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OCONNELL DESMOND H (Month/Day/Year) 01/10/2007 (Last) (First) (Middle) 4. Relationship of Reporting 5. If Amendment, Date Original Person(s) to Issuer Filed(Month/Day/Year) 3155 PORTER DRIVE (Check all applicable) (Street) _X_ Director 10% Owner Officer Other Person (give title below) (specify below) PALO ALTO, CAÂ 94304 Reporting Person (City) (State) (Zip) 4. Nature of Indirect Beneficial 1. Title of Security 2. Amount of Securities 3. Beneficially Owned Ownership Ownership (Instr. 4) (Instr. 5) (Instr. 4) Form: Direct (D) or Indirect (I) (Instr. 5) SEC 1473 (7-02) Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OCONNELL DESMOND H JR Form 3 January 10, 2007 FORM 3

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

Person *

JR

1. Name and Address of Reporting

2. Date of Event Requiring 3. Issuer Name and Ticker or Trading Symbol Statement STEMCELLS INC [STEM]

> 6. Individual or Joint/Group Filing(Check Applicable Line) _X_ Form filed by One Reporting

Form filed by More than One

Table I - Non-Derivative Securities Beneficially Owned

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Date Exercisable and Expiration Date		nd Amount of	4. Conversion	5. Ownership	6. Nature of Indirect Beneficial
•	*	Securities Underlying		or Exercise	1	
(Instr. 4)	(Month/Day/Year)	Derivativ	Derivative Security		Form of	Ownership
		(Instr. 4)	(Instr. 4)		Derivative	(Instr. 5)
	Dete Engelieghte Enginetieu	T:41-	A	Derivative	Security:	
	Date Exercisable Expiration	Title	Amount or	Security	Direct (D)	
	Date		Number of		or Indirect	
			Shares		(I)	

OMB APPROVAL

OMB 3235-0104 Number: January 31, Expires: 2005 Estimated average burden hours per response... 0.5

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(Instr. 5)

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								(1130.5)					
Option to Purchase	01/09/2008 <u>(1</u>	<u>)</u> C	01/09/2017	Commo Stock	n	20,000	\$ 3.43 <u>(1)</u>	D					
Reporting Owners													
Reporting Owner Name / A	ddress Relationships												
Fo8 o 0 0.0000	Dire	ctor	10% Owner	Officer	Othe	r							
OCONNELL DESMONE 3155 PORTER DRIVE PALO ALTO, CA 943	Â	X	Â	Â	Â								
Signatures													
Desmond H. O'Connell, Jr. by Iris Brest, Attorney-in-Fact				01/	10/2007								
<u>**</u> Signature of Reporting Person					Date								

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Non-employee directors receive an option for 20,000 shares of the Company's common stock on appointment to the Board of Directors. The option vests one third on each of the first three anniversaries of each such option, and has a strike price equal to the closing price of

(1) The option vests one time of the first time anniversaries of each such option, and has a strike price equal to the closing price of the stock on the date of appointment. Mr. O'Connell became a member of the Board on January 10, 2006; the closing price of the stock was \$3.44 on that date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.