

**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): **September 27, 2013 (September 24, 2013)**

Aastrom Biosciences, Inc.
(Exact name of registrant as specified in its charter)

Michigan
(State or other jurisdiction
of incorporation)

000-22025
(Commission
File Number)

94-3096597
(I.R.S. Employer
Identification No.)

**24 Frank Lloyd Wright Drive, Lobby K,
Ann Arbor, Michigan**
(Address of principal executive offices)

48105
(Zip Code)

Registrant's telephone number, including area code: **(800) 556-0311**

Not Applicable

Former name or former address, if changed since last report

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:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On September 24, 2013, Aastrom Biosciences, Inc., a Michigan corporation (the "Company"), entered into a Warrant Exercise Agreement with two holders (the "Holders") of warrants issued by the Company on August 16, 2013 (the "2013 Warrants") to purchase an aggregate of 7,333,000 shares of the Company's common stock, no par value ("Common Stock"). Pursuant to the Warrant Exercise Agreements, the Holders agreed to exercise the 2013 Warrants at the existing exercise price of \$0.375 in exchange for a fee of an aggregate amount of approximately \$1,209,945. The net proceeds to the Company in connection with the exercise of the 2013 Warrants, after deducting estimated expenses, are approximately \$1,470,000. As a result of these transactions, there are now 22,667,000 2013 Warrants outstanding and the warrant liability has been reduced by approximately 24%.

The foregoing description of the Warrant Exercise Agreements does not purport to be complete and is qualified in its entirety by reference to the Form of Warrant Exercise Agreement which is filed herewith as Exhibit 10 and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

Exhibit 10 Form of Warrant Exercise Agreement

SIGNATURE

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: September 27, 2013

Aastrom Biosciences, Inc.

By: /s/ Dominick C. Colangelo
Name: Dominick C. Colangelo
Title: Chief Executive Officer and President

WARRANT EXERCISE AGREEMENT

This Warrant Exercise Agreement (the “Agreement”), dated September 24, 2013, relates to Warrant Numbers [] and [] dated August 16, 2013 (the “Warrants”) issued by Aastrom Biosciences, Inc., a Michigan corporation (the “Company”), to [] and [] (each a “Holder” and, collectively, the “Holders”). Pursuant to the terms of the Warrants, the Holders are entitled to subscribe for and purchase up to 7,333,000 shares (the “Warrant Shares”) of the common stock, no par value, of the Company (the “Common Stock”).

WHEREAS, the Company wishes to induce the early exercise of the Warrants, and the Holders wish to exercise the Warrants according to their terms.

NOW, THEREFORE, in consideration of the mutual agreements contained in this Agreement and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. **Exercise of the Warrants.** Effective upon the execution of this Agreement, the Holders shall have been deemed to have exercised for cash an aggregate number of 7,333,000 Warrants at a negotiated exercise price of \$0.375 (the “Exercises”). In connection with the Exercises and concurrently with the execution and delivery of this Agreement, each Holder shall deliver an executed copy of the Exercise Notice attached to the Warrant indicating a Cash Exercise of its Warrant.
2. **Payment of Exercise Price.** The terms of the Warrants shall remain unchanged. Upon execution and delivery of the related exercise notice, the Company shall, in accordance with the terms of the Warrant, issue a new warrant to the Holders representing the right to purchase the remaining number of Warrant Shares, if any. No later than one (1) Business Day after the execution of this Agreement (the “Payment Date”), the Holders shall pay the sum equal to the aggregate Exercise Price payable upon exercise of the Warrants to the Company by wire transfer of immediately available funds to an account designated by the Company and shall cause their prime broker to deliver the original Warrants to the Company. The Company shall endeavor to deliver the shares of Common Stock set forth above in Section 1 to the Holders on the Payment Date.
3. **Cash Inducement Fee.** In consideration and as an inducement for Holders to engage in the Exercises, the Company hereby agrees to pay to the Holders in immediately available funds aggregate cash consideration in the amount of \$1,209,945 to be paid as directed and allocated by Holders no later than one (1) Business Day after the execution of this Agreement.
4. **Representations and Warranties of the Company.** The Company represents, warrants and agrees that:
 - 4.1 it has all the requisite authority and power to enter into and consummate the transactions contemplated herein and such transactions shall not contravene any organizational documents, contractual, regulatory, statutory or other obligation or restriction applicable to the Company;
 - 4.2 this Agreement has been duly and validly authorized, executed and delivered by the Company, and shall constitute a legal, valid, and binding obligation of the Company, enforceable against it in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, or similar laws affecting the enforcement of creditors’ rights generally and general equitable principles whether in a proceeding in equity or at law;
 - 4.3 it has a sufficient number of authorized and unissued shares of voting common stock to consummate the Exercises of the Warrants;
 - 4.4 any shares issued to Holders pursuant to the Exercise of the Warrant shall be unlegended Common Stock, validly issued, fully paid and non-assessable and free from all preemptive or similar rights, taxes, liens, charges and other encumbrances with respect to the issue thereof, that may be sold into the public market under the Company’s effective registration statement on Form S-1 (File No. 333-188186) (the “Registration Statement”, and the prospectus set forth therein, the “Prospectus”), subject to the accuracy of Holder’s representations below. Upon receipt of the shares of Common Stock set forth above in Section 1, the Holders will have good and marketable title to such shares;
 - 4.5 at the time the Registration Statement and any amendments thereto became effective and as of the date hereof the Registration Statement and any amendments thereto complied and will comply in all material respects with the requirements of the Securities Act of 1933, as amended (the “Securities Act”) and did not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus and any amendments or supplements thereto, at the time the Prospectus or any amendment or supplement thereto was issued and as of the date hereof, complied, and will comply, in all material respects with the requirements of the Securities Act and did not, and will not, contain any untrue statement of a material fact or omit 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. The Registration Statement is effective and available for the issuance of the shares of Common Stock set forth above in Section 1 thereunder and the Company has not received any notice that the Securities and Exchange Commission (the “SEC”) has issued or intends to issue a stop-order with respect to the Registration Statement or that the SEC otherwise has suspended or withdrawn the effectiveness of the Registration Statement, either temporarily or permanently, or intends or has threatened in writing to do so. The “Plan of Distribution” section under the Registration Statement permits the issuance and sale of the shares of Common Stock set forth above in Section 1 hereunder. The Registration Statement and any prospectus included therein, including the Prospectus, complied in all material respects with the requirements of the 1933 Act and the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder and all other applicable laws and regulations;
 - 4.6 neither it nor any other person acting on its behalf has provided the Holders or their agent or counsel with any information that constitutes or could reasonably be expected to constitute material, nonpublic information about the Company. The Company understands and confirms that the Holders will rely on the foregoing representations in effecting transactions in securities of the Company. All disclosure provided to the Holders regarding the Company or any of its subsidiaries, their business and the transactions contemplated hereby furnished by or on behalf of the Company does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or information exists with respect to the Company or any of its subsidiaries or its or their business, properties, prospects, operations or financial conditions, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed; and

4.7 the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency or any regulatory or self-regulatory agency or any other person, including, without limitation, any other security holders of the Company, in order for it to execute, deliver or perform any of its obligations under or contemplated by this Agreement. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof.

5. Representations and Warranties of the Holder. Each Holder represents and warrants that:

5.1 it has the authority to enter into the transactions and consummate the transactions contemplated herein and such transactions shall not contravene any contractual, regulatory, statutory or other obligation or restriction applicable to the Holder;

5.2 this Agreement has been duly and validly authorized, executed and delivered by the Holder, and shall constitute a legal, valid, and binding obligation of the Holder, enforceable against it in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and general equitable principles whether in a proceeding in equity or at law;

5.3 it is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act;

5.4 it has sufficient knowledge and experience in financial and business matters so as to be capable of bearing the economic risks of participation in this Agreement, and it is capable of evaluating the merits and risks of participating in this Agreement, including any risks associated with surrendering certain rights related to the Warrant;

5.5 it has received any and all information requested by the Holder for the Holder to make a decision to enter into this Agreement and the transactions contemplated hereby. The Holder has had an opportunity to discuss the Company's business, management and financial affairs with the Company and its representatives and has had the opportunity to review the Company's operations. The Holder has also had a full opportunity to ask questions of and receive answers from the Company and its management in connection with the transactions contemplated hereby. Except as expressly set forth in this Agreement, the Holder acknowledges and agrees that the Company has made no other representation or warranty regarding the operations, business, prospects or condition (financial or otherwise) of the Company or its affiliates;

5.6 it acknowledges that it is not relying, and has not relied, upon any statement, advice (whether legal, tax, financial, accounting or other), representation or warranty made by any entity or person including, without limitation, the Company or any of its affiliates or representatives, except for (a) the publicly available filings made by the Company with the Commission under the Exchange Act, and (b) the statements, representations and warranties made by the Company in this Agreement;

5.7 it is the sole legal and beneficial owner of its Warrant, and has good, valid and marketable title to such Warrant, free and clear of any mortgage, lien, pledge, charge, security interest, encumbrance, title retention agreement, option, equity or other adverse claim thereto. It has not, in whole or in part, (a) assigned, transferred, hypothecated, pledged or otherwise disposed of its Warrant or its rights in the Warrant, or (b) given any person or entity any transfer order, power of attorney or other authority of any nature whatsoever with respect to the Warrant; and

5.8 it is not an affiliate of the Company as such term is defined in Rule 144 promulgated under the Securities Act.

6. Miscellaneous.

6.1 This Agreement may be executed in multiple original counterparts, all of which shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid

and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof. This Agreement and all rights, obligations and liabilities hereunder 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 that would require the application of the laws of any other jurisdiction.

6.2 If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

6.3 The obligations of each Holder hereunder are several and not joint with the obligations of any other Holders hereunder, and no Holder shall be responsible in any way for the performance of the obligations of any other Holder hereunder. Nothing contained herein or in any other agreement or document delivered at any closing, and no action taken by any Holder pursuant hereto, shall be deemed to constitute the Holders as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Holders are in any way acting in concert with respect to such obligations or the transactions contemplated by this Agreement. Each Holder shall be entitled to protect and enforce its rights, including, but not limited to, the rights arising out of this Agreement, and it shall not be necessary for any other Holder to be joined as an additional party in any proceeding for such purpose.

6.4 Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

COMPANY:

AASTROM BIOSCIENCES, INC.

By: /s/ Dominick C. Colangelo
Name: Dominick C. Colangelo
Title: President and CEO

HOLDERS:

By: _____
Name:
Title:

By: _____
Name:
Title:
