capital requirements. To fund its operations, the Company relies on cash balances, proceeds from equity and debt offerings, proceeds from the transfer or sale of intellectual property rights, equipment, facilities or investments, and on government grants and collaborative arrangements. The Company cannot be certain that such funding will be available when needed. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates. Significant estimates include the following:

Accrued wind-down expenses (See Note 4).

The grant date fair value of share-based awards recognized as compensation expense in accordance with the provisions of Statement of Financial Accounting Standards No. 123 (Revised 2004) *Share-Based Payment* (SFAS 123R). See Stock-Based Compensation below.

Marketable securities

In accordance with Statement of Financial Accounting Standards (SFAS) No. 115 *Accounting for Certain Investments in Debt and Equity Securities*, the Company has classified its investment in equity securities as available-for-sale marketable securities in the accompanying consolidated financial statements (See Note 2). The marketable securities are stated at fair market value, with unrealized gains and losses reported in other comprehensive income.

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Management reviews securities with unrealized losses for other than temporary impairment. A decline in the fair value of securities that is deemed other than temporary is charged to earnings when so deemed.

Net Loss Per Share

The Company has computed net loss per common share according to the SFAS No. 128 *Earnings Per Share,* which requires disclosure of basic and diluted earnings per share. Basic earnings per share excludes any dilutive effects of options, warrants and convertible securities, and is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share includes the impact of potentially dilutive securities and is computed using the weighted average of common and diluted equivalent stock options, warrants and convertible securities outstanding during the period. Stock options, warrants and convertible securities that are anti-dilutive are excluded from the calculation of diluted loss per common share.

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Net loss	($ 5,423,990)	($ 3,989,359)	($10,043,742)	($ 8,182,485)
Weighted average shares used in computing net loss per share, basic and diluted.	79,787,273	77,105,128	79,180,107	71,306,311
Net loss per share, basic and diluted.	($ 0.07)	($ 0.05)	($ 0.13)	($ 0.11)

The Company has excluded outstanding stock options and warrants from the calculation of diluted loss per common share because all such securities are anti-dilutive for all applicable periods presented. These outstanding securities consist of the following potential common shares:

	Outstanding at June 30,	
	2007	2006
Outstanding options	9,037,194	7,048,220
Outstanding warrants	1,355,000	1,930,658
Total	10,392,194	8,978,878

Comprehensive Income (Loss)

The only component of other comprehensive income is unrealized gains and losses on available for sale securities (See Note 2). The following table summarizes the components of the Company s comprehensive income for the three and six months ended June 30, 2007 and 2006.

	Three months ended June 30,		Six months ended June 30,	
As of June 30,	2007	2006	2007	2006
Net loss	($5,423,990)	($3,989,359)	($10,043,742)	($8,182,485)
Other comprehensive loss (unrealized loss on marketable securities)	(332,099)	(422,939)	(3,184,232)	(1,723,266)
Comprehensive income (loss)	($5,756,089)	($4,412,298)	($13,227,974)	($9,905,751)

Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS 123R. SFAS 123R requires all share-based payments to employees, or to non-employee directors as compensation for service on the Board of Directors, to be recognized as compensation expense in the consolidated financial statements based on the fair values of such payments. The Company maintains shareholder approved stock-based compensation plans, pursuant to which it grants stock-based compensation to its employees, and to non-employee directors for Board

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service. These grants are primarily in the form of options that allow a grantee to purchase a fixed number of shares of the Company s common stock at a fixed exercise price equal to the market price of the shares at the date of the grant (qualified stock option grants) with a contractual term of ten years. The options may vest on a single date or in tranches over a period of time, but normally they do not vest unless the grantee is still employed by or a director of the Company on the vesting date. The compensation expense for these grants will be recognized over the requisite service period which is typically the period over which the stock-based compensation awards vest. In March 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107 (SAB 107), which provides guidance on the implementation of SFAS 123R. The Company applied the principles of SAB 107 in conjunction with its adoption of SFAS 123R.

The Company adopted SFAS 123R effective January 1, 2006, using the modified-prospective transition method. Under this transition method, compensation expense will be recognized based on the grant date fair value estimated in accordance with the provisions of SFAS 123R for all new grants effective January 1, 2006, and for options granted prior to but not vested as of December 31, 2005. The following table summarizes the stock option related compensation expense recognized by the company in accordance with SFAS 123R, for the three and six month period in 2007 and 2006:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Compensation expense for stock options granted	$644,000	$519,000	$1,262,000	$908,000

The stock option related compensation expense was recognized on a straight line basis over the vesting period of each grant net of estimated forfeitures. The Company s estimated forfeiture rates are based on its historical experience within separate groups of employees. The estimated fair value of the options granted during 2007 and prior years was calculated using a Black Scholes Merton option pricing model (Black Scholes model). The following summarizes the weighted average fair value per share of options granted during the period and assumptions used in the Black Scholes model to calculate the fair value:

	Three months ended June 30,	
	2007	2006
Weighted average fair value per share of options granted	$ 2.01	$ 2.43
Assumptions:		
Risk free interest rate[(1)]	4.68%	5.08%
Volatility[(2)]	98.17%	110.76%
Dividend yield[(3)]	0%	0%
Expected term (years until exercise)[(4)]	6.25	6.25

(1) The risk-free interest rate is based on U.S. Treasury debt securities with maturities close to the expected term of the option.

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(2) Expected volatility is based on historical volatility of the Company s stock factoring in daily share price observations. In computing expected volatility, the length of the historical period used is equal to the length of the expected term of the option.

(3) No cash dividends have been declared on the Company s common stock since the Company s inception, and the Company currently does not anticipate paying cash dividends over the expected term of the option.

(4) The expected term is equal to the average of the contractual life of the stock option and its vesting period.

At June 30, 2007, approximately $5,905,000 of unrecognized compensation expense related to stock options is expected to be recognized over a weighted average period of approximately 1.4 years. The resulting effect on net loss and net loss per share attributable to common stockholders is not likely to be representative of the effects in future periods, due to changes in forfeiture rates, additional grants and subsequent periods of vesting.

The Company has four active stock option plans that were authorized to award 14,000,000 shares in aggregate. A total of 4,555,344 shares were available for grant from these four plans at June 30, 2007.

The following table summarizes information about stock option activity for the three months ended June 30, 2007:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term years)	Aggregate intrinsic value
Outstanding at March 31, 2007	8,607,859	$ 2.88	6.16	$4,181,124
Granted	459,500	$ 2.48	9.88	$ (1)
Exercised	(5,999)	$ 1.56		$ 6,719
Forfeited	(24,166)	$ 3.19		
Outstanding at June 30, 2007	9,037,194	$ 2.86	6.10	$3,211,096(1)
Exercisable at June 30, 2007	5,095,220	$ 3.10	3.94	$2,392,703(1)
Vested and expected to vest at June 30, 2007 (2)	8,377,155	$ 2.88	5.95	$3,104,360(1)

(1) The intrinsic values are calculated using the Company s closing stock price of $ 2.31 on June 30, 2007.

(2) These calculations include options already vested at June 30, 2007 and options expected to vest net of estimated forfeitures after

June 30, 2007.

A summary of the changes to the Company s unvested options during the three-month period ended June 30, 2007 is presented below:

Unvested Options	Number of securities underlying unvested options	Weighted average grant date fair value
Unvested options at March 31, 2007	3,722,000	$ 2.12
Granted this period	459,500	$ 2.01
Vested this period	(219,526)	$ 2.45
Forfeited this period	(20,000)	$ 2.34
Unvested options at June 30, 2007	3,941,974	$ 2.09

The Company accounts for stock options granted to non-employees in accordance with SFAS 123 and Emerging Issues Task Force (EITF) 96-18 *Accounting For Equity Instruments That Are Issued To Other Than Employees For Acquiring, Or In Conjunction With Selling, Goods Or Services,* and accordingly, recognizes as expense the estimated fair value of such options as calculated using the Black Scholes model. The fair value is re-measured at each reporting date during the service period and is amortized over the vesting period of each option or the recipient s contractual arrangement, if shorter.

Stock Appreciation Rights

In July 2006, the Company, pursuant to the 2006 Equity Incentive Plan, granted cash-settled Stock Appreciation Rights (SARs) to certain employees. The SARs give the holder the right, upon exercise, to the difference between the price per share of the Company s common stock at the time of exercise and the exercise price of the SAR. The exercise price of the SARs is equal to the market price of the Company s common shares at the date of grant. The SARs vest on the same schedule as the Company s qualified options issued to employees, i.e., 25% on the first anniversary of the grant date and then 1/48th every month thereafter. The Company recognizes compensation expense for the SARs over the requisite service period which is typically the period over which the awards vest. Compensation expense is based on the fair value of SARs which is calculated using the Black Scholes model. The share-based compensation liability for the cost of the requisite service that has been rendered to the reporting date is re-measured at each reporting date through the date of settlement. The following table presents the activity of the Company s SARs awards for the six month periods ended June 30, 2007 and 2006.

	2007		2006	
	SARs	Weighted Average Exercise Price	SARs	Weighted Average Exercise Price
Outstanding at January 1	1,564,599	$ 2.00		
Granted				
Exercised				
Canceled				
Outstanding at June 30	1,564,599	$ 2.00		
SARs exercisable at June 30				

For the three-month period ended June 30, 2007, we recorded approximately $55,000 as compensation expense related to SARs granted. At June 30, 2007, approximately $1,654,000 of unrecognized compensation expense related to SARs is expected to be recognized over a weighted average period of approximately 1.65 years. The resulting effect on net loss and net loss per share attributable to common stockholders is not likely to be

representative of the effects in future periods, due to changes in the fair value calculation which is dependent on the stock price, volatility, interest and forfeiture rates, additional grants and subsequent periods of vesting.

Revenue Recognition

Revenues from collaborative agreements and grants are recognized as earned upon either the incurring of reimbursable expenses directly related to the particular research plan or the completion of certain development milestones as defined within the terms of the collaborative agreement. The Company currently recognizes revenues resulting from the licensing and use of our technology and intellectual property. Such licensing agreements may contain multiple elements, such as upfront fees, payments related to the achievement of particular milestones and royalties. Revenue from upfront fees for licensing agreements that contain multiple elements are deferred and recognized on a straight-line basis over the term of the agreement, fees associated with substantive at risk performance-based milestones are recognized as revenue upon completion of the scientific or regulatory event specified in the agreement, and royalties received are recognized as earned.

Recent Accounting Pronouncements

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on subsequent derecognition of tax positions, financial statement classification, recognition of interest and penalties, accounting in interim periods, and disclosure and transition requirements. The Company adopted the provisions of FIN 48 on January 1, 2007. Previously, the Company had accounted for tax contingencies in accordance with Statement of Financial Accounting Standards 5, *Accounting for Contingencies* . As required by FIN 48, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, the Company applied FIN 48 to all tax positions for which the statute of limitations remained open. The amount of unrecognized tax benefits as of January 1, 2007 was zero. There have been no material changes in unrecognized tax benefits since January 1, 2007. The Company is subject to income taxes in the U.S. federal jurisdiction and various state jurisdictions. As of January 1, 2007, due to the carry forward of unutilized net operating losses and research and development credits, the Company is subject to U.S. Federal income tax examinations for the tax years 1992 through 2006, and to state income tax examinations for the tax years 1999 through 2006.

The Company recognizes accrued interest related to unrecognized tax benefits in interest expense and penalties in operating expense. No amounts were accrued for the payment of interest and penalties at January 1, 2007. The Company s adoption of FIN 48 did not have a material effect on the Company s financial condition, results of operations or cash flows (See Note 7).

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. The Company is currently evaluating the requirements of SFAS 157; however, it does not believe that its adoption will have a material effect on its consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. SFAS 159 s objectives are to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. The Company is currently evaluating the potential impact, if any, that the adoption of SFAS159 will have on its condensed consolidated financial statements.

In June 2007, the Financial Accounting Standards Board ratified a consensus opinion reached by the Emerging Issues Task Force (EITF) on EITF Issue 07-3, Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities. The guidance in EITF Issue 07-3 requires the Company to defer and capitalize nonrefundable advance payments made for goods or services to be used in research and development activities until the goods have been delivered or the related services have been performed. If the goods are no longer expected to be delivered nor the services expected to be performed, the Company would be required to expense the related capitalized advance payments. The consensus in EITF Issue 07-3 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2007 and is to be applied prospectively to new contracts entered into on or after December 15, 2007. Early adoption is not permitted. Retrospective application of EITF Issue 07-3 is also not permitted. The Company intends to adopt EITF Issue 07-3 effective January 1, 2008. The impact of applying this consensus will depend on the terms of the Company s future research and development contractual arrangements entered into on or after December 15, 2007.

NOTE 2. RENEURON LICENSE AND SETTLEMENT AGREEMENT

In July 2005, the Company entered into a license and settlement agreement with ReNeuron Limited, a wholly owned subsidiary of ReNeuron Group plc, a publicly listed UK corporation (collectively referred to as ReNeuron). As part of the agreement, the Company granted ReNeuron a license that allows ReNeuron to exploit their c-mycER conditionally immortalized adult human neural stem cell technology for therapy and other purposes. In return for the license, StemCells received a 7.5% fully-diluted equity interest in ReNeuron, subject to certain anti-dilution provisions, and a cross-license to the exclusive use of ReNeuron s technology for certain diseases and conditions, including lysosomal storage diseases, spinal cord injury, cerebral palsy and multiple sclerosis. The agreement also provides for full settlement of any potential claims