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

Form 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (date of earliest event reported):
October 16, 2007 (October 15, 2007)

Aastrom Biosciences, Inc.

(Exact name of registrant as specified in its charter)

Michigan	**0-22025**	**94-3096597**
(State or other jurisdiction of incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

24 Frank Lloyd Wright Drive
P.O. Box 376
Ann Arbor, Michigan 48106
(Address of principal executive offices)

Registrant's telephone number, including area code:
(734) 930-5555

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01 Entry into a Material Definitive Agreement.

On October 15, 2007, Aastrom Biosciences, Inc. ("Aastrom") entered into a Placement Agency Agreement with BMO Capital Markets Corp., relating to a registered direct offering of up to 11,842,105 shares of Aastrom's common stock and warrants to purchase up to 5,921,053 shares of Aastrom's common stock to certain institutional investors. Under the terms of the transaction, Aastrom will sell the shares of common stock and warrants in the form of units which consist of one share of common stock and warrants to purchase 0.5 shares of common stock, at $1.14 per unit. Aastrom estimates the gross proceeds from the offering to be approximately $13.5 million. The closing of the offering is expected to take place on or about October 16, 2007, subject to the satisfaction of customary closing conditions. The foregoing summary is qualified in its entirety by reference to the Placement Agency Agreement being filed as Exhibit 10.1 to this Current Report on Form 8-K, which is incorporated by reference herein. The Escrow Agreement being entered into in connection with the Placement Agency Agreement is being filed as Exhibit 10.2 to this Current Report on Form 8-K, and is incorporated by reference herein.

On October 15, 2007, Aastrom entered into definitive Purchase Agreements with certain institutional investors relating to the sale of an aggregate of 11,842,105 units, each unit consisting of (i) one share of common stock and (ii) one warrant to purchase 0.5 shares of common stock at an exercise price of $1.5875 per share, for a purchase price of $1.14 per unit. The units will not be issued or certificated. The shares of common stock and warrants are immediately separable and will be issued separately. The warrants will be exercisable beginning on or about April 17, 2008 and until on or about April 17, 2013. The foregoing summary is qualified in its entirety by reference to the Form of Purchase Agreement being filed as Exhibit 10.3 to this Current Report on Form 8-K, which is incorporated by reference herein. The foregoing summary is qualified in its entirety by reference to the Form of Warrant being filed as Exhibit 10.4 to this Current Report on Form 8-K, which is incorporated by reference herein.

The common stock and warrants will be issued pursuant to a prospectus supplement filed with the Securities and Exchange Commission pursuant to Rule 424(b)(5) of the Securities Act of 1933, as amended, in connection with a shelf takedown from Aastrom's registration statement on Form S-3 (333-123570), as amended, which became effective on October 17, 2005. Aastrom intends to use the net proceeds from this offering to fund clinical trials and research and development, manufacturing development and expansion and working capital and general corporate purposes, which may include the cost of a possible acquisition or the development of complementary business activities. Based on Aastrom's projected monthly burn rate of $1,700,000 per month, the net proceeds of this offering provide Aastrom with sufficient funding to finance its business operations through fiscal year 2009.

A copy of the opinion of Dykema Gossett PLLC, Michigan counsel for Aastrom, relating to the legality of the shares in the offering is being filed as Exhibit 5.1 to this Current Report on Form 8-K and incorporated into the registration statement by reference. The press release, dated October 16, 2007, announcing the transaction, is being filed as Exhibit 99.1 to this Current Report on Form 8-K, and is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
5.1	Opinion of Dykema Gossett PLLC
10.1	Placement Agency Agreement, dated October 15, 2007, by and between the Company and BMO Capital Markets Corp.
10.2	Escrow Agreement, dated as of October 15, 2007, among the Company, BMO Capital Markets Corp. and The Bank of New York
10.3	Form of Purchase Agreement
10.4	Form of Warrant
23.1	Consent of Dykema Gossett PLLC (included in its opinion filed as Exhibit 5.1)
99.1	Press Release dated October 16, 2007

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 16, 2007

AASTROM BIOSCIENCES, INC.

By: /s/ Gerald D. Brennan, Jr.
Gerald D. Brennan, Jr.
Vice President, Administrative &
Financial Operations and CFO

EXHIBIT 5.1

DYKEMA

400 Renaissance Center
Detroit, Michigan 48243
WWW.DYKEMA.COM
Tel: (313) 568-6800
Fax: (313) 568-6658

October 16, 2007

Aastrom Biosciences, Inc.
Domino's Farms, Lobby L
24 Frank Lloyd Wright Drive
Ann Arbor, MI 48105

Re: Prospectus Supplement to Registration Statement on Form S-3 (Reg. No. 333-123570)

Gentlemen:

As special counsel to Aastrom Biosciences, Inc., a Michigan corporation (the "Company"), we are rendering this opinion in connection with the filing with the Securities and Exchange Commission (the "Commission") of a prospectus supplement ("Prospectus Supplement") to the Company's registration statement on Form S-3, Reg. No. 333-123570, as amended to date (the "Registration Statement"), under the Securities Act of 1933, as amended (the "Act"). The Prospectus Supplement relates to (i) the issuance by the Company of up to 11,842,105 shares of the Company's Common Stock (the "Shares") and warrants to purchase up to 5,921,053 shares of the Company's Common Stock (the "Warrants") pursuant to one or more purchase agreements (the "Purchase Agreements") and (ii) the issuance of up to 5,921,053 shares of the Company's Common Stock issuable upon exercise of the Warrants (the "Warrant Shares").

In rendering our opinion, we have examined the Registration Statement (including the exhibits thereto), the Prospectus Supplement, the form of Purchase Agreement, the form of Warrant, the originals or copies, certified or otherwise identified to our satisfaction, of the Restated Articles of Incorporation and the Bylaws of the Company as amended to date, resolutions of the Company's Board of Directors and of its Pricing Committee and such other documents and corporate records relating to the Company and the issuance and sale of the Shares, the Warrants and the Warrant Shares as we have deemed appropriate.

In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the conformity to original documents of all photostatic and facsimile copies submitted to us, and the due execution and delivery of all documents by any party where due execution and delivery are a prerequisite to the effectiveness thereof. We have assumed that upon execution, the Purchase Agreements will be enforceable in accordance with their respective terms. As to any facts material to the opinion expressed herein that were not independently established or verified, we have relied upon statements and representations of officers and other representatives of the Company. We have

assumed that payment and delivery of the Shares, the Warrants and the Warrant Shares is made in accordance with the terms set forth in the Purchase Agreements and other agreements and documents relating to the issuance and sale of the Shares, the Warrants and the Warrant Shares and that the terms set forth in such agreements and other documents are in accordance with the resolutions of the Company's Board of Directors and its Pricing Committee approving the issuance and sale of the Shares, the Warrants and the Warrant Shares. In addition, we have assumed that the certificates representing the Shares, the Warrants and the Warrant Shares will be duly executed and delivered.

On the basis of the foregoing, we are of the opinion that the Shares and the Warrants, when issued in accordance with the terms of the Purchase Agreements, and the Warrant Shares, when issued against payment of the exercise price therefore and in accordance with the terms of the Warrants, will be duly authorized, validly issued, fully paid, and non-assessable.

The opinion expressed herein is based exclusively on the applicable provisions of the Michigan Business Corporation Act as in effect on the date hereof.

We hereby consent to the reference to our firm under the caption "Legal Matters" in the Prospectus Supplement and to the filing of this opinion as an exhibit to the Registration Statement (through incorporation by reference from a Current Report on Form 8-K). Such consent does not constitute a consent under Section 7 of the Act, since we have not certified any part of such Registration Statement and do not otherwise come within the categories of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ **DYKEMA GOSSETT PLLC**

EXHIBIT 10.1

AASTROM BIOSCIENCES, INC.

11,842,105 shares of Common Stock, no par value per share
Warrants for purchase of 5,921,053 shares of Common Stock

PLACEMENT AGENCY AGREEMENT

October 15, 2007

BMO Capital Markets Corp.
3 Times Square, 27th Floor
New York, New York 10036

Dear Sir or Madam:

Aastrom Biosciences, Inc., a Michigan corporation (the "Company"), proposes to issue and sell to certain investors (collectively, the "Investors") up to an aggregate of 11,842,105 units (the "Units"), each consisting of one share of common stock, no par value per share (the "Common Stock"), and one warrant to purchase 0.5 shares of the Company's common stock (the "Warrants" and, together with the Common Stock, the "Securities"). The shares of Common Stock and Warrants are immediately separable and will be issued separately to the Investors. The Company hereby confirms its agreement with BMO Capital Markets Corp. ("BMO" or the "Placement Agent") to act as placement agent in connection with such issuance and sale.

1. Agreement to Act as Placement Agent. On the basis of the representations, warranties and agreements of the Company herein contained and subject to all the terms and conditions of this Agreement, the Placement Agent agrees to act as the Company's exclusive placement agent in connection with the sale, on a best efforts basis, by the Company of the Units to the Investors, and the issuance of the Securities to the Investors. The Placement Agent agrees to use its commercially reasonable efforts to solicit offers to purchase the Units from the Company on the terms and subject to the conditions set forth in the Prospectus (as defined below). The Placement Agent has no authority to bind the Company with respect to any prospective offer to purchase the Units. The Placement Agent shall use commercially reasonable efforts to assist the Company in obtaining performance by each Purchaser whose offer to purchase Units has been solicited by either of the Placement Agent and accepted by the Company, but the Placement Agent shall not, except as otherwise provided in this Agreement, have any liability to the Company in the event any such purchase is not consummated for any reason. The Company shall pay to the Placement Agent 6% of the gross

proceeds received by the Company from the sale of the Units on the Closing Date, without taking into account any proceeds from the exercise of the Warrants.

2. Closing. Concurrently with the execution and delivery of this Agreement, the Company, the Placement Agent, and The Bank of New York as escrow agent (the "Escrow Agent"), shall enter into an Escrow Agreement substantially in the form of Exhibit A attached hereto (the "Escrow Agreement"), pursuant to which an escrow account will be established, at the Company's expense, for the benefit of the Investors (the "Escrow Account"). Prior to the Closing Date (as hereinafter defined), (i) each of the Investors will deposit an amount equal to the price per Unit as shown on the cover page of the Prospectus (as hereinafter defined) multiplied by the number of Units purchased by it in the Escrow Account, and (ii) the Escrow Agent will notify the Company and the Placement Agent in writing whether the Investors have deposited in to the Escrow Account funds in the amount equal to the proceeds of the sale of all of the Units offered hereby (the "Requisite Funds"). At 10:00 a.m., New York City time, on October 16, 2007, or at such other time on such other date as may be agreed upon by the Company and the Placement Agent but in no event prior to the date on which the Escrow Agent shall have received all of the Requisite Funds (such date is hereinafter referred to as the "Closing Date"), the Escrow Agent will release the Requisite Funds from the Escrow Account for collection by the Company and the Placement Agent as provided in the Escrow Agreement and the Company shall deliver the Units to the Investors, which delivery, with respect to the shares of Common Stock, may be made through the facilities of the Depository Trust Company. The closing (the "Closing") shall take place at the office of Morgan, Lewis & Bockius LLP, 101 Park Avenue, New York, New York 10178-0060. All actions taken at the Closing shall be deemed to have occurred simultaneously.

3. Representations and Warranties of the Company. The Company represents and warrants and covenants to the Placement Agent that:

(a) A "shelf" registration statement on Form S-3 (File No. 333-123570) with respect to the Securities of the Company has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "Act"), and the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder and has been filed with the Commission. The Company and the transactions contemplated by this Agreement meet the requirements and comply with the conditions for the use of Form S-3. The Registration Statement meets the requirements of Rule 415(a)(1)(x) under the Act and complies in all materials respects with said rule. As used in this Agreement:

(i) "Applicable Time" means 5:00 p.m. (New York City time) on the date of this Agreement;

(ii) "Effective Date" means any date as of which any part of the Registration Statement became, or is deemed to have become, effective under the Act in accordance with the Rules and Regulations;

(iii) "Issuer Free Writing Prospectus" means each "free writing prospectus" (as defined in Rule 405 of the Rules and Regulations) prepared by or on behalf of the Company or used or

referred to by the Company in connection with the offering of the Units, each as listed on Schedule 3 hereto;

(iv) "Preliminary Prospectus" means any preliminary prospectus relating to the Units included in the Registration Statement or filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations, including any preliminary prospectus supplement thereto relating to the Units;

(v) "Pricing Disclosure Materials" means the most recent Preliminary Prospectus, together with each Issuer Free Writing Prospectus filed or used by the Company on or before the Applicable Time;

(vi) "Prospectus" means the final prospectus relating to the Units including any prospectus supplement thereto relating to the Units, as filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations;

(vii) "Purchase Agreements" means the Purchase Agreements dated as of the date of this Agreement, each between the Company and an Investor, for the purchase of the Units;

(vii) "Registration Statement" means, collectively, the various parts of such registration statement, each as amended as of the Effective Date for such part, including any Preliminary Prospectus or the Prospectus and all exhibits to such registration statement.

Any reference to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents incorporated or deemed to be incorporated by reference therein pursuant to Form S-3 under the Act as of the date of such Preliminary Prospectus or the Prospectus, as the case may be. Any reference herein to the terms "amend", "amendment" or "supplement" with respect to the Registration Statement, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any document filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), after the effective date of the Registration Statement, the date of such Preliminary Prospectus or the date of the Prospectus, as the case may be, which is incorporated therein by reference.

(b) The Registration Statement has heretofore become effective as of October 11, 2005 under the Act or, with respect to any registration statement to be filed to register the offer and sale of Units pursuant to Rule 462(b) under the Act, will be filed with the Commission and become effective under the Act no later than 10:00 p.m., New York City time, on the date of determination of the public offering price for the Units; no stop order of the Commission preventing or suspending the use of any Prospectus, any Issuer Free Writing Prospectus or any Preliminary Prospectus, or the effectiveness of the Registration Statement, has been issued, and no proceedings for such purpose have been instituted or, to the Company's knowledge, are contemplated by the Commission.

(c) The Company was not at the time of the initial filing of the Registration Statement, has not been since the date of such filing, and will not be on the applicable Closing Date, an "ineligible issuer" (as defined in Rule 405 under the Act). The Company has been since the time of initial filing of the Registration Statement and continues to be eligible to use Form S-3 for the offering of the Units.

(d) The Registration Statement, at the time it became effective, as of the date hereof, and at the Closing Date conformed and will conform in all material respects to the requirements of the Act and the Rules and Regulations. The Preliminary Prospectus conformed, and the Prospectus will conform, when filed with the Commission pursuant to Rule 424(b) and on the Closing Date to the requirements of the Act and the Rules and Regulations. The documents incorporated by reference in any Preliminary Prospectus or the Prospectus conformed, and any further documents so incorporated will conform, when filed with the Commission, to the requirements of the Exchange Act or the Act, as applicable, and the rules and regulations of the Commission thereunder.

(e) The Registration Statement did not, as of the Effective Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(f) The Prospectus will not, as of its date and on the Closing Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representation or warranty with respect to any statement contained in the Prospectus in reliance upon and in conformity with information concerning the Placement Agent and furnished in writing by the Placement Agent to the Company expressly for use in the Prospectus, as set forth in Section 8(b).

(g) The documents incorporated by reference in any Preliminary Prospectus or the Prospectus did not, and any further documents filed and incorporated by reference therein will not, when filed with the Commission, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(h) The Pricing Disclosure Materials did not, as of the Applicable Time, and will not as of the Closing Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representation or warranty with respect to any statement contained in the Pricing Disclosure Materials in reliance upon and in conformity with information concerning the Placement Agent and furnished in writing by the Placement Agent to the Company expressly for use in the Pricing Disclosure Materials, as set forth in Section 8(b).

(i) Each Issuer Free Writing Prospectus (including, without limitation, any road show that is a free writing prospectus under Rule 433), when considered together with the Pricing Disclosure Materials as of the Applicable Time, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) Each Issuer Free Writing Prospectus conformed or will conform in all material respects to the requirements of the Act and the Rules and Regulations on the date

of first use, and the Company has complied with any filing requirements applicable to such Issuer Free Writing Prospectus pursuant to the Rules and Regulations. Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Units, did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement or the Prospectus, including any document incorporated by reference therein that has not been superseded or modified. The Company has not made any offer relating to the Units that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Placement Agent. The Company has retained in accordance with the Rules and Regulations all Issuer Free Writing Prospectuses that were not required to be filed pursuant to the Rules and Regulations and will file with the Commission all Issuer Free Writing Prospectuses, if any, in the time and manner required under Rules 163(b)(2) and 433(d) of the Act.

(k) The Company is, and at the Closing Date will be, duly organized, validly existing and in good standing under the laws of the State of Michigan. The Company has, and at the Closing Date will have, full power and authority to conduct all the activities conducted by it, to own or lease all the assets owned or leased by it and to conduct its business as described in the Registration Statement and the Prospectus. The Company is, and at the Closing Date will be, duly licensed or qualified to do business and in good standing as a foreign organization in all jurisdictions in which the nature of the activities conducted by it or the character of the assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so qualified or in good standing or have such power or authority would not, individually or in the aggregate, have a material adverse effect or would not reasonably be expected to have a material adverse effect on or affecting the business, prospects, properties, management, consolidated financial position, stockholders' equity or results of operations of the Company and its Subsidiaries (as defined below) taken as a whole (a "Material Adverse Effect"). Complete and correct copies of the articles or certificate of incorporation and of the bylaws of the Company and all amendments thereto have been delivered to the Placement Agent, and no changes therein will be made subsequent to the date hereof and prior to the Closing Date.

(l) The Company's only subsidiaries (each a "Subsidiary" and collectively the "Subsidiaries") are listed on Schedule 1 to this Agreement. Each Subsidiary has been duly organized and is validly existing as a corporation in good standing under the laws of its jurisdiction of formation. Each Subsidiary is duly qualified and in good standing as a foreign corporation in each jurisdiction in which the character or location of its properties (owned, leased or licensed) or the nature or conduct of its business makes such qualification necessary, except for those failures to be so qualified or in good standing which will not have a Material Adverse Effect. All of the shares of issued capital stock of each subsidiary of the Company have been duly authorized and validly issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of any lien, encumbrance, claim, security interest, restriction on transfer, shareholders' agreement, voting trust or other defect of title whatsoever.

(m) The issued and outstanding shares of capital stock of the Company have been validly issued, are fully paid and nonassessable and, other than as set forth in the Registration Statement, are not subject to any preemptive rights, rights of first refusal or

similar rights. The Company has an authorized, issued and outstanding capitalization as set forth in the Prospectus as of the dates referred to therein. The descriptions of the securities of the Company in the Registration Statement and the Prospectus are, and at the Closing Date will be, complete and accurate in all respects. Except as set forth in the Registration Statement and the Prospectus, or pursuant to the Company's benefit plans or direct stock purchase plan as described in the Registration Statement and the Prospectus, the Company does not have outstanding any options to purchase, or any rights or warrants to subscribe for, or any securities or obligations convertible into, or exchangeable for, or any contracts or commitments to issue or sell, any shares of capital stock or other securities.

(n) The Company has full legal right, power and authority to enter into this Agreement, the Escrow Agreement, the Purchase Agreements and the Warrants (together, the "Transaction Documents") and perform the transactions contemplated hereby and thereby. The Transaction Documents have been authorized and validly executed and delivered by the Company and are legal, valid and binding agreements of the Company enforceable against the Company in accordance with their respective terms, subject to the effect of applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and equitable principles of general applicability, including the effect of public policy on the enforceability of provisions relating to indemnification or contribution.

(o) The sale of the Units and the issuance of the Securities have been duly authorized by the Company, and the shares of Common Stock, including the shares that will be issued upon exercise of the Warrants, when issued and paid for in accordance with this Agreement, will be duly and validly issued, fully paid and nonassessable and will not be subject to preemptive or similar rights. The holders of the Securities will not be subject to personal liability by reason of being such holders. The Securities, when issued, will conform in all material respects to the description thereof included in the Prospectus. As of the date hereof, the Company has reserved from its duly authorized capital stock, the maximum number of shares of Common Stock issuable pursuant to this Agreement and the Warrants.

(p) The consolidated financial statements and the related notes included in the Registration Statement and the Prospectus present fairly, in all material respects, the financial condition of the Company and its consolidated Subsidiaries as of the dates thereof and the results of operations and cash flows at the dates and for the periods covered thereby in conformity with generally accepted accounting principles ("GAAP"). No other financial statements or schedules of the Company, any Subsidiary or any other entity are required by the Act or the Rules and Regulations to be included in the Registration Statement or the Prospectus. All disclosures contained in the Registration Statement, the Pricing Disclosure Materials and the Prospectus regarding "non-GAAP financial measures" (as such term is defined by the Rules and Regulations) comply with Regulation G of the Exchange Act and Item 10 of Regulation S-K under the Act, to the extent applicable. The Company and the Subsidiaries do not have any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations or any "variable interest entities" within the meaning of Financial Accounting Standards Board Interpretation No. 46), not disclosed in the Registration Statement, the Pricing Disclosure Materials and the Prospectus

(q) PricewaterhouseCoopers L.L.P. (the “Accountants”), who have reported on such consolidated financial statements and schedules for the years ended June 30, 2005 through June 30, 2007, are registered independent public accountants with respect to the Company as required by the Act and the Rules and Regulations and by the rules of the Public Accounting Oversight Board. The consolidated financial statements of the Company and the related notes and schedules included in the Registration Statement and the Prospectus have been prepared in conformity with the requirements of the Act and the Rules and Regulations and present fairly the information shown therein.

(r) There is and has been no failure on the part of the Company, or to its knowledge after due inquiry, and any of the Company’s directors or officers, in their capacities as such, to comply with any applicable provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated therewith (the “Sarbanes-Oxley Act”). Each of the principal executive officer and the principal financial officer of the Company (or each former principal executive officer of the Company and each former principal financial officer of the Company as applicable) has made all certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act with respect to all reports, schedules, forms, statements and other documents required to be filed by it with the Commission. For purposes of the preceding sentence, “principal executive officer” and “principal financial officer” shall have the meanings given to such terms in the Sarbanes-Oxley Act. The Company has taken all necessary actions to ensure that it is in compliance with all provisions of the Sarbanes-Oxley Act that are in effect and with which the Company is required to comply.

(s) The Company and its Subsidiaries maintain systems of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management’s general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and designed such disclosure controls and procedures to ensure that material information relating to the Company and its Subsidiaries is made known to the certifying officers by others within those entities, particularly during the period in which the Company’s Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be, is being prepared. The Company’s certifying officers have evaluated the effectiveness of the Company’s controls and procedures as of the end of the period covered by the Form 10-K for the year ended June 30, 2007 (such date, the “Evaluation Date”). The Company presented in its Form 10-K for the year ended June 30, 2007 the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no significant changes in the Company’s internal controls (as such term is defined in Item 307(b) of Regulation S-K under the Exchange Act) or, to the Company’s knowledge, in other factors that could significantly affect the Company’s internal controls.

(t) Except as set forth in or otherwise contemplated by the most recent Preliminary Prospectus, since the date of the most recent consolidated financial statements of the Company included or incorporated by reference in the most recent Preliminary Prospectus and prior to Closing, (i) there has not been and will not have been any change in the capital stock of the Company (except for changes in the number of outstanding shares of Common Stock of the Company due to the issuance of shares upon the exercise of stock options or the issuance of shares pursuant to the Company's employee stock purchase plan or direct stock purchase plan, in each case pursuant to such Company option or stock purchase plans as in effect on the date hereof) or long-term debt of the Company or any Subsidiary or any dividend or distribution of any kind declared, set aside for payment, paid or made by the Company on any class of capital stock, or any material adverse change, or any development that would reasonably be expected to result in a material adverse change, in or affecting the business, prospects, properties, management, consolidated financial position, stockholders' equity, or results of operations of the Company and its Subsidiaries taken as a whole (a "Material Adverse Change") and (ii) neither the Company nor any Subsidiary has sustained any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, except in each case as otherwise disclosed in the Registration Statement and the Prospectus.

(u) Since the date as of which information is given in the most recent Preliminary Prospectus, neither the Company nor any Subsidiary has entered, or will enter (other than with respect to transactions that are consistent with the Company's publicly announced strategy and which are consistent with the "Use of Proceeds" disclosure contained in the Prospectus), into any transaction or agreement, not in the ordinary course of business, that is material to the Company and its Subsidiaries taken as a whole or incurred or will incur any liability or obligation, direct or contingent, not in the ordinary course of business, that is material to the Company and its Subsidiaries taken as a whole.

(v) Neither the Company nor any of its subsidiaries own any real property. The Company and each Subsidiary has good and valid title to all personal property described in the Registration Statement or the Prospectus as being owned by them that are material to the businesses of the Company and its Subsidiaries taken as a whole, in each case free and clear of all liens, encumbrances and claims except those that (i) do not materially interfere with the use made and proposed to be made of such property by the Company and its Subsidiaries or (ii) would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. Any real property described in the Registration Statement or the Prospectus as being leased by the Company or any Subsidiary that is material to the business of the Company and its Subsidiaries taken as a whole is held by them under valid, existing and enforceable leases, except those that (A) do not materially interfere with the use made or proposed to be made of such property by the Company and its Subsidiaries or (B) would not be reasonably expected, individually or in the aggregate, to have a Material Adverse Effect.

(w) The Company is not, nor upon completion of the transactions contemplated herein will it be, an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").

(x) There are no legal, governmental or regulatory actions, suits or proceedings pending, nor, to the Company's knowledge, any legal, governmental or regulatory investigations, to which the Company or any Subsidiary is a party or to which any property of the Company or any Subsidiary is the subject that, individually or in the aggregate, if determined adversely to the Company or any Subsidiary, would reasonably be expected to have a Material Adverse Effect or materially and adversely affect the ability of the Company to perform its obligations under the Transaction Documents; to the Company's knowledge, no such actions, suits or proceedings are threatened or contemplated by any governmental or regulatory authority or threatened by others; and there are no current or pending legal, governmental or regulatory investigations, actions, suits or proceedings that are required under the Act to be described in the Prospectus that are not so described.

(y) The Company and each Subsidiary has, and at the Closing Date will have, (i) all governmental licenses, permits, consents, orders, approvals and other authorizations necessary to carry on its respective business as presently conducted except where the failure to have such governmental licenses, permits, consents, orders, approvals and other authorizations would not have a Material Adverse Effect, (ii) complied with all laws, regulations and orders applicable to either it or its business, except where the failure to so comply would not have a Material Adverse Effect, and (iii) performed all its obligations required to be performed, and is not, and at the Closing Date will not be, in default, under any indenture, mortgage, deed of trust, voting trust agreement, loan agreement, bond, debenture, note agreement, lease, contract or other agreement or instrument (collectively, a "contract or other agreement") to which it is a party or by which its property is bound or affected, except where such default would not have a Material Adverse Effect, and, to the Company's best knowledge, no other party under any material contract or other agreement to which it is a party is in default in any respect thereunder. The Company and its Subsidiaries are not in violation of any provision of their respective organizational or governing documents.

(z) The Company has all corporate power and authority to enter into this Agreement, and to carry out the provisions and conditions hereof and thereof, and all consents, authorizations, approvals and orders required in connection herewith and therewith have been obtained, except such as have been obtained, such as may be required under state securities or Blue Sky Laws or the by-laws and rules of the National Association of Securities Dealers, Inc. (the "NASD") or the Nasdaq National Market ("Nasdaq") in connection with the distribution of the Units by the Placement Agent.

(aa) Neither the execution of the Transaction Documents, nor offering or sale of the Units, nor the issuance of the Securities, nor the consummation of any of the transactions contemplated herein, nor the compliance by the Company with the terms and provisions hereof or thereof will conflict with, or will result in a breach of, any of the terms and provisions of, or has constituted or will constitute a default under, or has resulted in or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to the terms of any contract or other agreement to which the Company or its Subsidiaries may be bound or to which any of the property or assets of the Company or its Subsidiaries is subject, except such conflicts, breaches or defaults as may have been waived; nor will such action result in any violation of the provisions of the organizational or governing documents of the Company or any Subsidiary, or

any statute or any order, rule or regulation applicable to the Company or any Subsidiary or of any court or of any federal, state or other regulatory authority or other government body having jurisdiction over the Company or any Subsidiary.

(bb) There is no document or contract of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which is not described or filed as required. All such contracts to which the Company is a party have been authorized, executed and delivered by the Company, constitute valid and binding agreements of the Company, and are enforceable against the Company in accordance with the terms thereof, subject to the effect of applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and equitable principles of general applicability, including the effect of public policy on the enforceability of provisions relating to indemnification or contribution.

(cc) No statement, representation or warranty made by the Company in this Agreement or made in any certificate or document required by this Agreement to be delivered to the Placement Agent or the Investors was or will be, when made, inaccurate, untrue or incorrect in any material respect.

(dd) The Company and its directors, officers or controlling persons have not taken, directly or indirectly, any action intended, or which might reasonably be expected, to cause or result, under the Act or otherwise, in, or which has constituted, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Common Stock.

(ee) No holder of securities of the Company has rights to the registration of any securities of the Company as a result of the filing of the Registration Statement or the transactions contemplated by this Agreement, except for such rights as have been waived or satisfied.

(ff) The Common Stock is registered pursuant to Section 12(g) of the Exchange Act and is currently listed on Nasdaq. The Company has not, in the 12 months preceding the date hereof, received notice from Nasdaq to the effect that the Company is not in compliance with the listing or maintenance requirements. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements.

(gg) The Company is not involved in any material labor dispute nor is any such dispute known by the Company to be threatened.

(hh) The business and operations of the Company and each of its Subsidiaries have been and are being conducted in compliance with all applicable laws, ordinances, rules, regulations, licenses, permits, approvals, plans, authorizations or requirements relating to occupational safety and health, or pollution, or protection of health or the environment (including, without limitation, those relating to emissions, discharges, releases or threatened releases of pollutants, contaminants or hazardous or toxic substances, materials or wastes into ambient air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of chemical

substances, pollutants, contaminants or hazardous or toxic substances, materials or wastes, whether solid, gaseous or liquid in nature) of any governmental department, commission, board, bureau, agency or instrumentality of the United States, any state or political subdivision thereof, or any foreign jurisdiction, and all applicable judicial or administrative agency or regulatory decrees, awards, judgments and orders relating thereto, except where the failure to be in such compliance will not, individually or in the aggregate, have a Material Adverse Effect; and neither the Company nor any of its Subsidiaries has received any notice from any governmental instrumentality or any third party alleging any material violation thereof or liability thereunder (including, without limitation, liability for costs of investigating or remediating sites containing hazardous substances and/or damages to natural resources).

(ii) The clinical, pre-clinical and other studies and tests conducted by or on behalf of or sponsored by the Company were and, if still pending, are being conducted in accordance in all material respects with all statutes, laws, rules and regulations, as applicable (including, without limitation, those administered by the Federal Drug Administration (the "FDA") or by any foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA). The descriptions in the Pricing Disclosure Materials and the Prospectus of the results of such studies and tests are accurate and complete in all material respects and fairly present the published data derived from such studies and tests. The Company has not received any notices or other correspondence from the FDA or any other foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA with respect to any ongoing clinical or pre-clinical studies or tests requiring the termination or suspension of such studies or tests. The descriptions in the Pricing Disclosure Materials and the Prospectus of the Company's status and filings with the FDA and any foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA are true, complete and correct in all material respects.

(jj) The Company has established and administers a compliance program applicable to the Company, to assist the Company and the directors, officers and employees of the Company in complying with applicable regulatory guidelines (including, without limitation, those administered by the FDA and any other foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA).

(kk) No material deficiencies have been asserted by any applicable regulatory authority (including, without limitation, the FDA or any foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA) with respect to any filings, declarations, listings, registrations, reports or submissions.

(ll) No approval of the shareholders of the Company under the rules and regulations of Nasdaq (including Rule 4350 of the Nasdaq National Marketplace Rules), and no approval of the shareholders of the Company thereunder is required for the Company to issue and deliver to the Investors the Units, including such as may be required pursuant to Rule 4350 of the Nasdaq National Marketplace Rules.

(mm) Except as disclosed in the Registration Statement, (i) the Company and each Subsidiary owns or has obtained valid and enforceable licenses or options for the inventions, patent applications, patents, trademarks (both registered and unregistered), trade names, copyrights and trade secrets necessary for the conduct of its respective business as currently conducted (collectively, the "Intellectual Property"); and (ii) (a) there are no third parties who have any ownership rights to any Intellectual Property that is owned by, or has been licensed to, the Company or any Subsidiary for the products described in the Registration Statement that would preclude the Company or any Subsidiary from conducting its business as currently conducted and have a Material Adverse Effect, except for the ownership rights of the owners of the Intellectual Property licensed or optioned by the Company or a Subsidiary; (b) to the Company's knowledge after due inquiry, there are currently no sales of any products that would constitute an infringement by third parties of any Intellectual Property owned, licensed or optioned by the Company or any Subsidiary , which infringement would have a Material Adverse Effect; (c) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the rights of the Company or any Subsidiary in or to any Intellectual Property owned, licensed or optioned by the Company or any Subsidiary, other than claims which would not reasonably be expected to have a Material Adverse Effect; (d) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the validity or scope of any Intellectual Property owned, licensed or optioned by the Company or any Subsidiary, other than non-material actions, suits, proceedings and claims; and (e) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others that the Company or any of any Subsidiaries infringes or otherwise violates any patent, trademark, copyright, trade secret or other proprietary right of others, other than non-material actions, suits, proceedings and claims.

(nn) The Company and each Subsidiary has filed all necessary federal, state and foreign income and franchise tax returns and have paid or accrued all taxes shown as due thereon, and the Company has no knowledge of any tax deficiency which has been or might be asserted or threatened against it or any Subsidiary which could have a Material Adverse Effect.

(oo) On the Closing Date, all stock transfer or other taxes (other than income taxes) which are required to be paid in connection with the sale of the Units and transfer of the Securities to be sold hereunder will be, or will have been, fully paid or provided for by the Company and all laws imposing such taxes will be or will have been fully complied with.

(pp) The Company and each Subsidiary maintains insurance of the types and in the amounts that the Company reasonably believes is adequate for their respective businesses, including, but not limited to, insurance covering all real and personal property owned or leased by the Company or any Subsidiary against theft, damage, destruction, acts of vandalism and all other risks customarily insured against by similarly situated companies, all of which insurance is in full force and effect.

(qq) Neither the Company nor any Subsidiary, nor, to the knowledge of the Company, any director, officer, agent or employee has directly or indirectly, (i) made any unlawful contribution to any candidate for public office, or failed to disclose fully any

contribution in violation of law, (ii) made any payment to any federal or state governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or permitted by the laws of the United States or any jurisdiction thereof, (iii) violated or is in violation of any provisions of the U.S. Foreign Corrupt Practices Act of 1977 or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(rr) Each officer and director of the Company listed on Schedule 2 hereto has delivered to the Placement Agent an agreement in the form of Exhibit B hereto to the effect that he or she will not, for a period of 90 days after the date hereof, without the prior written consent of the Placement Agent, offer to sell, sell, contract to sell, grant any option to purchase or otherwise dispose (or announce any offer, sale, grant of any option to purchase or other disposition) of any shares of capital stock, directly or indirectly, of the Company or securities convertible into, or exchangeable or exercisable for, shares of capital stock of the Company.

(ss) The Company has delivered to the Placement Agent an agreement in the form of Exhibit C hereto to the effect that it will not, for a period of 90 days after the date hereof, without the prior written consent of the Placement Agent, offer to sell, sell, contract to sell, grant any option to purchase or otherwise dispose (or announce any offer, sale, grant of any option to purchase or other disposition) of any shares of capital stock of the Company or securities convertible into, or exchangeable or exercisable for, shares of capital stock of the Company, except with respect to the issuance of shares of Common Stock upon the exercise of stock options and warrants outstanding as of the date hereof and the issuance of Common Stock or stock options (and underlying shares) under any benefit plan or any direct stock purchase plan of the Company.

(tt) The Company has not distributed and, prior to the later to occur of the Closing Date and completion of the distribution of the Securities, will not distribute any offering material in connection with the offering and sale of the Units other than any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus to which the Placement Agent has consented.

(uu) Each material employee benefit plan, within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is maintained, administered or contributed to by the Company or any of its affiliates for employees or former employees of the Company and its Subsidiaries has been maintained in material compliance with its terms and the requirements of any applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Internal Revenue Code of 1986, as amended (the "Code"); no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred which would result in a material liability to the Company with respect to any such plan excluding transactions effected pursuant to a statutory or administrative exemption; and for each such plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, no "accumulated funding deficiency" as defined in Section 412 of the Code has been incurred, whether or not waived, and the fair market value of the assets of each such plan (excluding for these purposes accrued but unpaid contributions) exceeds the present value of all benefits accrued under such plan determined using reasonable actuarial assumptions.

(vv) No relationship, direct or indirect, exists between or among the Company or any Subsidiary, on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company or any Subsidiary, on the other, which is required by the Act to be disclosed in the Registration Statement and the Prospectus and is not so disclosed.

(ww) The Company has not sold or issued any securities that would be integrated with the offering of the Units contemplated by this Agreement pursuant to the Act, the Rules and Regulations or the interpretations thereof by the Commission.

(xx) No forward-looking statement (within the meaning of Section 27A of the Act and Section 21E of the Exchange Act) (a "Forward Looking Statement") contained in the Registration Statement and the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith. The Forward Looking Statements incorporated by reference in the Registration Statement and the Prospectus from the Company's Annual Report on Form 10-K for the year ended June 30, 2007 (under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations") (i) are within the coverage of the safe harbor for forward looking statements set forth in Section 27A of the Act, Rule 175(b) under the Act or Rule 3b-6 under the Exchange Act, as applicable, (ii) were made by the Company with a reasonable basis and in good faith and reflect the Company's good faith reasonable best estimate of the matters described therein, and (iii) have been prepared in accordance with Item 10 of Regulation S-K under the Act.

(yy) Neither the Company nor its Subsidiaries are a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against the Company or its Subsidiaries or the Placement Agent for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Units.

(zz) The operations of the Company and its Subsidiaries are and have been conducted at all times in material compliance with applicable financial record keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions to which the Company or its Subsidiaries are subject, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(aaa) The Company and its Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's Certificate of Incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to the Investors as a result of the Investors and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation as a result of the Company's issuance of the Securities and the Investors' ownership of the Units.

(bbb) The minute books of the Company and each Subsidiary have been made available to the Placement Agent and counsel for the Placement Agent, and such books (i) contain a complete summary of all meetings and actions of the board of directors (including each board committee) and shareholders of the Company and each Subsidiary (or analogous governing bodies and interest holders, as applicable) since the time of its respective incorporation or organization through the date of the latest meeting and action, and (ii) accurately in all material respects reflect all transactions referred to in such minutes.

(ccc) Neither the Company nor any Subsidiary owns any "margin securities" as that term is defined in Regulation U of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), and none of the proceeds of the sale of the Stock will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security, for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might cause any of the Stock to be considered a "purpose credit" within the meanings of Regulation T, U or X of the Federal Reserve Board.

Any certificate signed by any officer of the Company as authorized by the Company and delivered to the Placement Agent or to counsel for the Placement Agent shall be deemed a representation and warranty by the Company to the Placement Agent as to the matters covered thereby.

4. Agreements of the Company. The Company covenants and agrees with the Placement Agent as follows:

(a) The Registration Statement has become effective, and if Rule 430A is used or the filing of the Prospectus is otherwise required under Rule 424(b), the Company will file the Prospectus (properly completed if Rule 430A has been used), subject to the prior approval of the Placement Agent, pursuant to Rule 424(b) within the prescribed time period and will provide a copy of such filing to the Placement Agent promptly following such filing.

(b) The Company will not, during such period as the Prospectus would be required by law to be delivered in connection with sales of the Units by an underwriter or dealer in connection with the offering contemplated by this Agreement, file any amendment or supplement to the Pricing Disclosure Materials, the Registration Statement or the Prospectus unless a copy thereof shall first have been submitted to the Placement Agent within a reasonable period of time prior to the filing thereof and the Placement Agent shall not have reasonably objected thereto in good faith.

(c) The Company will notify the Placement Agent promptly, and will confirm such notification in writing, (1) when any post-effective amendment to the Registration Statement becomes effective, but only during the period mentioned in Section 4(b); (2) of any request by the Commission for any amendments to the Registration Statement or any amendment or supplements to the Prospectus or any Issuer Free Writing Prospectus or for additional information; (3) of the issuance by the Commission of any stop order preventing or suspending the effectiveness of the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus, or any amendment or supplement thereto, or the initiation of any

proceedings for that purpose or the threat thereof; (4) of becoming aware of the occurrence of any event during the period mentioned in Section 4(b) that in the reasonable judgment of the Company makes any statement made in the Registration Statement or the Prospectus untrue in any material respect or that requires the making of any changes in the Registration Statement or the Prospectus in order to make the statements therein, in light of the circumstances in which they are made, not misleading; and (5) of receipt by the Company of any notification with respect to any suspension of the qualification of the Units for offer and sale in any jurisdiction. If at any time the Commission shall issue any order suspending the effectiveness of the Registration Statement in connection with the offering contemplated hereby, the Company will use its best efforts to obtain the withdrawal of any such order at the earliest possible moment. If the Company has omitted any information from the Registration Statement, pursuant to Rule 430A, it will use its best efforts to comply with the provisions of and make all requisite filings with the Commission pursuant to said Rule 430A and to notify the Placement Agent promptly of all such filings.

(d) If, at any time when a Prospectus relating to the Units is required to be delivered under the Act, the Company becomes aware of the occurrence of any event as a result of which the Prospectus, as then amended or supplemented, would, in the reasonable judgment of counsel to the Company or counsel to the Placement Agent, include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or the Registration Statement, as then amended or supplemented, would, in the reasonable judgment of counsel to the Company or counsel to the Placement Agent, include any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading, or if for any other reason it is necessary, in the reasonable judgment of counsel to the Company or counsel to the Placement Agent, at any time to amend or supplement the Prospectus or the Registration Statement to comply with the Act or the Rules and Regulations, the Company will promptly notify the Placement Agent and, subject to Section 4(b) hereof, will promptly prepare and file with the Commission, at the Company's expense, an amendment to the Registration Statement or an amendment or supplement to the Prospectus that corrects such statement or omission or effects such compliance and will deliver to the Placement Agent, without charge, such number of copies thereof as the Placement Agent may reasonably request. The Company consents to the use of the Prospectus or any amendment or supplement thereto by the Placement Agent.

(e) The Company will furnish to the Placement Agent and its counsel, without charge, as many copies as the Placement Agent may reasonably request of the following: (i) one conformed copy of the Registration Statement as originally filed with the Commission and each amendment thereto, including financial statements and schedules, and all exhibits thereto, (ii) so long as a prospectus relating to the Units is required to be delivered under the Act, each Issuer Free Writing Prospectus, Preliminary Prospectus or the Prospectus or any amendment or supplement thereto.

(f) The Company will comply with all the undertakings contained in the Registration Statement.

(g) The Company will not make any offer relating to the Units that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Placement Agent.

(h) The Company will retain in accordance with the Rules and Regulations all Issuer Free Writing Prospectuses not required to be filed pursuant to the Rules and Regulations.

(i) Prior to the sale of the Units to the Investors, the Company will cooperate with the Placement Agent and its counsel in connection with the registration or qualification of the Units for offer and sale under the state securities or Blue Sky laws of such jurisdictions as the Placement Agent may reasonably request; provided, that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to general service of process in any jurisdiction where it is not now so subject.

(j) The Company will apply the net proceeds from the offering and sale of the Units in the manner set forth in the Registration Statement and Prospectus under the caption "Use of Proceeds."

(k) The Company will comply with all requirements of Nasdaq with respect to the issuance of the shares of Common Stock pursuant to this Agreement and shares of Common Stock pursuant to any exercise of the Warrants, and will use its commercially reasonable efforts to ensure that any such shares are listed or quoted on Nasdaq at the time of the Closing.

(l) The Company will not at any time, directly or indirectly, take any action intended, or which might reasonably be expected, to cause or result in, or which will constitute, stabilization of the price of the Securities to facilitate the sale or resale of any of the Securities.

(m) The Company shall engage and maintain, at its expense, a registrar and transfer agent for the Securities.

(n) The Company shall at all times comply with all applicable provisions of the Sarbanes-Oxley Act in effect from time to time.

(o) The Company shall use its best efforts to do and perform all things required to be done or performed under this Agreement by the Company prior to the Closing Date and to satisfy all conditions precedent to the delivery of the Units.

(p) As of the date hereof, the Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of shares of Common Stock for the purpose of enabling the Company to issue shares of Common Stock pursuant to this Agreement and shares of Common Stock pursuant to any exercise of the Warrants.

5. Agreements of the Placement Agent. The Placement Agent agree that they shall not include any "issuer information" (as defined in Rule 433 under the Act) in any "free writing prospectus" (as defined in Rule 405) used or referred to by the Placement Agent without the prior consent of the Company (any such issuer information with respect to whose use the Company has given its consent, "Permitted Issuer Information"); provided that (i) no such consent shall be required with respect to any such issuer information contained in any document filed by the Company with the Commission prior to the use of such free writing prospectus and (ii) "issuer information," as used in this Section 5 shall not be deemed to include information prepared by the Placement Agent on the basis of or derived from issuer information. The Placement Agent also agrees to provide to each Investor, prior to the Closing, a copy of the Prospectus and any amendments or supplements thereto.

6. Expenses. Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company will pay all costs and expenses incident to the performance of the obligations of the Company under this Agreement, including but not limited to costs and expenses of or relating to (1) the preparation, printing and filing of the Registration Statement (including each pre- and post-effective amendment thereto) and exhibits thereto, any Issuer Free Writing Prospectus, each Preliminary Prospectus, the Prospectus and any amendments or supplements thereto, including all fees, disbursements and other charges of counsel and accountants to the Company, (2) the preparation and delivery of certificates representing the shares of Common Stock, (3) furnishing (including costs of shipping and mailing) such copies of the Registration Statement (including all pre- and post-effective amendments thereto), the Prospectus and any Preliminary Prospectus or Issuer Free Writing Prospectus, and all amendments and supplements thereto, as may be requested for use in connection with the direct placement of the Units, (4) the listing of the Common Stock on Nasdaq, (5) any filings required to be made by the Placement Agent with the NASD, and the fees, disbursements and other charges of counsel for the Placement Agent in connection therewith, (6) the registration or qualification of the the shares of Common Stock or Warrants for offer and sale under the securities or Blue Sky laws of such jurisdictions designated pursuant to Section 4(i), including the reasonable fees, disbursements and other charges of counsel to the Placement Agent in connection therewith and the preparation and printing of preliminary, supplemental and final Blue Sky memoranda, (7) fees, disbursements and other charges of counsel to the Company, (8) fees and disbursements of the Accountants incurred in delivering the letter(s) described in 7(f) of this Agreement, and (9) all other costs and expenses incident to the offering of the Units or the performance of the obligations of the Company under this Agreement (including, without limitation, the fees and expenses of the Company's counsel and the Company's independent accountants and the travel and other expenses incurred by Company personnel in connection with any "road show" including, without limitation, any expenses advanced by the Placement Agent on the Company's behalf (which will be promptly reimbursed)). The Company shall reimburse the Placement Agent, on a fully accountable basis, for all reasonable costs and out-of-pocket expenses, including fees and disbursements of its legal counsel. Notwithstanding the foregoing, in the event that the proposed offering of Units is terminated or postponed for a period in excess of ninety (90) days after the date hereof, the Company agrees to reimburse the reasonable documented costs and expenses incurred by the Placement Agent in connection therewith, including legal fees and out-of-pocket costs, up to $100,000 in the aggregate.

7. Conditions of the Obligations of the Placement Agent. The obligations of the Placement Agent hereunder are subject to the following conditions:

(a) (i) No stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued, and no proceedings for that purpose shall be pending or threatened by any securities or other governmental authority (including, without limitation, the Commission), (ii) no order suspending the effectiveness of the Registration Statement or the qualification or registration of the Units under the securities or Blue Sky laws of any jurisdiction shall be in effect and no proceeding for such purpose shall be pending before, or threatened or contemplated by, any securities or other governmental authority (including, without limitation, the Commission), (iii) any request for additional information on the part of the staff of any securities or other governmental authority (including, without limitation, the Commission) shall have been complied with to the satisfaction of the staff of the Commission or such authorities and (iv) after the date hereof no amendment or supplement to the Registration Statement, any Issuer Free Writing Prospectus or the Prospectus shall have been filed unless a copy thereof was first submitted to the Placement Agent and the Placement Agent did not object thereto in good faith, and the Placement Agent shall have received certificates of the Company, dated the Closing Date and signed by the President and Chief Executive Officer or the Chairman of the Board of Directors of the Company, and the Chief Financial Officer of the Company, to the effect of clauses (i), (ii) and (iii).

(b) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, (i) there shall not have been a Material Adverse Change, whether or not arising from transactions in the ordinary course of business, in each case other than as set forth in or contemplated by the Registration Statement and the Prospectus and (ii) the Company shall not have sustained any material loss or interference with its business or properties from fire, explosion, flood or other casualty, whether or not covered by insurance, or from any labor dispute or any court or legislative or other governmental action, order or decree, which is not set forth in the Registration Statement and the Prospectus, if in the judgment of the Placement Agent any such development makes it impracticable or inadvisable to consummate the sale of the Units and delivery of the Securities to Investors as contemplated by the Prospectus.

(c) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall have been no litigation or other proceeding instituted against the Company or any of its officers or directors in their capacities as such, before or by any Federal, state or local court, commission, regulatory body, administrative agency or other governmental body, domestic or foreign, which litigation or proceeding, in the judgment of the Placement Agent, could have a Material Adverse Effect.

(d) Each of the representations and warranties of the Company contained herein, to the extent qualified by materiality or Material Adverse Effect, shall be true and correct in all respects at the Closing Date, as if made on such date, and to the extent not qualified by materiality or Material Adverse Effect, shall be true and correct in all material respects at the Closing Date, as if made on such date, and all covenants and agreements herein contained to be performed on the part of the Company and all conditions herein contained to be

fulfilled or complied with by the Company at or prior to the Closing Date shall have been duly performed, fulfilled or complied with.

(e) The Placement Agent shall have received opinions, dated the Closing Date, of Seyfarth Shaw LLP, as counsel to the Company, and of Dykema Gossett PLLC, as counsel to the Company in form and substance reasonably satisfactory to the Placement Agent, with respect to the matters set forth in Exhibit D hereto.

(f) On the date hereof, the Accountants shall have furnished to the Placement Agent a letter, dated the date of its delivery (the "Comfort Letter"), addressed to the Placement Agent and in form and substance satisfactory to the Placement Agent, confirming that (i) they are independent public accountants with respect to the Company within the meaning of the Act and the Rules and Regulations; (ii) in their opinion, the financial statements and any supplementary financial information included in the Registration Statement and examined by them comply as to form in all material respects with the applicable accounting requirements of the Act and the Rules and Regulations; (iii) on the basis of procedures, not constituting an examination in accordance with generally accepted auditing standards, set forth in detail in the Comfort Letter, a reading of the latest available interim financial statements of the Company, inspections of the minute books of the Company since the latest audited financial statements included in the Prospectus, inquiries of officials of the Company responsible for financial and accounting matters and such other inquiries and procedures as may be specified in the Comfort Letter to a date not more than five days prior to the date of the Comfort Letter, nothing came to their attention that caused them to believe that as of a specified date not more than five days prior to the date of the Comfort Letter, there have been any changes in the capital stock of the Company or any increase in the long-term debt of the Company, or any decreases in net current assets or net assets or other items specified by the Placement Agent, or any increases in any items specified by the Placement Agent, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in the Comfort Letter; and (iv) in addition to the examination referred to in their reports included in the Prospectus and the procedures referred to in clause (iii) above, they have carried out certain specified procedures, not constituting an examination in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Placement Agent, which are derived from the general accounting, financial or other records of the Company, as the case may be, which appear in the Prospectus or in Part II of, or in exhibits or schedules to, the Registration Statement, and have compared such amounts, percentages and financial information with such accounting, financial and other records and have found them to be in agreement. At the Closing Date, the Accountants shall have furnished to the Placement Agent a letter, dated the date of its delivery, which shall confirm, on the basis of a review in accordance with the procedures set forth in the Comfort Letter, that nothing has come to their attention during the period from the date of the Comfort Letter referred to in the prior sentence to a date (specified in the letter) not more than three days prior to the Closing Date which would require any change in the Comfort Letter if it were required to be dated and delivered at the Closing Date.

(g) At the Closing Date, there shall be furnished to the Placement Agent a certificate, dated the date of its delivery, signed on behalf of the Company by each of

the Chief Executive Officer and the Chief Financial Officer of the Company, in form and substance satisfactory to the Placement Agent to the effect that each signer has carefully examined the Registration Statement, the Prospectus and the Pricing Disclosure Materials, and that to each of such person's knowledge:

(i) (A) As of the date of such certificate, (x) the Registration Statement and any amendment thereto did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading and (y) neither the Prospectus, the Pricing Disclosure Materials nor any amendment or supplement thereto, contained any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (B) no event has occurred as a result of which it is necessary to amend or supplement the Registration Statement, the Pricing Disclosure Materials or the Prospectus in order to make the statements therein not untrue or misleading in any material respect.

(ii) Each of the representations and warranties of the Company contained in this Agreement were, when originally made, and are, at the time such certificate is delivered, true and correct.

(iii) Each of the covenants required herein to be performed by the Company on or prior to the date of such certificate has been duly, timely and fully performed and each condition herein required to be complied with by the Company on or prior to the delivery of such certificate has been duly, timely and fully complied with.

(iv) No stop order suspending the effectiveness of the Registration Statement or of any part thereof has been issued and no proceedings for that purpose have been instituted or are contemplated by the Commission.

(v) Subsequent to the date of the most recent financial statements in the Prospectus, there has been no Material Adverse Change.

(h) The Securities shall be qualified for sale in such states as the Placement Agent may reasonably request, and each such qualification shall be in effect and not subject to any stop order or other proceeding on the Closing Date, as provided in Sections 3(b) and 3(y) above.

(i) The shares of Common Stock shall have been approved for inclusion on Nasdaq and listed and admitted and authorized for trading on Nasdaq, subject only to official notice of issuance. Satisfactory evidence of such actions shall have been provided to the Placement Agent.

(j) The Company shall have furnished or caused to be furnished to the Placement Agent such certificates, in addition to those specifically mentioned herein, as the Placement Agent may have reasonably requested as to the accuracy and completeness at the Closing Date of any statement in the Registration Statement or the Prospectus, as to the accuracy at the Closing Date of the representations and warranties of the Company as to the

performance by the Company of its obligations hereunder, or as to the fulfillment of the conditions concurrent and precedent to the obligations hereunder of the Placement Agent.

(k) The Placement Agent shall have received the letters referred to in Section 3(ss) and (tt) hereof substantially in the form of Exhibits B and C.

(l) The Company shall have prepared and filed with the Commission a Current Report on Form 8-K with respect to the transactions contemplated hereby, including as an exhibit thereto this Placement Agent Agreement and any other documents relating thereto.

(m) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange, or Nasdaq or in the over-the-counter market, or trading in any securities of the Company on any exchange or in the over-the-counter market, shall have been suspended or materially limited, or minimum or maximum prices or maximum range for prices shall have been established on any such exchange or such market by the Commission, by such exchange or market or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by Federal or state authorities or a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States, (iii) the United States shall have become engaged in hostilities, or the subject of an act of terrorism, or there shall have been an outbreak of or escalation in hostilities involving the United States, or there shall have been a declaration of a national emergency or war by the United States or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions (or the effect of international conditions on the financial markets in the United States shall be such) as to make it, in the judgment of the Placement Agent, impracticable or inadvisable to proceed with the sale of the Units or delivery of the Securities on the terms and in the manner contemplated in the Pricing Disclosure Materials and the Prospectus.

8. Indemnification.

(a) The Company shall indemnify and hold harmless the Placement Agent, its directors, officers, employees and agents and each person, if any, who controls the Placement Agent within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, from and against any and all losses, claims, liabilities, expenses and damages, joint or several, (including any and all investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted), to which it, or any of them, may become subject under the Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, liabilities, expenses or damages arise out of or are based on (i) any untrue statement or alleged untrue statement made by the Company in Section 3 of this Agreement (ii) any untrue statement or alleged untrue statement of any material fact contained in (A) any Preliminary Prospectus, the Registration Statement or the Prospectus or any amendment or supplement thereto or document incorporated by reference therein, (B) any Issuer Free Writing Prospectus or any “issuer information” filed or required to be filed pursuant to Rule 433(d) of the Rules and Regulations or any amendment or supplement thereto or document incorporated by

reference therein or (C) any Permitted Issuer Information used or referred to in any "free writing prospectus" (as defined in Rule 405) used or referred to by the Placement Agent and (D) any application or other document, or any amendment or supplement thereto, executed by the Company based upon written information furnished by or on behalf of the Company filed in any jurisdiction in order to qualify the Units under the securities or Blue Sky laws thereof or filed with the Commission or any securities association or securities exchange (each, an "Application"), or (iii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus, or any amendment or supplement thereto, or in any Permitted Issuer Information or any Application a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; provided, however, that the Company will not be liable to the extent that such loss, claim, liability, expense or damage arises from the sale of the Units in the public offering to any person and is based solely on an untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to the Placement Agent furnished in writing to the Company by the Placement Agent expressly for inclusion in the Registration Statement, any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Permitted Issuer Information or any Application (as set forth in paragraph (D); and provided further, that such indemnity with respect to any Preliminary Prospectus shall not inure to the benefit of the Placement Agent (or any person controlling the Placement Agent) from whom the person asserting any such loss, claim, damage, liability or action purchased Units which are the subject thereof to the extent that any such loss, claim, damage or liability (i) results from the fact that the Placement Agent failed to send or give a copy of the Prospectus (as amended or supplemented) to such person at or prior to the confirmation of the sale of such Units to such person in any case where such delivery is required by the Act and (ii) arises out of or is based upon an untrue statement or omission of a material fact contained in such Preliminary Prospectus that was corrected in the Prospectus (or any amendment or supplement thereto), unless such failure to deliver the Prospectus (as amended or supplemented) was the result of noncompliance by the Company with Section 4(d). This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) The Placement Agent will indemnify and hold harmless the Company, each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, each director of the Company and each officer of the Company who signs the Registration Statement to the same extent as the foregoing indemnity from the Company to the Placement Agent, but only insofar as losses, claims, liabilities, expenses or damages arise out of or are based on any untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to the Placement Agent furnished in writing to the Company by the Placement Agent expressly for use in the Registration Statement, any Preliminary Prospectus, the Prospectus or any Issuer Free Writing Prospectus. This indemnity agreement will be in addition to any liability that the Placement Agent might otherwise have. The Company acknowledges that, for all purposes under this Agreement, the last paragraph on the cover page of the Prospectus constitutes the only information relating to the Placement Agent furnished in writing to the Company by the Placement Agent expressly for inclusion in the Registration Statement, any Preliminary Prospectus or the Prospectus. Notwithstanding the provisions of this Section 8(b),

in no event shall any indemnity by either Placement Agent under this Section 8(b) exceed the total compensation received by the Placement Agent in accordance with Section 1.

(c) Any party that proposes to assert the right to be indemnified under this Section 8 will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 8, notify each such indemnifying party of the commencement of such action, enclosing a copy of all papers served, but the omission so to notify such indemnifying party will not relieve it from any liability that it may have to any indemnified party under the foregoing provisions of this Section 8 unless, and only to the extent that, such omission results in the forfeiture of substantive rights or defenses by the indemnifying party. If any such action is brought against any indemnified party and it notifies the indemnifying party of its commencement, the indemnifying party will be entitled to participate in and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel reasonably satisfactory to the indemnified party, and after notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below and except for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such indemnified party unless (1) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (2) the indemnified party has reasonably concluded (based on advice of counsel) that a conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party that would prevent the counsel selected by the indemnifying party from representing the indemnified party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (3) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action or the indemnifying party does not diligently defend the action after assumption of the defense, in each of which cases, if such indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of (or, in the case of a failure to diligently defend the action after assumption of the defense, to continue to defend) such action on behalf of such indemnified party and the indemnifying party shall be responsible for legal or other expenses subsequently incurred by such indemnified party in connection with the defense of such action. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. All such fees, disbursements and other charges will be reimbursed by the indemnifying party promptly as they are incurred. The Company will not, without the prior written consent of the Placement Agent (which consent will not be unreasonably withheld), settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution has been sought hereunder (whether or not the Placement

Agent or any person who controls the Placement Agent within the meaning of Section 15 of the Act or Section 20 of the Exchange Act is a party to such claim, action, suit or proceeding), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party in form and substance reasonably satisfactory to such indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party. Subject to the provisions of the following sentence, no indemnifying party shall be liable for settlement of any pending or threatened action or any claim whatsoever that is effected without its written consent (which consent will not be unreasonably withheld.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in the foregoing paragraphs of this Section 8 is applicable in accordance with its terms but for any reason is held to be unavailable from the Company or the Placement Agent, the indemnifying party or parties will contribute to the total losses, claims, liabilities, expenses and damages (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted) to which the indemnifying party or parties may be subject in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and the Placement Agent, on the other, from the offering of the Units. The relative benefits received by the Company, on the one hand, and the Placement Agent, on the other, shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting Company expenses) received by the Company as set forth in the table on the cover page of the Prospectus bear to the fee received by the Placement Agent hereunder as set forth in the table on the cover page of the Prospectus. If, but only if, the allocation provided by the foregoing sentence is not permitted by applicable law, the allocation of contribution shall be made in such proportion as is appropriate to reflect not only the relative benefits referred to in the foregoing sentence but also the relative fault of the Company, on the one hand, and the Placement Agent, on the other, with respect to the statements or omissions which resulted in such loss, claim, liability, expense or damage, or action in respect thereof, as well as any other relevant equitable considerations with respect to such offering. Such relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Placement Agent, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission; provided that the parties hereto agree that the written information furnished to the Company by the Placement Agent for use in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any amendment or supplement thereto, consists solely of the Placement Agent information as defined in Section 8(b). The Company and the Placement Agent agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, liability, expense or damage, or action in respect thereof, referred to above in this Section 8(d) shall be deemed to include, for purpose of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(d), the Placement Agent shall not be required to contribute any amount in excess of the total compensation received by it in accordance with

Section 1, and no person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Any party entitled to contribution, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made under this Section 8(d), will notify any such party or parties from whom contribution may be sought, but the omission so to notify will not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have under this Section 8(d). No party will be liable for contribution with respect to any action or claim settled without its written consent (which consent will not be unreasonably withheld). The Placement Agent's obligations to contribute as provided in this Section 8(d) are several in proportion to their respective underwriting obligations and not joint.

9. Termination.

(a) The obligations of the Placement Agent under this Agreement may be terminated at any time prior to the Closing Date, by notice to the Company from the Placement Agent, in its sole discretion, without liability on the part of the Placement Agent to the Company if, prior to delivery and payment for the Securities, any of the events described in Sections 7(b) have occurred.

(b) If this Agreement shall be terminated pursuant to any of the provisions hereof, or if the sale of the Units provided for herein is not consummated because any condition to the obligations of the Placement Agent set forth herein is not satisfied or because of any refusal, inability or failure on the part of the Company to perform any agreement herein or comply with any provision hereof, the Company will reimburse the Placement Agent for all reasonable, documented out-of-pocket expenses incurred in connection herewith.

10. No Fiduciary Duty. The Company acknowledges and agrees that in connection with this offering, sale of the Units or any other services the Placement Agent may be deemed to be providing hereunder, notwithstanding any preexisting relationship, advisory or otherwise, between the parties or any oral representations or assurances previously or subsequently made by the Placement Agent: (i) no fiduciary or agency relationship between the Company and any other person, on the one hand, and the Placement Agent, on the other, exists; (ii) the Placement Agent is not acting as an advisor, expert or otherwise, to the Company, including, without limitation, with respect to the determination of the offering price of the Units, and such relationship between the Company, on the one hand, and the Placement Agent, on the other, is entirely and solely commercial, based on arms-length negotiations; (iii) any duties and obligations that the Placement Agent may have to the Company shall be limited to those duties and obligations specifically stated herein; and (iv) the Placement Agent and its affiliates may have interests that differ from those of the Company. The Company hereby waives any claims that the Company may have against the Placement Agent with respect to any breach of fiduciary duty in connection with this offering.

11. Notices. Notice given pursuant to any of the provisions of this Agreement shall be in writing and, unless otherwise specified, shall be mailed or delivered (a) if to the Company, at the office of the Company, Domino's Farms, Lobby K, 24 Frank

Lloyd Wright Dr., Ann Arbor, MI 48105, Attention: Gerald D. Brennan, Jr., with copies to Seyfarth Shaw LLP, 131 South Dearborn Street, Suite 2400, Chicago, IL 60603-5577, Attention: Allan J. Reich, Esq., or (b) if to the Placement Agent, at the office of BMO Capital Markets Corp., 3 Times Square, 28th Floor, New York, New York 10036-6564, Attention: Eric B. Cheng, with copies to Morgan, Lewis & Bockius LLP, 101 Park Avenue, New York, New York 10178-0060, Attention: David W. Pollak, Esq. Any such notice shall be effective only upon receipt. Any notice under Section 8 may be made by facsimile or telephone, but if so made shall be subsequently confirmed in writing.

12. Survival. The respective representations, warranties, agreements, covenants, indemnities and other statements of the Company and the Placement Agent set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement shall remain in full force and effect, regardless of (i) any investigation made by or on behalf of the Company, any of its officers or directors, the Placement Agent or any controlling person referred to in Section 8 hereof and (ii) delivery of and payment for the Securities. The respective agreements, covenants, indemnities and other statements set forth in Sections 6 and 8 hereof shall remain in full force and effect, regardless of any termination or cancellation of this Agreement.

13. Successors. This Agreement shall inure to the benefit of and shall be binding upon the Placement Agent, the Company and their respective successors and legal representatives, and nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other person except that (i) the indemnification and contribution contained in Sections 8(a) and (d) of this Agreement shall also be for the benefit of the directors, officers, employees and agents of the Placement Agent and any person or persons who control either of the Placement Agent within the meaning of Section 15 of the Act or Section 20 of the Exchange Act and (ii) the indemnification and contribution contained in Sections 8(b) and (d) of this Agreement shall also be for the benefit of the directors of the Company, the officers of the Company who have signed the Registration Statement and any person or persons who control the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act. No Investor shall be deemed a successor because of such purchase.

14. Governing Law. The validity and interpretations of this Agreement, and the terms and conditions set forth herein, shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any provisions relating to conflicts of laws.

15. Severability. In case any one or more of the provisions contained in this Agreement or any application thereof shall be deemed invalid, illegal or unenforceable in any respect, such affected provisions shall be construed and deemed rewritten so as to be enforceable to the maximum extent permitted by law, thereby implementing, to the maximum extent possible, the intent of the parties hereto, and the validity, legality and enforceability of the remaining provisions contained in this Agreement shall not in any way be affected or impaired thereby.

16. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Electronically transmitted or facsimile signatures shall be deemed to be originals.

17. Entire Agreement. This Agreement constitutes the entire understanding between the parties hereto as to the matters covered hereby and supersedes all prior understandings, written or oral, relating to such subject matter.

Please confirm that the foregoing correctly sets forth the agreement between the Company and the Placement Agent.

Very truly yours,

AASTROM BIOSCIENCES, INC.

By: _____
Name:
Title:

Confirmed as of the date first
above mentioned:

BMO CAPITAL MARKETS CORP.

By: _____
Name:
Title:

SCHEDULE 1

SUBSIDIARIES

Aastrom Biosciences GmbH
Aastrom Biosciences SL
Aastrom Biosciences, Ltd.

SCHEDULE 2

LOCK UP AGREEMENTS

George W. Dunbar
Timothy M. Mayleben
Alan L. Rubino
Nelson M. Sims
Stephen G. Sudovar
Susan L. Wyant
Robert L. Zerbe
Gerald D. Brennan

SCHEDULE 3

FREE WRITING PROSPECTUSES

Preliminary Prospectus Supplement dated October 16, 2007

EXHIBIT A

ESCROW AGREEMENT

See attached.

EXHIBIT B

[Date]

BMO Capital Markets Corp.
3 Times Square
29th Floor
New York, NY 10036

Ladies and Gentlemen:

The undersigned understands that you, as Placement Agent, propose to enter into a Placement Agency Agreement (the "Placement Agency Agreement") with Aastrom Biosciences, Inc., a Michigan corporation (the "Company"), providing for an offering (the "Offering") of the Company's Common Stock. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Placement Agency Agreement.

In consideration of the foregoing, and in order to induce you to act as Placement Agent in the Offering, and for other good and valuable consideration receipt of which is hereby acknowledged, the undersigned hereby agrees that, without the prior written consent of the Placement Agent, the undersigned will not, during the period beginning on the date hereof and ending on the date which is 90 days after the date of the final prospectus supplement filed by the Company with the Securities and Exchange Commission relating to the Offering, (1) offer, pledge, assign, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (including without limitation, Common Stock which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission and securities which may be issued upon exercise of a stock option or warrant), (2) enter into any swap, hedge or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (3) engage in any short selling of the Common Stock. In addition, the undersigned agrees that, without the prior written consent of the Placement Agent, it will not, during the period beginning on the date hereof and ending on the date which is 90 days after the date of the final prospectus supplement relating to the Offering, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

Notwithstanding the foregoing, the restrictions set forth in clause (1) and (2) above shall not apply to (a) transfers (i) as a *bona fide* gift or gifts to any charitable organization, (ii) as a *bona fide* gift or gifts to any other entity or person, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein, (iii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value, or (iv) with the prior written consent of the Placement Agent, or (b) the

acquisition or exercise of any stock option issued pursuant to the Company's existing stock option plan, including any exercise effected by the delivery or sale of shares of Common Stock of the Company held by the undersigned. For purposes of this lock-up agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin.

If (i) the Company issues an earnings release, publicly announces material news or a material event relating to the Company occurs during the last 17 calendar days of the 90-day lock-up period; or (ii) prior to the expiration of the 90-day lock-up period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 90-day lock-up period, the restrictions imposed by this lock-up agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release, the public announcement of the material news or the occurrence of the material event.

The undersigned understands that the Company and the Placement Agent are relying on this lock-up agreement in proceeding towards consummation of the Offering. The undersigned further understands that this lock-up agreement is irrevocable.

In furtherance of the foregoing, the Company, and any duly appointed transfer agent for the registration or transfer of the securities described herein, are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this lock-up agreement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this lock-up agreement. All authority herein conferred or agreed to be conferred and any obligations of the undersigned shall be binding upon the successors, assigns, heirs or personal representatives of the undersigned.

The undersigned understands that, if the Offering does not occur or is terminated prior to payment for and delivery of the shares of Common Stock to be sold thereunder, the undersigned shall be released from all obligations under this lock-up agreement.

This lock-up agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof.

Very truly yours,

[NAME OF OFFICER OR DIRECTOR]

By: _____

Title: _____

Accepted as of the date first set forth above:

BMO Capital Markets Corp.

By: _____
Name: _____
Title: _____

[_____]

By: _____
Name: _____
Title: _____

EXHIBIT C

BMO Capital Markets Corp.
3 Times Square
29th Floor
New York, NY 10036

Ladies and Gentlemen:

Reference is made to the Placement Agency Agreement (the "Placement Agency Agreement"), which will be executed between Aastrom Biosciences, Inc., a Michigan corporation (the "Company"), and BMO Capital Markets Corp. (the "Placement Agent").

In consideration of the Placement Agency Agreement, the undersigned hereby agrees not to, without the prior written consent of the Placement Agent, offer, sell, assign, pledge, lend, contract to sell or otherwise dispose of any shares, directly or indirectly, of the Company's Common Stock, no par value per share (the "Common Stock"), owned by the undersigned during the period beginning on the date hereof and ending on the date which is 90 days after the date of the final prospectus supplement relating to the Offering, except with respect to the issuance of shares of Common Stock upon the exercise of stock options and warrants outstanding as of the date hereof and the issuance of Common Stock or stock options under any benefit plan or direct stock purchase plan of the Company existing on the date hereof, and described in the Prospectus.

The Company also agrees that during such period, the Company will not file any registration statement, preliminary prospectus or prospectus, or any amendment or supplement thereto, under the Securities Act for any such transaction or which registers, or offers for sale, Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, except for a registration statement on Form S-8 relating to employee benefit plans. The Company hereby agrees that if (i) the Company issues an earnings release, publicly announces material news or a material event relating to the Company occurs during the last 17 calendar days of the 90-day lock-up period; or (ii) prior to the expiration of the 90-day lock-up period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 90-day lock-up period, the restrictions imposed by this lock-up agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release, the public announcement of the material news or the occurrence of the material event.

It is understood that, if the Company notifies you that it does not intend to proceed with the issuance and sale of shares of Common Stock and the warrants to purchase shares of Common Stock to be sold in the Offering (the "Units") pursuant to the Placement Agency Agreement, if the Placement Agency Agreement does not become effective, or if the Placement Agency Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Units, the undersigned will be released from its obligations under this letter agreement.

Dated:

Very truly yours,

Aastrom Biosciences, Inc.

By: _____
Name: _____
Title: _____

EXHIBIT D

[MATTERS TO BE COVERED IN THE SEYFARTH SHAW LLP LEGAL OPINION OR
DYKEMA GOSSETT PLLC LEGAL OPINION]

1. The Company has been duly organized, and is validly existing as a corporation in good standing under the laws of the State of Michigan.

2. The Company is not licensed or qualified to conduct business as a foreign corporation in any jurisdiction.

3. The Company has the corporate power and authority to enter into and perform its obligations under the Placement Agency Agreement.

4. The Securities have been duly authorized and, when issued and delivered by the Company pursuant to the Placement Agency Agreement against payment of the consideration set forth on the cover of the Prospectus, will be validly issued, fully paid and non-assessable.

5. The issuance of the Securities is not subject to any statutory preemptive right of any securityholder of the Company. The issuance of the Securities is not subject to any rights known to such counsel of any securityholder of the Company similar to any statutory preemptive rights of any securityholder of the Company.

6. Except as set forth in or otherwise contemplated by the Registration Statement or the Prospectus Supplement, to our knowledge, no person has the right to require the Company or any of its subsidiaries to register any securities for sale under the Act by reason of the filing of the Prospectus Supplement with the Commission or by reason of the issuance and sale of the Units, except for rights which have been waived.

7. The statements in the Prospectus under the caption “Description of Capital Stock” as amended by the Company’s Annual Report on Form 10-K for the fiscal year ended June 20, 2007 (indicating an increase in the Company’s authorized common stock from 200,000,000 to 250,000,000 shares), insofar as they purport to constitute summaries of the terms of the Company’s charter or by-laws or Michigan statutes, rules and regulations thereunder, constitute accurate summaries of the terms of such documents, statutes, rules and regulations in all material respects.

8. The execution, delivery and performance of the Placement Agency Agreement do not and will not result in any violation of the provisions of the charter or by-laws of the Company in effect on the date hereof. The Placement Agency Agreement has been duly authorized, executed and delivered by the Company, constitutes a valid and binding agreement of the Company, and is enforceable against the Company in accordance with the terms thereof.

9. To such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued under the Act and no proceedings for that purpose have been instituted or are pending or threatened by the Commission.

10. The Registration Statement, including the Prospectus, including each of the documents incorporated by reference therein, and each amendment or supplement to the Registration Statement and Prospectus, as the case may be, including the documents incorporated by reference therein, as of their respective effective or issue dates, or as of the dates they were filed with the Commission, as the case may be (other than the financial statements and supporting schedules included therein or omitted therefrom, as to which we express no opinion), complied as to form in all material respects with the requirements of the Act and the rules and regulations of the Commission promulgated thereunder (the "Rules and Regulations") and the Exchange Act.

11. To such counsel's knowledge, there is not pending or threatened in writing any action, suit, proceeding, inquiry or investigation, to which the Company or any of its Subsidiaries are parties, or to which the property of the Company or its Subsidiaries are subject, before or brought by any court or governmental agency or body, domestic or foreign, that is required to be disclosed in the Prospectus and is not adequately disclosed therein.

12. All descriptions of documents and agreements, in the Registration Statement and the Prospectus of contracts and other documents filed and/or incorporated by reference in the Company's Annual Report on Form 10-K for the year ended June 30, 2007 are, to our knowledge, accurate, there are no franchises, contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Registration Statement or the Prospectus or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto.

13. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any domestic court or governmental authority or agency (other than under the Act and the rules and regulations of the Commission promulgated thereunder, which have been obtained, or as may be required by the securities or blue sky laws of the various states, as to which we express no opinion) is necessary or required in connection with the due authorization, execution and delivery of the Placement Agency Agreement or for the offering, sale or delivery of the Units.

14. The execution, delivery and performance of the Placement Agency Agreement and the consummation of the transactions contemplated therein and in the Registration Statement and the Prospectus Supplement (including the issuance and sale of the Units) and compliance by the Company with its obligations under the Placement Agency Agreement and in connection with the offering, issuance and sale of the Units pursuant thereto, to our knowledge, do not and will not, whether with or without the giving of notice or the passage of time or both, conflict with or constitute a breach of, or default under, or permit the

holders of any debt known to us to require the repurchase or redemption of any such debt pursuant to, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, agreements to which the Company is a party and which are known to us, nor will such action result in any material violation of any applicable law statute, rule, regulation, judgment, order, writ or decree known to us, of any government or government instrumentality or court having jurisdiction over the Company or any of its assets, properties or operations.

15. The Company is not, nor will be upon completion of the offering, an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

16. While we are not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, the Prospectus or the Pricing Disclosure Materials, or any supplements or amendments thereto, no facts have come to our attention which have caused it to believe that: (i) the Registration Statement or any amendments thereto, at the time the Registration Statement or any such amendments became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) the Prospectus, as of the Closing, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; or (iii) the documents and information comprising the Pricing Disclosure Materials, taken as a whole as of the effective time, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that in each case that we are not expressing a belief as to the financial statements, including the notes and schedules thereto, or any other financial or accounting information).

17. When issued, the Warrants will constitute valid and binding obligations of the Company to issue and sell, upon exercise thereof and payment therefor, the number of shares of Common Stock called for thereby, and the Warrants, when issued, in each case, will be enforceable against the Company in accordance with their terms. The Company has reserved a sufficient number of shares of Common Stock for issuance upon the exercise of the Warrants and payment therefor.

18. The shares of the Company's common stock, when issued against payment of the exercise price therefore and in accordance with the terms of the Warrants, will be duly authorized, validly issued, fully paid and non-assessable.

EXHIBIT 10.2

ESCROW AGREEMENT

among

AASTROM BIOSCIENCES, INC.,

BMO CAPITAL MARKETS CORP.

and

THE BANK OF NEW YORK

Dated as of October 15, 2007

ACCOUNT NUMBER(S):

SHORT TITLE OF ACCOUNT: Aastrom Biosciences, Inc./BMO Capital

ESCROW AGREEMENT

This Escrow Agreement (the "**Agreement**") is dated as of October 15, 2007, among Aastrom Biosciences, Inc., a Michigan corporation with its principal office at 24 Frank Lloyd Wright Drive, P.O. Box 376, Ann Arbor, Michigan 48106 (the "**Company**"), BMO Capital Markets Corp., as placement agent (the "**Placement Agent**"), and The Bank of New York, a New York banking corporation with its principal corporate trust office at 101 Barclay Street, 8th Floor West, New York, New York 10286 (the "**Escrow Agent**").

WHEREAS, the Company proposes to sell an aggregate of up to 11,842,105 shares of its common stock, no par value per share (the "**Shares**") and warrants to purchase up to 5,921,053 Shares (the "**Warrants**") for an aggregate of up to $13,500,000, all as described in the Company's effective registration statement on Form S-3 (Registration No. 333-123570) as supplemented by a prospectus supplement dated the date hereof (which, together with all amendments or supplements thereto is referred to herein as the "**Registration Statement**");

WHEREAS, the Shares and the Warrants, which will be sold in units with each unit consisting of one Share and a Warrant to purchase Shares (the "**Units**"), are being offered by the Company to subscribers identified by the Placement Agent, pursuant to the terms of the Placement Agency Agreement, dated as of the date hereof (the "**Placement Agency Agreement**"), by and between the Company and the Placement Agent, and the Purchase Agreements executed by the investors (the "**Purchase Agreements**"). The Escrow Agent has not (i) received a copy of, (ii) has not reviewed, (iii) is not a party to and (iv) will not be held responsible for the terms of the Registration Statement, Placement Agency Agreement or the Purchase Agreements;

WHEREAS, with respect to all subscription payments received from investors (the "**Investors**"), the Company and the Placement Agent propose to establish an escrow account with the Escrow Agent in the name of the Company; and

WHEREAS, the Escrow Agent is willing to receive and disburse the funds from the Investors in payment for their Units (the "**Escrowed Funds**") in accordance herewith.

NOW, THEREFORE, it is agreed as follows:

Section 1. **Establishment of Escrow Account; Deposits**.

(a) The Escrow Agent shall promptly (and, in any case, on or prior to the commencement of the offering of the Units) cause to be opened a fully segregated non interest-bearing escrow account, which escrow account shall be entitled Aastrom Biosciences, Inc./BMO Capital — Escrow Account (the "**Escrow Account**") for the purpose of holding in trust all Escrowed Funds for the Company and the Investors. The Placement Agent shall, as to each Investor, instruct each Investor to remit the purchase price in the form wire transfers to the Escrow Agent as promptly as possible with respect to the Escrowed Funds in payment for their respective Units. Wire transfers to the Escrow Account shall be made in Federal Funds transferred as follows:

Bk of NYC
ABA No. _____
GLA _____
Cust A/C # _____
A/C Name- Aastrom Biosciences, Inc./BMO Capital

(b) On the terms and conditions of this Agreement, the Escrow Agent shall deposit the Escrowed Funds in the Escrow Account. Upon receipt of the Escrowed Funds, the Escrow Agent shall acknowledge such receipt in writing (which may be by means of electronic mail) to the Company and Placement Agent and shall hold and disburse the same pursuant to the terms and conditions of this Agreement. The Escrow Agent shall have no duty to verify whether the amounts and property delivered comport with the requirements of any other agreement.

(c) The Placement Agent is hereby directed by the Company to furnish or cause to be furnished to the Escrow Agent, at the time of each deposit of funds pursuant to Section 1(a), a list, substantially in the form of Exhibit A hereto, containing the name of, the address of record, the number of Units subscribed for by, the subscription amount delivered to the Escrow Agent on behalf of, and the social security or taxpayer identification number, if applicable, of each subscriber whose funds are being deposited. The Escrow Agent shall notify the Placement Agent and the Company of any discrepancy between the subscription amounts set forth on any list delivered pursuant to this Section 1(b) and the subscription amounts received by the Escrow Agent. The Escrow Agent is authorized, with the consent of the Company, not to be unreasonably withheld, to revise such list to reflect the actual subscription amounts received and the release of any subscription amounts pursuant to Section 3.

(d) Except as and to the extent provided herein, the Escrow Agent shall not be obligated nor, without the consent of the Company and the Placement Agent, is it authorized to accept instructions under this Agreement directly from any Investor.

Section 2. **Acceptance or Rejection of Subscription**.

As soon as practicable following receipt of each subscription, the Company will determine whether or not the subscription is to be accepted or rejected in whole or in part.

With respect to each subscription which is to be accepted, the Company is not required to notify the Escrow Agent of such acceptance and the Escrow Agent shall have the right to assume that the Company has accepted the subscription by the Investor unless the Company has delivered a Subscription Termination Notice (as defined below). With respect to each subscription which is to be rejected (in whole or in part), the Company will notify the Escrow Agent of such rejection in writing (a "**Subscription Termination Notice**"), and upon receipt of such Subscription Termination Notice, the Escrow Agent will promptly as practicable transfer the Escrowed Funds represented by such subscription reflected in part only) and issue a check in the amount of the rejected Investor's subscription directly to the rejected Investor.

Section 3. **Disbursements from the Escrow Account**.

(a) If the Company elects to terminate the offering of the Units, upon written instruction by the Company of such election to terminate (the "**Termination Date**"), the Escrow Agent shall terminate the Escrow Account and return by check the amount of unreleased subscription funds to each Investor as reflected in the list held by the Escrow Agent and delivered by the Placement Agent pursuant to Section 1(c). The Escrow Agent shall notify the Company and the Placement Agent of the distribution of such funds to the Investors as provided in Section 4(c).

(b) If Units have been subscribed for and funds in respect thereof have been deposited in the Escrow Account and accepted by the Company on or before the Termination Date, pursuant to the joint instructions of the Placement Agent and the Company identifying the Investors whose subscriptions are to be accepted, the Escrow Agent shall on the date designated by the Placement Agent and the Company in such joint instructions (the "**Closing Date**"), which date shall be at any time on or after the giving of such notice, release to the Company (or to any other Person designated by the Company, including the Placement Agent and its counsel, if applicable) all or a specified portion of the Escrowed Funds held by the Escrow Agent in the Escrow Account in the manner described in Section 4(a).

Section 4. **Procedure for Disbursement from the Escrow Account**.

The Escrowed Funds held in the Escrow Account shall be subject to, and distributed in accordance with, the following provisions:

(a) On the Closing Date, upon satisfaction of the applicable requirements of Section 3 hereof, the Escrow Agent shall transfer immediately available funds by wire to an account designated by the Company (or to the account of any other Person designated by the Company, including the Placement Agent and its counsel, if applicable) the Escrowed Funds requested to be transferred on such date in the notice jointly executed by the Company and the Placement Agent.

(b) On the Closing Date, the Escrow Agent shall transfer by check the Escrowed Funds of any Investors whose subscriptions were obtained by the Placement Agent but rejected by the Company since the commencement of the offering of the Units and prior to the Closing Date. The Escrow Agent shall notify the Company and the Placement Agent of the distribution of such funds to such Investors.

(c) As soon as practicable after the Termination Date (but in no event later than the 30th day following the Termination Date), all Escrowed Funds received by the Escrow Agent (other than Escrowed Funds previously disbursed or to be distributed by the Escrow Agent pursuant to Section 4(a) or Section 4(b) shall be returned by check directly to the Investor having provided such Escrowed Funds, without deduction, penalty or expense to the Investor. The Escrow Agent shall notify the Company and the Placement Agent of the distribution of such funds to the Investors.

(d) For the purposes of this Section 4, any check that the Escrow Agent shall be required to send to any Investor or the Company shall be sent to such Investor or

the Company by first class mail, postage prepaid, at the Investor's address furnished to the Escrow Agent pursuant to Section 1(c) or the Company's address as set forth in Section 7(e).

(e) The Escrow Agent does not have any interest in the Escrowed Funds deposited hereunder but is serving as escrow holder only and having only possession thereof. The Company shall pay or reimburse the Escrow Agent upon request for any transfer taxes or other taxes relating to the Escrowed Funds incurred in connection herewith and shall indemnify and hold harmless the Escrow Agent any amounts that it is obligated to pay in the way of such taxes. Any payments of income from this Escrow Account shall be subject to withholding regulations then in force with respect to United States taxes. The parties hereto will provide the Escrow Agent with appropriate W-9 forms for tax I.D., number certifications, or W-8 forms for non-resident alien certifications. It is understood that the Escrow Agent shall be responsible for income reporting only with respect to income earned on investment of funds which are a part of the Escrowed Funds and is not responsible for any other reporting. This paragraph and Section 8 shall survive notwithstanding any termination of this Agreement or the resignation of the Escrow Agent.

Section 5. **Termination of Escrow**.

In the event of the release of all Escrowed Funds in accordance with Section 3 and Section 4 of this Agreement, this Agreement shall terminate and the Escrow Agent shall be relieved of all responsibilities in connection with the escrow deposits provided for in this Agreement, except claims which are occasioned by its negligence, bad faith or willful misconduct.

Section 6. **Compensation of Escrow Agent**.

(a) At the time of execution of this Agreement the Company shall pay the Escrow Agent an administration fee of $6,000 for any and all services rendered by Escrow Agent hereunder.

(b) The Company shall reimburse the Escrow Agent upon request for all expenses, disbursements, and advances incurred or made by the Escrow Agent in implementing any of the provisions of this Agreement, including reasonable compensation, expenses and disbursements of its counsel, except any such expense, disbursement, or advance as may arise from its gross negligence or willful misconduct.

Section 7. **Responsibilities of Escrow Agent; Notices**.

(a) The Escrow Agent shall be under no duty to enforce payment of any subscription which is to be paid to and held by it;

(b) The Escrow Agent shall be under no duty to accept funds, checks, drafts or instruments for the payment of money from anyone other than the Investors, the Company, the Placement Agent or to give any receipt therefor except to the Company;

(c) The Escrow Agent shall be obligated to perform only such duties as are expressly set forth in this Agreement. No implied covenants or obligations shall be inferred from this Agreement against the Escrow Agent, nor shall the Escrow Agent be bound by the provisions of any agreement among the Company or Placement Agent beyond the specific terms hereof.

(d) The Escrow Agent shall not be liable hereunder except for its own gross negligence or willful misconduct and the Company agrees to indemnify the Escrow Agent for and hold it harmless as to any loss, liability, or expense, including reasonable attorney's fees and expenses, incurred without gross negligence or willful misconduct on the part of the Escrow Agent and arising out of or in connection with the Escrow Agent's duties under this Agreement.

(e) The Escrow Agent shall be entitled to rely upon any order, judgment, certification, instruction, notice, opinion or other writing delivered to it in compliance with the provisions of this Agreement without being required to determine the authenticity or the correctness of any fact stated therein or the propriety or validity of service thereof. The Escrow Agent may act in reliance upon any instrument comporting with the provisions of this Agreement or signature believed by it to be genuine and may assume that any person purporting to give notice or receipt or advice or make any statement or execute any document in connection with the provisions hereof has been duly authorized to do so.

At any time the Escrow Agent may request in writing an instruction in writing from the Company, and may at its own option include in such request the course of action it proposes to take and the date on which it proposes to act, regarding any matter arising in connection with its duties and obligations hereunder. The Escrow Agent shall not be liable for acting without the Company's consent in accordance with such a proposal on or after the date specified therein, provided that the specified date shall be at least five (5) business days after the Company receives the Escrow Agent's request for instructions and its proposed course of action, and provided that, prior to so acting, the Escrow Agent has not received the written instructions requested.

(f) The Escrow Agent may act pursuant to the advice of counsel chosen by it with respect to any matter relating to this Agreement and shall not be liable for any action taken or omitted in good faith and in accordance with such advice.

(g) The Escrow Agent makes no representation as to the validity, value, genuineness or collectability of any security or other document or instrument held by or delivered to it.

(h) The Escrow Agent shall not be called upon to advise any party as to selling or retaining, or taking or refraining from taking any action with respect to, any securities or other property deposited hereunder.

(i) No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder.

(j) The Escrow Agent shall be deemed conclusively to have given and delivered any notice required to be given or delivered if it is in writing, signed by any one of its authorized officers and mailed, by express, registered or certified mail addressed to:

The Company at:

Aastrom Biosciences, Inc.
Domino's Farms,
Lobby K
24 Frank Lloyd Wright Dr.
Ann Arbor, MI 48105
Attention: Gerald D. Brennan, Jr.,
Telephone: (754) 930-5561
Facsimile: (754) 930-5546

With copies to:

Seyfarth Shaw LLP
131 South Dearborn Street, Suite 2400
Chicago, IL 60603-5577
Attention: Allan J. Reich, Esq.
Telephone: (312) 460-5000
Facsimile: (312) 460-7650

(k) The Escrow Agent shall be deemed conclusively to have received any notice required to be given or delivered to the Escrow Agent if it is in writing, signed by any one of the authorized officers of the Placement Agent or the Company, mailed, by express, registered or certified mail addressed to and actually received by:

The Escrow Agent at:

The Bank of New York
101 Barclay St, 8th Floor West
New York, NY 10286
Attention: Matthew Louis
Telephone: (212) 815-3219
Facsimile: (212) 815-5877

(l) The provisions of Sections 6, 7 and 10 shall survive termination of this Agreement and/or the resignation or removal of the Escrow Agent.

Section 8. **Resignation of Escrow Agent; Successor**.

Notwithstanding anything to the contrary herein, the Escrow Agent may resign at any time by giving at least 15 days' prior written notice thereof. The Company may remove the Escrow Agent at any time (with or without cause) by giving at least 15 days' prior written notice thereof. Within 10 days after receiving such notice, the Company and the Placement Agent shall

jointly agree on and appoint a successor escrow agent at which time the Escrow Agent shall either distribute the funds held in the Escrow Account, less its fees, costs and expenses or other obligations owed to the Escrow Agent as directed by the instructions of the Company and the Placement Agent or hold such funds, pending distribution, until such fees, costs and expenses or other obligations are paid. If a successor escrow agent has not been appointed or has not accepted such appointment by the end of the 25-day period, the Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor escrow agent, or for other appropriate relief and the costs, expenses and reasonable attorneys fees which the Escrow Agent incurs in connection with such a proceeding shall be paid by the Company.

Section 9. **Dispute Resolution**.

In the event of any dispute between or conflicting claims by or among the Company or the Placement Agent and/or any Investor with respect to any Escrowed Funds held in the Escrow Account, the Escrow Agent shall be entitled, at its sole discretion, to refuse to comply with any and all claims, demands or instructions with respect to only such Escrowed Funds in controversy so long as such dispute or conflict shall continue, and the Escrow Agent shall not be or become liable in any way to the Company, the Placement Agent and/or any Investor for the Escrow Agent's failure or refusal to comply with such conflicting claims, demands or instructions, except to the extent under the circumstances such failure would constitute gross negligence, bad faith or willful misconduct on the part of the Escrow Agent. The Escrow Agent shall be entitled to refuse to act until either such conflicting or adverse claims or demands shall have been finally determined in a court of competent jurisdiction or settled by agreement between the conflicting parties as evidenced in writing, satisfactory to the Escrow Agent, or the Escrow Agent shall have received security or an indemnity satisfactory to the Escrow Agent sufficient to save the Escrow Agent harmless from and against any and all loss, liability or expense which the Escrow Agent may incur by reason of the Escrow Agent's acting. If a proceeding for such determination is not begun and diligently continued, the Escrow Agent may elect, at its sole discretion, to commence an interpleader action or seek other judicial relief or orders as the Escrow Agent may deem reasonably necessary.

Section 10. **Extraordinary Expense**.

It is understood that fees and usual charges agreed upon for the Escrow Agent's services shall be considered compensation for its services as contemplated by this Agreement, and if the Escrow Agent renders any service not provided for in this Agreement, or if there is any assignment of any interest in the subject matter of this Agreement by the Company or the Placement Agent or any modification of this Agreement, or if any controversy arises under this Escrow Agreement or the Escrow Agent is made a party to any litigation pertaining to this Agreement or the subject matter of this Agreement, the Escrow Agent shall be reasonably compensated for those extraordinary services and reimbursed for all reasonable costs and expenses occasioned by such services, controversy or litigation and the Company hereby promises to pay such sums upon demand.

Section 11. **Governing Law; Counterparts**.

This Agreement shall be governed and construed in accordance with the laws of the State of New York without reference to the principles thereof respecting conflicts of laws. This Agreement may be executed in counterparts, each of which so executed shall be deemed an original, and said counterparts together shall constitute one and the same instrument.

Section 12. **Maintenance of Record**.

The Escrow Agent shall maintain accurate records of all transactions hereunder. Promptly after the termination of this Agreement, and as may from time to time be reasonably requested by the Company before such termination, the Escrow Agent shall provide the Company with a copy of such records, certified by the Escrow Agent to be a complete and accurate account of all transactions hereunder. The authorized representatives of the Company and the Placement Agent shall also have access to the Escrow Agent's books and records to the extent relating to its duties hereunder, during normal business hours upon reasonable notice to the Escrow Agent.

Section 13. **Miscellaneous**.

(a) Nothing in this Agreement is intended or shall confer upon anyone other than the parties any legal or equitable right, remedy or claim.

(b) The invalidity of any portion of this Agreement shall not affect the validity of the remainder hereof.

(c) This Agreement is the final integration of the agreement of the parties with respect to the matters covered by it and supersedes any prior understanding or agreement, oral or written, with respect thereto.

(d) The rights and obligations of each party hereto may not be assigned or delegated to any other person without the written consent of the other parties hereto. Subject to the foregoing, the terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(e) No printed or other material in any language, including prospectuses, notices, reports, and promotional material which mentions "The Bank of New York" by name or the rights, powers, or duties of the Escrow Agent under this Agreement shall be issued by any other parties hereto, or on such party's behalf, without the prior written consent of Escrow Agent.

[Signature Page Follows.]

AASTROM BIOSCIENCES, INC.

By: _____
Name:
Title:

BMO CAPITAL MARKETS CORP.

By: _____
Name:
Title:

THE BANK OF NEW YORK,
as Escrow Agent

By: _____
Name:
Title:

EXHIBIT 10.3

October _____, 2007

Aastrom Biosciences, Inc.
Domino's Farms, Lobby K,
24 Frank Lloyd Wright Dr.,
Ann Arbor, MI 48105

Ladies and Gentlemen:

The undersigned (the "Investor"), hereby confirms and agrees with you as follows:

1. This Purchase Agreement (the "Agreement") is made as the date hereof between Aastrom Biosciences, Inc., a Michigan corporation (the "Company"), and the Investor that is a signatory to this Agreement.

2. The Company has authorized the sale and issuance of up to an aggregate of 11,842,105 units (the "Units"), each consisting of one share of common stock, no par value per share (the "Common Stock"), and one warrant to purchase 0.5 shares of the Company's common stock (the "Warrants"), to certain investors (the "Offering"), as more fully described in that certain Placement Agency Agreement (the "Placement Agency Agreement") dated the date hereof by and between the Company and BMO Capital Markets Corp. (the "Placement Agent"). The form of Warrant is attached hereto as Annex I. All defined terms used herein and not otherwise defined shall have the same meanings ascribed to such terms in the Placement Agency Agreement.

3. Subject to execution by the Company and the Placement Agent of the Placement Agency Agreement and delivery of the free writing prospectus (as that term is defined in Rule 405 of the Act) dated the date hereof and the base prospectus and the prospectus supplement relating to the shares, the Company and the Investor agree that the Investor will purchase from the Company and the Company will issue and sell to the Investor [_____] Units at a purchase price of $1.14 per Unit pursuant to the Terms and Conditions for Purchase of Units attached hereto as Annex II and incorporated herein by reference as if fully set forth herein. The Investor acknowledges that the Offering is not being underwritten by the Placement Agent and that there is no minimum offering amount. The shares of Common Stock and Warrants are immediately separable and will be issued separately to the Investor. Shares of Common Stock will be credited to the Investor using customary book-entry procedures.

4. The Investor confirms that it has had access and the opportunity to review all filings made by the Company with the Securities and Exchange Commission, including the registration statement relating to the shares of Common Stock and the Warrants, and that it was able to read, review, download and print each such filing.

5. No offer by the Investor to buy Units will be accepted and no part of the purchase price will be delivered to the Company until the Company has accepted such offer by countersigning a copy of this Agreement, and any such offer may be withdrawn or revoked, without obligation or commitment of any kind, at any time prior to the Company (or the Placement Agents on behalf of the Company) sending (orally, in writing or by electronic mail) notice of its acceptance of such offer. An indication of interest will involve no obligation or commitment of any kind until this Agreement is accepted and countersigned by or on behalf of the Company.

Please confirm that the foregoing correctly sets forth the agreement between us by signing in the space provided below for that purpose.

AGREED AND ACCEPTED:

Name of Investor:

_____

Name
Title:
Address:

DWAC Number:

AASTROM BIOSCIENCES, INC.

By: _____

Name: _____

Title: _____

ANNEX I

FORM OF WARRANT

ANNEX II

TERMS AND CONDITIONS FOR PURCHASE OF UNITS

1. Agreement to Sell and Purchase the Units; Subscription Date.

1.1 Upon the terms and subject to the conditions hereinafter set forth, at the Closing (as defined in Section 2 below), the Company will sell to the Investor, and the Investor will purchase from the Company, [ ] Units at the purchase price of $1.14 per Unit for a total purchase price of $[ ].

1.2 The Company may enter into agreements similar to this Agreement with certain other investors (the "Other Investors") and expects to complete sales of Units to them. (The Investor and the Other Investors hereinafter collectively are referred to as the "Investors," and this Agreement and the agreements executed by the Other Investors are hereinafter collectively referred to as the "Agreements"). The Company may accept or reject any one or more Agreements in its sole discretion.

1.3 The Investor acknowledges that the Company has agreed to pay BMO Capital Markets Corp. (the "Placement Agent") a fee (the "Placement Fee") in respect of the sale of Units to the Investor.

1.4 The Company has entered into a Placement Agency Agreement, dated the date hereof (the "Placement Agreement"), with the Placement Agent that contains certain representations, warranties, covenants and agreements of the Company.

2. Delivery of the Units at Closing. The completion of the purchase and sale of the Units (the "Closing") shall take place as provided in Section 2 of the Placement Agency Agreement.

The Company's obligation to issue and sell the Units to the Investor shall be subject to the accuracy of the representations and warranties made by the Investor, the fulfillment of those undertakings of the Investor to be fulfilled prior to the Closing and payment of the purchase price.

The Investor's obligation to purchase the Units will be subject to the condition that the Placement Agent shall not have: (a) terminated the Placement Agency Agreement pursuant to the terms thereof or (b) determined that the conditions to the closing in the Placement Agency Agreement have not been satisfied. The Investor's obligations are expressly not conditioned on the purchase by any or all of the Other Investors of the Units that they have agreed to purchase from the Company.

3. Representations, Warranties and Covenants of the Company. The Company hereby represents and warrants to, and covenants with, the Investor, as follows:

3.1 The Company acknowledges and agrees that the Investor may rely on the representations, warranties, covenants and agreements made by it to the Placement Agent in the Placement Agency Agreement to the same extent as if such representations, warranties, covenants and agreements had been incorporated in full herein and made directly to or with the Investor.

3.2 This Agreement constitutes a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3.3 The Company shall use its commercially reasonable best efforts to maintain the effectiveness of the Registration Statement until the expiration of the Warrants.

3.4 To the Company's knowledge, all material information provided to the Investor by the Company has been publicly disclosed.

3.5 The Company covenants to issue a press release setting forth the material terms of the Offering promptly after entering into the Agreements with the Investors.

3.6 The Company has not entered into any other Agreement with any Other Investor in connection with this Offering which contains any material terms or conditions different from those provided to the Investor pursuant to this Agreement.

4. Representations, Warranties and Covenants of each Investor.

4.1 The Investor represents and warrants that it has received the Company's base prospectus relating to the Units and the free writing prospectus dated the date hereof.

4.2 The Investor further represents and warrants to, and covenants with, the Company that (i) the Investor has full right, power, authority and capacity to enter into this Agreement and to consummate the transactions contemplated hereby and has taken all necessary action to authorize the execution, delivery and performance of this Agreement, and (ii) this Agreement constitutes a valid and binding obligation of the Investor enforceable against the Investor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.3 The Investor represents and warrants to, and covenants with, the Company that: (i) the Investor is knowledgeable, sophisticated and experienced in making, and is qualified to make, decisions with respect to investments in shares representing investment decisions similar to the decision to purchase the Units, including investments in securities issued by comparable companies; and (ii) the Investor has, in connection with its decision to purchase the Units pursuant to the Agreement, relied solely upon the Registration Statement, the Prospectus, and any amendments or supplements thereto and has not relied upon any information provided by BMO Capital Markets Corp. in its capacity as placement agent for the Company.

4.4 The Investor understands that nothing in the Prospectus and any supplement thereto, this Agreement or any other materials presented to the Investor in connection with the purchase and sale of the Units constitutes legal, tax or investment advice. The Investor has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of Units.

4.5 From and after obtaining knowledge of the sale of the Units contemplated hereby, the Investor has not taken, and prior to the public announcement of the transaction the Investor shall not take, any action that has caused or will cause the Investor to have, directly or indirectly, purchased or agreed to purchase (other than pursuant to this Agreement) sold or agreed to sell any Common Stock, effected any Short Sale, with respect to the Common Stock, or with respect to any security that includes, relates to or derives any significant part of its value from the Common Stock, whether or not, directly or indirectly, in order to hedge its position in the Units. The Investor agrees that it will not use any of the Units acquired pursuant to this Agreement to cover any short position in the Common Stock if doing so would be in violation of applicable securities laws. For purposes hereof, "Short Sales" include, without limitation, all "short sales" as defined in Rule 200 promulgated under Regulation SHO under the Exchange Act, whether or not against the box, and all types of direct and indirect stock pledges, forward sales contracts, options, puts, calls, short sales, swaps, "put equivalent positions" (as defined in Rule 16a-1(h) under the Exchange Act) and similar arrangements (including on a total return basis), and sales and other transactions through non-US broker dealers or foreign regulated brokers.

4.6 The Investor represents that it has had no position, office or other material relationship within the past three years with the Company or persons known to it to be affiliates of the Company.

5. Survival of Representations, Warranties and Agreements. Notwithstanding any investigation made by any party to this Agreement, all covenants, agreements, representations and warranties made by the Company and the Investor herein shall survive the execution of this Agreement, the delivery to the Investor of the Units being purchased and the payment therefor.

6. Notices. All notices, requests, consents and other communications hereunder shall be in writing, shall be mailed (A) if within domestic United States by first-class registered or certified airmail, or nationally recognized overnight express courier, postage prepaid, or by facsimile, or (B) if delivered from outside the United States, by International Federal Express or facsimile, and shall be deemed given (i) if delivered by first-class registered or certified mail domestic, three business days after so mailed, (ii) if delivered by a nationally recognized overnight carrier, one business day after so mailed, (iii) if delivered by International Federal Express, two business days after so mailed, (iv) if delivered by facsimile, upon electronic confirmation of receipt and shall be delivered as addressed as follows: (a) if to the Company, then as provided in Section 11 of the Placement Agency Agreement; and (b) if to the Investor, at its address on the signature page hereto, or at such other address or addresses as may have been furnished to the Company in writing.

7. Changes. This Agreement may not be modified or amended except pursuant to an instrument in writing signed by the Company and the Investor.

8. Headings. The headings of the various sections of this Agreement have been inserted for convenience or reference only and shall not be deemed to be part of this Agreement.

9. Severability. In case any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

10. Governing Law. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York, without giving effect to the principles of conflicts of law.

11. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one instrument, and shall become effective when one or more counterparts have been signed by each party hereto and delivered to the other parties.

12. Confirmation of Sale**.** The Investor acknowledges and agrees that the Investor's receipt of the Company's counterpart to this Agreement, together with the Prospectus Supplement (or the filing by the Company of an electronic version thereof with the Commission), shall constitute written confirmation of the Company's sale of Units to the Investor.

13. WAIVER OF JURY TRIAL**.** EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, THE ANCILLARY AGREEMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY AND FOR ANY COUNTERCLAIM RELATING THERETO.

Exhibit 10.4

Warrant No. **[ ]**

Number of Shares: **[ ]**
(subject to adjustment)

Date of Issuance: October ___, 2007

Original Issue Date (as defined in subsection 2(a)): October ___, 2007

Aastrom Biosciences, Inc.

Common Stock Purchase Warrant

(Void after [___])

Aastrom Biosciences, Inc., a Michigan corporation (the "Company"), for value received, hereby certifies that **[ ]**, or its registered assigns (the "Registered Holder"), is entitled, subject to the terms and conditions set forth below, to purchase from the Company, at any time or from time to time after the six-month and one day anniversary of the date of issuance and on or before 5:00 p.m. (New York time) on April [ ], 2013 (the "Exercise Period"), [ ] shares of Common Stock, no par value per share, of the Company ("Common Stock"), at a purchase price of $[_____] per share. The shares purchasable upon exercise of this Warrant, and the purchase price per share, each as adjusted from time to time pursuant to Section 2 of this Warrant, are hereinafter referred to as the "Warrant Shares" and the "Purchase Price," respectively. This Warrant is one of a series of Warrants issued by the Company in connection with an offering of Common Stock, pursuant to (and shall be entitled to certain applicable rights contained in) those certain purchase agreements dated as of October [ ], 2007 (the "Purchase Agreements"), each between the Company and the investor signatory thereto, and of like tenor, except as to the number of shares of Common Stock subject thereto (collectively, the "Company Warrants").

1. Exercise.

(a) Exercise for Cash. The Registered Holder may, at its option, elect to exercise this Warrant, in whole or in part and at any time or from time to time during the Exercise Period, by surrendering this Warrant, with the purchase form appended hereto as Exhibit I duly executed by or on behalf of the Registered Holder, at the principal office of the Company, or at such other office or agency as the Company may designate, accompanied by payment in full, in lawful money of the United States, of the Purchase Price payable in respect of the number of Warrant Shares purchased upon such exercise. A facsimile signature of the Registered Holder on the purchase form shall be sufficient for purposes of exercising this Warrant, provided that the Company receives the Registered Holder's original signature within three (3) business days thereafter.

(b) Cashless Exercise.

(i) In the event that the Registration Statement relating to the Warrants is no longer effective under the Securities Act of 1933, as amended, the Registered Holder may, at its option, elect to exercise this Warrant, in whole or in part, during the Exercise Period, on a cashless basis, by surrendering this Warrant, with the purchase form appended

hereto as Exhibit I duly executed by or on behalf of the Registered Holder, at the principal office of the Company, or at such other office or agency as the Company may designate, by canceling a portion of this Warrant in payment of the Purchase Price payable in respect of the number of Warrant Shares purchased upon such exercise. In the event of an exercise pursuant to this subsection 1(b), the number of Warrant Shares issued to the Registered Holder shall be determined according to the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where: X = the number of Warrant Shares that shall be issued to the Registered Holder;

Y = the number of Warrant Shares for which this Warrant is being exercised (which shall include both the number of Warrant Shares issued to the Registered Holder and the number of Warrant Shares subject to the portion of the Warrant being cancelled in payment of the Purchase Price);

A = the Fair Market Value (as defined below) of one share of Common Stock; and

B = the Purchase Price then in effect.

(ii) The Fair Market Value per share of Common Stock shall be determined as follows:

(1) If the Common Stock is listed on a national securities exchange, the Nasdaq National Market or another nationally recognized trading system as of the Exercise Date, the Fair Market Value per share of Common Stock shall be deemed to be the closing price per share of Common Stock thereon on the trading day immediately preceding the Exercise Date (provided, that, if no such price is reported on such day, the Fair Market Value per share of Common Stock shall be determined pursuant to clause (2) below).

(2) If the Common Stock is not listed on a national securities exchange, the Nasdaq National Market or another nationally recognized trading system as of the Exercise Date, the Fair Market Value per share of Common Stock shall be deemed to be the amount most recently determined by the Board of Directors of the Company (the "Board") to represent the fair market value per share of the Common Stock (including without limitation a determination for purposes of granting Common Stock options or issuing Common Stock under any plan, agreement or arrangement with employees of the Company); and, upon request of the Registered Holder, the Board (or a representative thereof) shall, as promptly as reasonably practicable but in any event not later than 10 days after such request, notify the Registered Holder of the Fair Market Value per share of Common Stock and furnish the Registered Holder with reasonable documentation of the Board's determination of such Fair Market Value. Notwithstanding the foregoing, if the Board has not made such a determination within the three-month period prior to the Exercise Date, then (A) the Board shall make, and shall provide or cause to be provided to the Registered Holder notice of, a determination of the Fair Market

Value per share of the Common Stock within 15 days of a request by the Registered Holder that it do so, and (B) the exercise of this Warrant pursuant to this subsection 1(b) shall be delayed until such determination is made and notice thereof is provided to the Registered Holder. Notwithstanding the foregoing, in the event the Registered Holder disagrees with the determination of the Board as to the calculation of Fair Market Value for purposes of this subsection (2), Fair Market Value shall be determined by any member of the NASD or other nationally recognized appraisal firm selected mutually by the holders of Company Warrants holding 60% of the number of shares of Common Stock then subject to Company Warrants and the Company or, if they cannot agree upon such selection, as selected by two such members of the NASD or nationally recognized appraisal firm, one of which shall be selected by the holders of Company Warrants holding 60% of the number of shares of Common Stock then subject to Company Warrants and one of which shall be selected by the Company.

(c) Exercise Date. Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which this Warrant shall have been surrendered to the Company as provided in subsection 1(a) or 1(b) above (the "Exercise Date"). At such time, the person or persons in whose name or names any certificates for Warrant Shares shall be issuable upon such exercise as provided in subsection 1(c) below shall be deemed to have become the holder or holders of record of the Warrant Shares represented by such certificates.

(d) Issuance of Certificates. As soon as practicable after the exercise of this Warrant in whole or in part, and in any event within three (3) business days thereafter, the Company, at its expense, will cause to be issued in the name of, and delivered to, the Registered Holder, or as the Registered Holder (upon payment by the Registered Holder of any applicable transfer taxes) may direct:

(i) a certificate or certificates for the number of full Warrant Shares to which the Registered Holder shall be entitled upon such exercise plus, in lieu of any fractional share to which the Registered Holder would otherwise be entitled, cash in an amount determined pursuant to Section 3 hereof; and

(ii) in case such exercise is in part only, a new warrant or warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of Warrant Shares equal (without giving effect to any adjustment therein) to the number of such shares called for on the face of this Warrant minus the number of Warrant Shares for which this Warrant was so exercised.

provided, that, in addition to any other rights available to the Registered Holder, if the Company fails to deliver to the Registered Holder a certificate or certificates representing the Warrant Shares pursuant to an exercise by the close of business on the third Trading Day after the date of exercise, and if after such third Trading Day the Registered Holder is required by its broker to purchase (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Registered Holder of the Warrant Shares which the Registered Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (1) pay in cash to the Registered Holder the amount by which (x) the Registered Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (A) the number of Warrant Shares that the Company was required to deliver to the Registered Holder in connection with the exercise at issue times (B) the price at which the sell order giving rise to such purchase obligation was executed, and (2) at the option of the Registered Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored or deliver to the Registered Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Registered Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (1) of the immediately preceding sentence the Company shall be required to pay the Registered Holder $1,000. The Registered Holder shall provide the Company written notice indicating the amounts payable to the Registered Holder in respect of the Buy-In, together with applicable confirmations and other evidence reasonably requested by the Company. Nothing herein shall limit a Registered Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof. "Trading Day" means a day on which the Common Stock is traded on a Trading Market. "Trading Market" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the Nasdaq Capital Market, the AMEX, the New York Stock Exchange or the Nasdaq National Market.

2. Adjustments.

(a) Adjustment for Stock Splits and Combinations. If the Company shall at any time or from time to time after the date on which this Warrant was first issued (or, if this Warrant was issued upon partial exercise of, or in replacement of, another warrant of like tenor, then the date on which such original warrant was first issued) (the "Original Issue Date") effect a subdivision of the outstanding Common Stock, the Purchase Price then in effect immediately before that subdivision shall be proportionately decreased. If the Company shall at any time or from time to time after the Original Issue Date combine the outstanding shares of Common Stock, the Purchase Price then in effect immediately before the combination shall be

proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

(b) Adjustment for Certain Dividends and Distributions. In the event the Company at any time, or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock, then and in each such event the Purchase Price then in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Purchase Price then in effect by a fraction:

(1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution;

provided, however, that if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Purchase Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Purchase Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions.

(c) Adjustment in Number of Warrant Shares. When any adjustment is required to be made in the Purchase Price pursuant to subsections 2(a) or 2(b), the number of Warrant Shares purchasable upon the exercise of this Warrant shall be changed to the number determined by dividing (i) an amount equal to the number of shares issuable upon the exercise of this Warrant immediately prior to such adjustment, multiplied by the Purchase Price in effect immediately prior to such adjustment, by (ii) the Purchase Price in effect immediately after such adjustment.

(d) Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Company (other than shares of Common Stock) or in cash or other property (other than regular cash dividends paid out of earnings or earned surplus, determined in accordance with generally accepted accounting principles), then and in each such event provision shall be made so that the Registered Holder shall receive upon exercise hereof, in addition to the number of shares of Common Stock issuable hereunder, the kind and amount of securities of the Company, cash or other property which the Registered Holder would have been entitled to receive had this Warrant been exercised on the date of such event and had the Registered Holder thereafter, during the period from the date of such event to and including the Exercise Date, retained any such securities receivable

during such period, giving application to all adjustments called for during such period under this Section 2 with respect to the rights of the Registered Holder.

(e) Adjustment for Reorganization. If there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Company in which the Common Stock is converted into or exchanged for securities, cash or other property (other than a transaction covered by subsections 2(a) or 2(d)) (collectively, a "Reorganization"), then, following such Reorganization, the Registered Holder shall receive upon exercise hereof the kind and amount of securities, cash or other property which the Registered Holder would have been entitled to receive pursuant to such Reorganization if such exercise had taken place immediately prior to such Reorganization. In any such case, appropriate adjustment (as determined reasonably and in good faith by the Board of Directors of the Company) shall be made in the application of the provisions set forth herein with respect to the rights and interests thereafter of the Registered Holder, to the end that the provisions set forth in this Section 2 (including provisions with respect to changes in and other adjustments of the Purchase Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities, cash or other property thereafter deliverable upon the exercise of this Warrant. This Warrant shall remain exercisable for the full term of the Exercise Period notwithstanding any Reorganization.

(f) Adjustments for Fundamental Transactions. If, at any time while this Warrant is outstanding, (A) the Company effects any merger or consolidation of the Company with or into another Person, (B) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (C) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (D) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (each "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Registered Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such merger, consolidation or disposition of assets by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such event. For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Registered Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 3(f) and insuring that this Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

(g) Notice of Adjustments. Whenever the number of Warrant Shares or number or kind of securities or other property purchasable upon the exercise of this Warrant or the Exercise Price is adjusted, as herein provided, the Company shall give notice thereof to the Registered Holder, which notice shall state the number of Warrant Shares (and other securities or property) purchasable upon the exercise of this Warrant and the Exercise Price of such Warrant Shares (and other securities or property) after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made. Upon the occurrence of each adjustment of the Purchase Price pursuant to this Section 2, the Company at its expense shall give notice of such adjustment of the Purchase Price to the Registered Holder, which notice shall (i) state the number of Warrant Shares (and other securities or property) purchasable upon the exercise of this Warrant, (ii) the Purchase Price of such Warrant Shares (and other securities or property) after such adjustment, and (iii) set forth the computation by which such adjustment was made.

3. Fractional Shares. The Company shall not be required upon the exercise of this Warrant to issue any fractional shares, but shall pay the value thereof to the Registered Holder in cash on the basis of the Fair Market Value per share of Common Stock, as determined pursuant to subsection 2(e) above.

4. Transfers, etc.

(a) The Company will maintain a register containing the name and address of the Registered Holder of this Warrant. The Registered Holder may change its address as shown on the warrant register by written notice to the Company requesting such change.

(b) Subject to compliance with any applicable securities laws and the terms and conditions set forth in this Warrant, this Warrant and all rights hereunder are transferable, in whole or in part, upon surrender of this Warrant with a properly executed assignment (in the form of Exhibit II hereto) at the principal office of the Company (or, if another office or agency has been designated by the Company for such purpose, then at such other office or agency). The Company shall promptly register any such transferee requested by the prior Registered Holder as the Registered Holder hereof.

5. No Impairment. The Company will not, by amendment of its charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Registered Holder against impairment. The Company shall take all commercially reasonable steps to maintain the listing and trading of the Company's shares of Common Stock on the Nasdaq Capital Market or a national exchange. If the Company fails to make, when due, any payments provided for hereunder, or fails to comply with any other provision of this Warrant, the Company shall pay to the Holder such amounts as shall be sufficient to cover any third party costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Registered Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

6. Limitation on Exercise. Notwithstanding anything to the contrary contained herein, the number of shares of Common Stock that may be acquired by the Registered Holder upon any exercise of this Warrant (or otherwise in respect hereof) shall be limited to the extent necessary to insure that, following such exercise (or other issuance), the total number of shares of Common Stock then beneficially owned by such Registered Holder and its Affiliates (as defined below) and any other Persons (as defined below) whose beneficial ownership of Common Stock would be aggregated with the Registered Holder's for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), does not exceed 4.999% of the total number of issued and outstanding shares of Common Stock (including for such purpose the shares of Common Stock issuable upon such exercise). For such purposes, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. Each delivery of a purchase form hereunder will constitute a representation by the Registered Holder that it has evaluated the limitation set forth in this paragraph and determined that issuance of the full number of Warrant Shares requested in such purchase form is permitted under this paragraph. This provision shall not restrict the number of shares of Common Stock which a Registered Holder may receive or beneficially own in order to determine the amount of securities or other consideration that such Registered Holder may receive in the event of a merger or other business combination or reclassification involving the Company as contemplated in Section 2(e) of this Warrant. This restriction may not be waived. For purposes of this Section 1(d), "Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person as such terms are used in and construed under Rule 144. With respect to a Registered Holder, any investment fund or managed account that is managed on a discretionary basis by the same investment manager as such Registered Holder will be deemed to be an Affiliate of such Purchaser. For purposes of this Section 1(d), "Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

7. Notices of Record Date, etc. In the event:

(a) the Company shall take a record of the holders of its Common Stock (or other stock or securities at the time deliverable upon the exercise of this Warrant) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right; or

(b) of any capital reorganization of the Company, any reclassification of the Common Stock of the Company, any consolidation or merger of the Company with or into another corporation, or any transfer of all or substantially all of the assets of the Company; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company, then, and in each such case, the Company will send or cause to be sent to the Registered Holder a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is to take place, and the time, if any is to be fixed, as of

which the holders of record of Common Stock (or such other stock or securities at the time deliverable upon the exercise of this Warrant) shall be entitled to exchange their shares of Common Stock (or such other stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up. Such notice shall be sent at least 10 days prior to the record date or effective date for the event specified in such notice.

8. Reservation of Stock; Registration. The Company will at all times reserve and keep available, solely for issuance and delivery upon the exercise of this Warrant, such number of Warrant Shares and other securities, cash and/or property, as from time to time shall be issuable upon the exercise of this Warrant. The Warrant Shares issuable upon exercise of this Warrant shall be registered at the sole expense of the Company pursuant to the Registration Statement (or, if necessary, another registration statement with the SEC) described in the Purchase Agreement in order to permit the free tradability of the Warrant Shares without restriction.

9. Exchange or Replacement of Warrants.

(a) Upon the surrender by the Registered Holder, properly endorsed, to the Company at the principal office of the Company, the Company will, subject to the provisions of Section 4 hereof, issue and deliver to or upon the order of the Registered Holder, at the Company's expense, a new Warrant or Warrants of like tenor, in the name of the Registered Holder or as the Registered Holder (upon payment by the Registered Holder of any applicable transfer taxes) may direct, calling in the aggregate on the face or faces thereof for the number of shares of Common Stock (or other securities, cash and/or property) then issuable upon exercise of this Warrant.

(b) Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and (in the case of loss, theft or destruction) upon delivery of an indemnity agreement (with surety if reasonably required) in an amount reasonably satisfactory to the Company, or (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will issue, in lieu thereof, a new Warrant of like tenor.

10. Notices. All notices and other communications from the Company to the Registered Holder in connection herewith shall be mailed by certified or registered mail, postage prepaid, or sent via a reputable nationwide overnight courier service guaranteeing next business day delivery, to the address last furnished to the Company in writing by the Registered Holder. All notices and other communications from the Registered Holder to the Company in connection herewith shall be mailed by certified or registered mail, postage prepaid, or sent via a reputable nationwide overnight courier service guaranteeing next business day delivery, to the Company at its principal office set forth below. If the Company should at any time change the location of its principal office to a place other than as set forth below, it shall give prompt written notice to the Registered Holder and thereafter all references in this Warrant to the location of its principal office at the particular time shall be as so specified in such notice. All such notices and communications shall be deemed delivered one business day after being sent via a reputable international overnight courier service guaranteeing next business day delivery.

11. No Rights as Shareholder. Until the exercise of this Warrant, the Registered Holder shall not have or exercise any rights by virtue hereof as a shareholder of the Company. Notwithstanding the foregoing, in the event (i) the Company effects a split of the Common Stock by means of a stock dividend and the Purchase Price of and the number of Warrant Shares are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), and (ii) the Registered Holder exercises this Warrant between the record date and the distribution date for such stock dividend, the Registered Holder shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

12. Amendment or Waiver. Any term of this Warrant may be amended or waived (either generally or in a particular instance and either retroactively or prospectively) with the written consent of the Company and the holders of Company Warrants representing at least two-thirds the number of shares of Common Stock then subject to outstanding Company Warrants. Notwithstanding the foregoing, (a) this Warrant may be amended and the observance of any term hereunder may be waived without the written consent of the Registered Holder only in a manner which applies to all Company Warrants in the same fashion and (b) the number of Warrant Shares subject to this Warrant and the Purchase Price of this Warrant may not be amended, and the right to exercise this Warrant may not be waived, without the written consent of the Registered Holder (it being agreed that an amendment to or waiver under any of the provisions of Section 2 of this Warrant shall not be considered an amendment of the number of Warrant Shares or the Purchase Price). The Company shall give prompt written notice to the Registered Holder of any amendment hereof or waiver hereunder that was effected without the Registered Holder's written consent. No waivers of any term, condition or provision of this Warrant, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

13. Specific Performance. The Company acknowledges and agrees that the Registered Holder may be irreparably damaged if any provision of this Warrant is not performed in accordance with its terms or otherwise breached. Accordingly, the Company agrees that the Registered Holder may be entitled, subject to a determination by a court of competent jurisdiction, to injunctive relief to prevent any such failure of performance or breach and to enforce specifically this Warrant and any terms and provisions hereof.

14. Section Headings. The section headings in this Warrant are for the convenience of the parties and in no way alter, modify, amend, limit or restrict the contractual obligations of the parties.

15. Governing Law. This Warrant will be governed by and construed in accordance with the internal laws of the State of New York (without reference to the conflicts of law provisions thereof). The Company hereby irrevocably consents to the non-exclusive jurisdiction of the state and federal courts located in New York City, New York in connection with any action or proceeding arising out of or relating to this Warrant. In any such litigation the Company agrees that the service thereof may be made by certified or registered mail directed to the Company at the address of its principal executive office as set forth in its public filings with the Securities and Exchange Commission.

16. Facsimile Signatures. This Warrant may be executed by facsimile signature.

* * * * * * *

EXECUTED as of the Date of Issuance indicated above.

AASTROM BIOSCIENCES, INC.

By: _____
Name:
Title:

EXHIBIT I

PURCHASE FORM

To: Aastrom Biosciences, Inc. Dated: ___

The undersigned, pursuant to the provisions set forth in the attached Warrant (No. ___), hereby elects to purchase *(check applicable box)*:

o ___ shares of the Common Stock of Aastrom Biosciences, Inc. covered by such Warrant; or

o the maximum number of shares of Common Stock covered by such Warrant pursuant to the cashless exercise procedure set forth in subsection 1(b).

The undersigned herewith makes payment of the full purchase price for such shares at the price per share provided for in such Warrant. Such payment takes the form of *(check applicable box or boxes)*:

o $___ in lawful money of the United States; and/or

o the cancellation of such portion of the attached Warrant as is exercisable for a total of ___ Warrant Shares (using a Fair Market Value of $_____ per share for purposes of this calculation) ; and/or

o the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 1(b), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 1(b).

Signature: _____

Address: _____

_____

EXHIBIT II

ASSIGNMENT FORM

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers all of the rights of the undersigned under the attached Warrant (No. ___) with respect to the number of shares of Common Stock of Aastrom Biosciences, Inc. covered thereby set forth below, unto:

Name of Assignee	Address	No. of Shares

Dated: _____ Signature: _____

Signature Guaranteed:

By: _____

The signature should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended.

Exhibit 99.1

Aastrom

FOR IMMEDIATE RELEASE

CONTACTS: Kris M. Maly
Investor Relations Department
Aastrom Biosciences, Inc.
Phone: (734) 930-5777

Cameron Associates
Kevin McGrath
Phone: (212) 245-4577

AASTROM BIOSCIENCES TO RAISE $13.5 MILLION IN REGISTERED DIRECT OFFERING

Ann Arbor, Michigan, October 16, 2007 — Aastrom Biosciences, Inc. (Nasdaq: ASTM), a leading regenerative medicine company, announced today that it has executed definitive Purchase Agreements for the sale of approximately 11.8 million Units in a registered direct placement to a select group of unaffiliated institutional investors at a price of $1.14 per Unit for gross proceeds of approximately $13.5 million. Each Unit consists of one share of the Company's common stock and a warrant to purchase 0.5 shares of the Company's common stock at a price of $1.5875 per share, which represents a 25% premium to the Company's closing stock price on October 15, 2007. These warrants are not exercisable for six months and one day after the date of issuance, and will then be exercisable thereafter for a period of five years. If the warrants are exercised it will generate up to an additional $9.4 million in proceeds to Aastrom. This transaction is expected to be completed within the next few days, subject to customary closing conditions. BMO Capital Markets Corp. served as the exclusive placement agent in this transaction.

A registration statement relating to these securities has been filed with the U.S. Securities and Exchange Commission. A prospectus and prospectus supplement relating to this transaction may be obtained directly from the Company (Investor Relations Department, P.O. Box 376, Ann Arbor, MI 48106) or from the U.S. Securities and Exchange Commission website at www.sec.gov.

This press release does not constitute an offer to sell or the solicitation of an offer to buy, and these securities cannot be sold in any state in which this offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

About Aastrom Biosciences, Inc.

Aastrom is a leader in the development of autologous cell products for the repair or regeneration of human tissue. The Company's proprietary Tissue Repair Cell (TRC) Technology involves the use of a patient's own cells to manufacture products to treat a range of chronic diseases and serious injuries affecting bone, vascular, cardiac, and neural tissues. Aastrom's TRC-based products contain increased numbers of stem and early progenitor cells, produced from a small amount of bone marrow collected from the patient. The TRC Technology platform has positioned Aastrom to advance multiple products into clinical development. Currently, the Company has a bone regeneration product in Phase III development for the treatment of osteonecrosis of the femoral head (called the ON-CORE trial), a vascular regeneration product in Phase IIb development for the treatment of critical limb ischemia (called the RESTORE-CLI trial), and preclinical research programs targeting unmet needs in cardiac and neural health. Aastrom product candidates to treat osteonecrosis of the femoral head and dilated cardiomyopathy have been designated for orphan drug status by the FDA. For more information, visit Aastrom's website at www.aastrom.com. (astmc)

This document contains forward-looking statements, including without limitation, statements concerning the timing of planned clinical trials, clinical trial strategies, product development objectives, potential advantages of TRC-based products and potential product applications, which involve certain risks and uncertainties. The forward-looking statements are also identified through use of the words "expected," and other words of similar meaning. Actual results may differ significantly

from the expectations contained in the forward-looking statements. Among the factors that may result in differences are potential patient accrual difficulties, clinical trial results, potential product development difficulties, the effects of competitive therapies, regulatory approval requirements, the availability of financial and other resources and the allocation of resources among different potential uses. These and other significant factors are discussed in greater detail in Aastrom's Annual Report on Form 10-K and other filings with the Securities and Exchange Commission.

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