PERLMUTTER ROGER M

Form 4

December 14, 2006

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

SECURITIES

OMB

OMB APPROVAL

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obligations

Check this box

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

may continue. See Instruction

1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person * PERLMUTTER ROGER M

2. Issuer Name and Ticker or Trading Symbol

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

STEMCELLS INC [STEM]

(First) (Last)

3. Date of Earliest Transaction

X_ Director 10% Owner Officer (give title Other (specify

C/O STEMCELLS, INC., 3155 PORTER DRIVE

(Middle)

4. If Amendment, Date Original

6. Individual or Joint/Group Filing(Check

Filed(Month/Day/Year)

(Month/Day/Year)

12/14/2006

Applicable Line) _X_ Form filed by One Reporting Person Form filed by More than One Reporting

below)

PALO ALTO, CA 94304

(City) (State) (Zip)

(Street)

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

1.Title of Security (Instr. 3)

2. Transaction Date 2A. Deemed (Month/Day/Year)

Execution Date, if

(Month/Day/Year)

3. 4. Securities TransactionAcquired (A) or Code Disposed of (D) (Instr. 8) (Instr. 3, 4 and 5)

5. Amount of Securities Beneficially Owned (I) Following

6. Ownership 7. Nature of Form: Direct Indirect (D) or Indirect Beneficial Ownership (Instr. 4) (Instr. 4)

(A) or

Reported Transaction(s) (Instr. 3 and 4)

Code V Amount (D) Price

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

Persons who respond to the collection of SEC 1474 information contained in this form are not (9-02)required to respond unless the form displays a currently valid OMB control number.

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

1. Title of 3. Transaction Date 3A. Deemed 4. 5. Number of 6. Date Exercisable and Derivative Conversion (Month/Day/Year) Execution Date, if **Transaction**Derivative **Expiration Date** Security or Exercise any Code Securities (Month/Day/Year)

7. Title and Amount of **Underlying Securities** (Instr. 3 and 4)

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(Instr. 3)	Price of Derivative Security	(Montl	h/Day/Year)	(Instr.	8)	Acquired or Dispose (D) (Instr. 3, 4 and 5)	ed of				
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Share
Stock Option (right to buy)	\$ 2.87	12/14/2006		A <u>(1)</u>		10,000		12/14/2007(1)	12/14/2016	Common Stock	10,000 (1)

Reporting Owners

Reporting Owner Name / Address	Relationships						
•	Director	10% Owner	Officer	Other			
PERLMUTTER ROGER M C/O STEMCELLS, INC. 3155 PORTER DRIVE PALO ALTO, CA 94304	X						

Signatures

Roger M. Perlmutter by Iris Brest,
Attorney-in-Fact

**Signature of Reporting Person

Date

Explanation of Responses:

- * 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).

Compensated non-employee directors receive an initial option for 20,000 shares of the Company's common stock on appointment to the Board of Directors as such, and an option for 10,000 shares on each anniversary of appointment, with a strike price equal to the closing

(1) price of the stock on such date (or the last preceding business day if such day is not a business day); initial options vest 1/3 on each of the first three anniversaries of appointment, and annual options vest on the first anniversary of each such option. Dr. Perlmutter was appointed to the Board on December 14, 2000.

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.

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