

OCONNELL DESMOND H JR  
 Form 3  
 January 10, 2007

**FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0104  
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**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)

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

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

**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 of Derivative Security: Direct (D) or Indirect (I)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	

Option to Purchase	01/09/2008 <sup>(1)</sup>	01/09/2017	Common Stock	20,000	\$ 3.43 <sup>(1)</sup>	D	Â
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## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
OCONNELL DESMOND H JR 3155 PORTER DRIVE PALO ALTO, CA 94304	Â X	Â	Â	Â

## Signatures

Desmond H. O'Connell, Jr. by Iris Brest,  
Attorney-in-Fact

01/10/2007

\_\_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.

(1) 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.

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.