

OMB APPROVAL	
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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed 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>KOSHY GEORGE</u>  (Last) (First) (Middle) <u>C/O STEMCELLS, INC.</u> <u>3155 PORTER DRIVE</u>  (Street) <u>PALO ALTO CA 94304</u>  (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>STEMCELLS INC [ STEM ]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner Officer (give title below) <b>X</b> Other (specify below) <u>chief accounting officer</u>
	3. Date of Earliest Transaction (Month/Day/Year) <u>04/07/2009</u>	
4. If Amendment, Date of Original Filed (Month/Day/Year)		

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	04/07/2009		M		10,000	A	\$0.61	80,000 <sup>(1)</sup>	D	
Common Stock	04/07/2009		S		10,000	D	\$1.61	70,000 <sup>(1)</sup>	D	
Common Stock								27,174 <sup>(2)</sup>	I	By 401(k) Plan

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date						Title
Stock Option (right to buy)	\$0.61	04/07/2009		M			10,000	(3)	10/07/2012	Common Stock	10,000	\$0.00	20,000	D	

**Explanation of Responses:**

- Includes 55,000 restricted stock units, with 1/2 of these vesting on March 10, 2010, and 1/2 of these vesting on March 10, 2011.
- Shares held in 401(k) account, in accordance with issuer's employer-match policies.
- The employee stock option covering the right to buy these shares was granted on 10/7/2002 under the issuer's 2001 Equity Incentive Plan; 1/4 of the option (7,500 shares) vested on the first anniversary of the grant and 1/48 of the option vested per month thereafter. The option is now fully vested.

**Remarks:**

/s/ George Koshy 04/08/2009  
 \*\* 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 4 (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.