

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>Stratton Kenneth Blair</u>  (Last) (First) (Middle) C/O STEMCELLS, INC. 3155 PORTER DRIVE  (Street) PALO ALTO CA 94304  (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 <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <u>General Counsel</u>
	3. Date of Earliest Transaction (Month/Day/Year) <u>06/01/2010</u>	

**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	06/01/2010		A		200,000	A	\$0.00	312,274 <sup>(1)</sup>	D	
Common Stock								1,936	I	By 401(k) Plan <sup>(2)</sup>

**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 purchase)	\$1.02	06/01/2010		A		50,000		06/01/2011	06/01/2020	Common Stock	50,000	\$0.00	50,000 <sup>(3)</sup>	D	

**Explanation of Responses:**

- Includes (1) 200,000 restricted stock units, with 50,000 vesting on each of June 1, 2011, June 1, 2012, June 1, 2013, and June 1, 2014; (2) 70,000 restricted stock units, vesting 23,333 on each of May 15, 2010, May 15, 2011 and May 15, 2012; and (3) 27,500 restricted stock units, vesting on March 10, 2011.
- Includes shares held in 401(k) account in accordance with issuer's employer-match policies.
- Employee stock option; vests 1/4 on the first anniversary of the grant and 1/48 per month thereafter.

**Remarks:**

/s/ Ken Stratton

06/24/2010

\*\* 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.