

OMB APPROVAL

OMB Number: 3235-0104  
Estimated average burden  
hours per response: 0.5INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF  
SECURITIESFiled pursuant to Section 16(a) of the Securities Exchange Act of 1934  
or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person* <u>CONNELL DESMOND H JR</u>	2. Date of Event Requiring Statement (Month/Day/Year) <u>01/10/2007</u>	3. Issuer Name and Ticker or Trading Symbol <u>STEMCELLS INC [ STEM ]</u>	
		4. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director 10% Owner Officer (give title below) Other (specify below)	5. If Amendment, Date of Original Filed (Month/Day/Year) <u>01/10/2007</u>
(Last) (First) (Middle) <u>3155 PORTER DRIVE</u>			6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person Form filed by More than One Reporting Person
(Street) <u>PALO ALTO CA 94304</u>			
(City) (State) (Zip)			

## Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
<u>Common Stock</u>	<u>500</u>	<u>I</u>	<u>By Spouse<sup>(1)</sup></u>

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

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date				
<u>Option to Purchase</u>	<u>01/09/2008<sup>(2)</sup></u>	<u>01/09/2017</u>	<u>Common Stock</u>	<u>20,000</u>	<u>3.43<sup>(2)</sup></u>	<u>D</u>

## Explanation of Responses:

1. Reporting person disclaims beneficial ownership

2. 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 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.

## Remarks:

Desmond H. O'Connell, Jr. by 01/16/2007  
Iris Brest, Attorney-in-Fact

\*\* Signature of Reporting Person Date

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

\* 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).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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 Number.