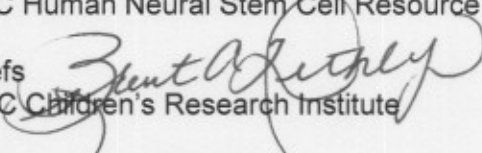




23 January 2009

TO: Requesters of human neural stem cells
from the CHOC Human Neural Stem Cell Resource

FR: Brent A Dethlefs 
Director, CHOC Children's Research Institute

RE: Legal Challenge by StemCells, Inc.

On behalf of Philip Schwartz, PhD and the CHOC Human Neural Stem Cell Resource, I want to personally thank you for your interest in procuring human neural stem cells from the CHOC Human Neural Stem Cell Resource (Resource). The Resource is a unique, privately-funded repository established with the purpose of supplying research scientists with difficult-to-obtain cells, expertise, and support to advance research in the rapidly evolving field of stem cell research.

Regrettably, due to an unresolved legal issue between the Resource and the commercial entity StemCells Inc. (www.stemcellsinc.com), we are unable to fulfill your request at this time.

There are ongoing efforts to resolve the outstanding legal issue and there is an expressed interest by both parties to enter into a licensing agreement to allow the Resource to resume service in support of academic and non-commercial interests. Unfortunately, the terms of a licensing agreement have not yet been reached.

Negotiations are on-going and I am hopeful that differences will be resolved soon but given the substantial time that has elapsed in resolving these differences, it would not be appropriate for us to encourage your dependence on cells that we are presently unable to supply to you. Although there are only a few other options available to you, at this time we must encourage you to seek them.

It is important to note that the Resource houses a variety of neural tissues from humans as well as other species and cells derived from these tissues. The legal challenge by StemCells Inc. only impacts the ability of the Resource to provide certain stem cells housed by the Resource. I encourage you to discuss your needs with Dr. Schwartz at pschwartz@CHOC.org to explore other options not impacted by the current legal challenge.

Until this challenge is resolved, thanks for your interest and for whatever pressure you can apply to protect the ability of not-for-profit, public benefit corporations like CHOC to make important reagents available to qualified scientists such as yourself who are striving to advance research intended to improve the lives of the public we serve.

Your request will be kept on-file and you will be notified if and when the Resource is able to fill this request.

If you have any questions, please contact me at bdethlefs@CHOC.org