

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): **March 9, 2012**

Aastrom Biosciences, Inc.

(Exact name of registrant as specified in its charter)

Michigan
(State or other jurisdiction
of incorporation)

001-35280
(Commission
File Number)

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

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

48106
(Zip Code)

Registrant's telephone number, including area code: **(734) 418-4400**

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 March 9, 2012, Aastrom Biosciences, Inc., a Michigan corporation (the "Company"), entered into a Securities Purchase Agreement with Eastern Capital Limited, a Cayman exempted company ("ECL"), to sell 12,308 shares of Series B-1 Non-Voting Preferred Stock (as described herein, the "Series B-1 Shares") in a private placement to ECL, an "accredited investor" (as defined in Regulation D) under the Securities Act of 1933, as amended (the "Securities Act"), at a price of \$3,250.00 per share (the "Original Purchase Price"). The Series B-1 Shares are exchangeable on a one-for-one basis for shares of the Series B-2 Voting Preferred Stock of the Company (as described herein, the "Series B-2 Shares" and together with the Series B-1 Shares, the "Series B Shares"). The Series B Shares are convertible, at the option of the holder thereof at any time after the five year anniversary of the closing of the offering (the "Conversion Date"), into shares of the Company's common stock at a conversion price of \$3.25 per share of common stock, subject to the Company obtaining any shareholder approval required in accordance with Nasdaq Marketplace Rule 5635(b) (the "Required Approval"). At any time after the Conversion Date, the Company may elect to convert any or all outstanding shares of Series B Shares into shares of the Company's common stock if the Required Approval has been obtained and the conversion would not require ECL to make any material filings with any governmental authority (other than filings required pursuant to the Securities Exchange Act of 1934, as amended) ("Additional Approvals"). Dividends on the Series B Shares ("Series B Dividends") will be cumulative and compound daily, at a rate of 11.5% per annum, payable upon conversion, liquidation, redemption or a Fundamental Change (as defined below), and payable in Series B-1 Shares until the Conversion Date. Following the Conversion Date and until the earlier of the tenth anniversary of the closing of the offering and the date no Series B Shares remain outstanding, dividends will accrue at a rate of 8% per annum and will be payable in cash or Series B-1 Shares, at the Company's option, as described in the Certificate of Designations.

ECL will initially be issued Series B-1 Shares, and any time after the Required Approval such shares shall be exchanged for shares of Series B-2 Shares. ECL shall have the right to participate in subsequent issuances of equity securities of the Company, subject to certain customary exclusions. The Company will use its reasonable best efforts to obtain the Required Approval as soon as practicable following the closing date.

In connection with the Securities Purchase Agreement, the Company and ECL entered into a Registration Rights Agreement. The Company has agreed, at ECL's request, to file a Form S-3 resale registration statement for the resale of the shares of common stock issuable upon conversion of the Series B Shares. ECL will also be entitled to piggyback registration and underwritten offering rights, as described in the Registration Rights Agreement.

The summary of the terms and conditions of the Securities Purchase Agreement and the Registration Rights Agreement is not intended to be a complete statement of the respective terms and conditions and are qualified in their entirety by reference to the Securities Purchase Agreement and the Registration Rights Agreement, copies of which are attached as Exhibits 10.1 and 10.2 to this Current Report.

On March 9, 2012, the Company filed a Certificate of Designations, Preferences and Rights of Series B-1 Non-Voting Preferred Stock and Series B-2 Voting Preferred Stock (the "Certificate of Designations") with the Michigan Department of Licensing and Regulatory Affairs for the purpose of creating, from its authorized but unissued "blank-check" preferred stock, (i) a series of 38,500 shares of preferred stock, designated as the Company's Series B-1 Non-Voting Convertible Preferred Stock, and (ii) a separate series of 38,500 shares of preferred stock, designated as the Company's Series B-2 Voting Convertible Preferred Stock, and fixing the respective rights, preferences, privileges and restrictions of the Series B Shares.

Set forth below are summaries of the respective rights, preferences and privileges of, and the restrictions on, the Series B Shares. The summaries are not intended to be complete statements of the respective rights, preferences and privileges of, and the restrictions on, the Series B Shares and are qualified in their entirety by reference to the Certificate of Designations, a copy of which is attached as Exhibit 3.1 to this Current Report.

Summary of Rights, Preferences and Privileges of Series B-1 Shares

Ranking. The Series B-1 Shares will, with respect to dividend rights and rights on liquidation, winding-up and dissolution, rank on parity with the Series B-2 Shares, and any other class or series of Company capital stock

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that the Company may issue in the future which is designated as being on parity with the Series B-1 Shares, and rank senior to the Company's common stock and Series A Junior Participating Cumulative Preferred Stock.

Conversion and Exchange Rights. The Series B-1 Shares will be convertible at any time after the Conversion Date, at the option of the holders thereof, into shares of Company common stock at a conversion price of \$3.25 per common share, provided that unless the Required Approval is obtained, the shares of Series B-1 Shares cannot be converted if such conversion would cause the beneficial ownership of the holder thereof to exceed 19.9%. The conversion price of the Series B-1 Shares will be subject to adjustment for stock splits and combinations and dividends and distributions made by the Company in shares of its common stock in order to preserve, but not to increase, the conversion rights of the holders of the Series B-1 Shares. At any time after the Conversion Date, the Company may elect to convert any or all outstanding Series B-1 Shares into shares of common stock of the Company, provided that the Required Approval has been obtained and the conversion of the Series B Shares into shares of common stock of the Company would not require any Additional Approvals. ECL may elect at any time after the Company has received the Required Approval to exchange any or all shares of Series B-1 Shares for Series B-2 Shares. The Company may elect at any time, after the Company has received the Required Approval and no Additional Approvals are required, to automatically exchange any or all shares of Series B-1 Shares other than Series B-1 Shares issued as a dividend on the Series B Shares for Series B-2 Shares.

Dividends. Each holder of Series B-1 Shares shall be entitled to receive, (x) commencing from the date of issuance of such Series B Shares through and including the Conversion Date, dividends at the rate of 11.5% per annum and (y) commencing from the date after the Conversion Date until the earlier of the tenth anniversary of the closing of the offering and the date such Series B-1 Shares are no longer outstanding, dividends at the rate of 8% per annum. The Series B Dividends shall be cumulative, whether or not earned or declared, and shall be paid upon liquidation, conversion and redemption or upon a Fundamental Change. Prior to the Conversion Date, the accrued dividend shall be payable in shares of the Series B-1 Shares. From and after the Conversion Date, the accrued dividend shall be payable in the Series B-1 Shares or cash, to be determined at the Company's election. Dividends that would accrue on the Series B-1 Shares had they remained outstanding until the Conversion Date (the "Accelerated Dividends") will be accelerated and payable as of the date of the Fundamental Change, conversion, liquidation, dissolution, winding up or redemption.

Redemptions of Series B-1 Shares. Unless prohibited by Michigan law governing distributions to shareholders, the Series B-1 Shares shall be redeemable at the option of holder of the Series B-1 Shares commencing at any time after the Conversion Date at a price equal to the greater of (x) the Original Purchase Price per share, plus all accrued dividends thereon (including the Series B Dividends) and (y) the market price of a single share of the Company's common stock multiplied by the number of shares of common stock into which such Series B-1 Share is convertible as of the date of the Company's receipt of the redemption request. Upon a Fundamental Change, a holder of Series B-1 Shares may require the Company to purchase all or a portion of its Series B-1 Shares at a price equal to the Liquidation Preference (as defined below). A Fundamental Change shall mean (a) any "person" or "group" that is not an affiliate of any holder of shares of Series B Shares becoming the "beneficial owner" of voting securities of the Company, representing 66 2/3% or more of the outstanding voting securities of the Company other than in connection with a transaction described below, (b) a sale of all or substantially all of the assets of the Company's assets to a person that is not an affiliate of any holder of shares of Series B Shares, or (c) a merger, consolidation, business combination or similar transaction the result of which a "person" or "group" that is not an affiliate of any holder of shares of Series B Shares owns voting securities representing 66 2/3% or more of the outstanding voting securities of the surviving entity upon completion of such transaction.

Voting Rights. The holders of Series B-1 Shares will not be entitled to vote their Series B-1 Shares on matters on which the common shareholders are generally entitled to vote (but will be able to vote as a separate class pursuant to protective provisions, as described below under the subcaption Series B-1 Preferred Stock Protective Provisions).

Series B-1 Preferred Stock Protective Provisions. So long as any Series B Shares are outstanding, the Company will not, without the approval of the holders of a majority of the Series B Shares, voting as a separate class, either directly or by amendment, merger, consolidation or otherwise: (a) amend, alter, or repeal any provision of the Articles of Incorporation or Bylaws in a manner that adversely affects the powers, preferences or rights of the Series B Shares; (b) issue or obligate itself to issue any Series B Shares, other than pursuant to the proposed

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financing or the exchange of Series B-1 Shares for Series B-2 Shares, or increase or decrease the authorized number of Series B Shares; or (c) create, or authorize the creation of, any additional class or series of capital stock that ranks senior to the Series B Shares with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and rights of redemption.

Liquidation Preference. In the event of any liquidation, dissolution or winding up of the Company, or any Fundamental Change, the holder of the Series B-1 Shares shall be entitled to receive the greater of (1) the Original Purchase Price plus all accrued but unpaid dividends on each share of Series B Shares, including the Accelerated Dividends, and (2) the amount that the holder of the Series B Shares would have been entitled to receive had the holder converted all shares of Series B Shares into shares of the Company's common stock immediately prior to such liquidation, dissolution or winding up of the Company or Fundamental Change (the "Liquidation Preference"). The balance of any proceeds shall be distributed pro rata to holders of common stock of the Company.

Summary of Rights, Preferences and Privileges of Series B-2 Shares

The Series B-2 Shares will rank on parity with the Series B-1 Shares and will have the same rights, preferences and privileges as the Series B-1 Shares, except as follows: (i) the Series B-2 Shares will not be exchangeable for Series B-1 Shares, (ii) the Series B-2 Shares shall not be redeemable at the option of the holder after the Conversion Date, and (iii) the holders of the Series B-2 Shares will be entitled to vote with the holders of the common stock as a single class, with each of the Series B-2 Shares having the number of votes equal to the number of shares of common stock issuable upon conversion of such Series B-2 Shares (excluding all shares of Series B-1 Preferred Stock accrued as dividends thereon).

The disclosures contained in this Current Report on Form 8-K do not constitute an offer to sell or the solicitation of an offer to buy any security. Any sales of the Series B Shares will be made only to a select number of accredited investors in reliance upon the exemptions from registration afforded by Rule 506 of Regulation D as promulgated by the Securities and Exchange Commission ("SEC") under the Securities Act and/or Section 4(2) of the Securities Act. The Series B Shares and the shares of Company common stock that will be issuable upon conversion of the Series B Shares have not been registered under the Securities Act of 1933, as amended, or qualified under any applicable state securities laws, and may not be offered or sold in the United States absent registration under the Securities Act and qualification under applicable state securities laws, or applicable exemptions therefrom.

Amendment to Shareholder Rights Plan

On March 9, 2012, the Company and the Continental Stock Transfer & Trust Company (the "Rights Agent") executed Amendment No. 1 ("Amendment No. 1") to the Shareholder Rights Agreement, dated as of August 11, 2011 ("Rights Agreement"), by and between the Company and the Rights Agent. A copy of Amendment No. 1 is attached hereto as Exhibit 4.1 and incorporated herein by reference. All capitalized terms used and not defined herein have the meanings ascribed to them in the Rights Agreement, as amended by Amendment No. 1.

Amendment No. 1 amends the Rights Agreement to exempt purchases of capital stock of the Company by ECL from the provisions of the Rights Agreement, subject to certain limitations set forth therein.

The above description of Amendment No. 1 is qualified in its entirety by reference to Exhibit 4.1 attached hereto.

Forward-Looking Statements.

Any statements contained in this Current Report that refer to future events or other non-historical matters are forward-looking statements. Such forward-looking statements are based on the Company's reasonable expectations as of the date of this Current Report and are subject to risks and uncertainties that could cause the Company's actual results to differ materially from current expectations. The Company disclaims any obligation to update any of the forward-looking statements in this Report except as may be required by applicable law or NASDAQ rules.

Item 3.02 Unregistered Sales of Equity Securities.

Reference is made to and there is hereby incorporated by reference into this Item 3.02, the information set forth above under "Item 1.01 Entry into a Material Definitive Agreement" relating to the terms and conditions of the sale of Series B Shares. That information so incorporated by reference into this Item 3.02 is qualified in its entirety to the Securities Purchase Agreement and the Registration Rights Agreement, attached as Exhibits 10.1 and 10.2, respectively, to this Report.

Item 3.03. Material Modification to Rights of Securityholders.

Reference is made to and there is hereby incorporated by reference into this Item 3.03, the information set forth above under "Item 1.01 Entry into a Material Definitive Agreement" relating to the rights, preferences and privileges of the Series B Shares, in relation to the rights of the Company's common stock. That information so incorporated by reference into this Item 3.03 is qualified in its entirety to the Certificate of Designations attached as Exhibit 3.1 to this Report.

Item 5.03. Amendment to Articles of Incorporation or Bylaws; Change in Fiscal Year.

The filing of the Certificate of Designations in Michigan is deemed to constitute an amendment to the Company's Articles of Incorporation. Accordingly, the information set forth above under "Item 1.01 — Entry into a Material Definitive Agreement" and the copy of the Certificate of Designations attached as Exhibit 3.1 to this Current Report are incorporated by reference into this Item 5.03.

Item 7.01. Regulation FD Disclosure.

On March 9, 2012, the Company issued a press release entitled "Aastrom Biosciences Completes \$40 Million Financing." A copy of the press release is attached as Exhibit 99.1 and incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 7.01 of this report, including Exhibit 99.1 attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall such information be

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
3.1	Certificate of Designations, Preferences and Rights of Series B-1 Non-Voting Preferred Stock and Series B-2 Voting Preferred Stock.
4.1	Amendment No. 1 to the Shareholder Rights Agreement, dated as of March 9, 2012, by and between Aastrom Biosciences, Inc. and the Continental Stock Transfer & Trust Company.
10.1	Securities Purchase Agreement, dated as of March 9, 2012, by and between Aastrom Biosciences, Inc. and Eastern Capital Limited.
10.2	Registration Rights Agreement, dated as of March 9, 2012, by and between Aastrom Biosciences, Inc. and Eastern Capital Limited.
99.1	Press release of Aastrom Biosciences, Inc., dated March 9, 2012.

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.

Aastrom Biosciences, Inc.

Date: March 9, 2012

By: /s/ Tim M. Mayleben

Name: Tim M. Mayleben

Title: Chief Executive Officer and President

Index to Exhibits

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CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS

OF

SERIES B-1 NON-VOTING PREFERRED STOCK
AND SERIES B-2 VOTING PREFERRED STOCK

OF

AASTROM BIOSCIENCES, INC.

(Pursuant to the Michigan Business Corporation Act)

1. The present name of the corporation is:

Aastrom Biosciences, Inc. (the "**Corporation**")

2. The identification number assigned by the Bureau is:

529-456

3. All former names of the corporation are:

Ann Arbor Stromal, Inc.

4. The date of filing the original Articles of Incorporation was:

March 24, 1989

5. The Corporation is organized and existing under the laws of the State of Michigan and hereby certifies that, pursuant to authority conferred on its Board of Directors (the "**Board**") by the Restated Articles of Incorporation of the Corporation, as amended, the following resolution was adopted by the Board at a meeting duly called and held on March 7, 2012, which resolution remains in full force and effect on the date hereof:

RESOLVED, that there is hereby created and established a series of the Corporation's authorized Preferred Stock (the "**Preferred Stock**") having no par value, which series shall be designated as "Series B-1 Non-Voting Convertible Preferred Stock" (the "**Series B-1 Preferred Stock**") and shall consist of 38,500 shares and a series of the Corporation's authorized Preferred Stock having no par value, which series shall be designated as "Series B-2 Voting Convertible Preferred Stock" and shall consist of 38,500 shares (the "**Series B-2 Preferred Stock**" and, together with the Series B-1 Preferred Stock, the "**Series B Preferred Stock**"). The shares of Series B Preferred Stock shall have the voting powers, designations, preferences and other special rights, and qualifications, limitations and restrictions thereof set forth below:

1. Dividends.

1.1 Each holder of Series B Preferred Stock shall be entitled to receive, with respect to each share of Series B Preferred Stock then outstanding and held by such holder of Series B Preferred Stock and subject to the other provisions of this Section 1, (x) commencing from the date of issuance of such share of Series B Preferred Stock through and including March 9, 2017 (the "**Conversion Date**"), dividends at the rate of eleven and one half percent (11.5%) per annum (net of any required tax withholding and compounding daily) of the Series B Original Issue Price (as defined below), (y) commencing from the date after the Conversion Date until the earlier of March 9, 2022 and when such share of Series B Preferred is no longer outstanding, dividends at the rate of eight percent (8%) per annum of the Series B Original Issue Price (which shall be non-compounding) and (z) after March 9, 2022, dividends as, if and when declared by the Board of Directors of the Corporation ((x) and (y) collectively, the "**Series B Preferred Dividends**"). The Series B Preferred Dividends shall be (1) calculated on the basis of a 365 day year and (2) cumulative, whether or not earned or declared, and shall be paid upon liquidation, conversion and redemption as described in Sections 2, 4, 6 and 7 hereof or as permitted in Section 1.2. The dividends described in subclause (z) above shall be payable as determined by the Board of Directors of the Corporation.

1.2 The Series B Preferred Dividends that accrue from the date of issuance of such share of Series B Preferred Stock through and including the Conversion Date, shall be paid to each holder of Series B Preferred Stock through the issuance of such number of fully paid and non-assessable shares of Series B-1 Preferred Stock determined by dividing the amount of unpaid Series B Preferred Dividends then outstanding that accrued prior to or on the Conversion Date on such holder's shares of Series B Preferred Stock by \$3,250 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B Preferred Stock). The Series B Preferred Dividends that accrue any time after the Conversion Date shall be paid to each holder of Series B Preferred Stock (A) in cash out of legally available funds, which shall be payable in respect of each outstanding share of Series B Preferred Stock, in arrears, on the annual anniversary of the Conversion Date beginning with March 9, 2018 (each, a "**Dividend Payment Date**"), which dividend payable on March 9, 2018 shall be calculated and based on the period from after the Conversion Date through March 9, 2018 or (B) at the Corporation's election upon sixty (60) days prior notice of the Corporation's election to pay such dividend in shares of Series B-1 Preferred Stock on such Dividend Payment Date to each holder of Series B Preferred Stock (which advance notice shall not be required for payment upon liquidation, conversion and redemption as described in Sections 2, 4, 6 and 7), through the issuance of such number of fully paid and non-assessable shares of Series B-1 Preferred Stock determined by dividing the amount of the Series B Preferred Dividends then outstanding that accrued on such holder's shares of Series B Preferred Stock after the Conversion Date that are unpaid on such Dividend Payment Date by \$3,250 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B Preferred Stock), provided that any portion of such Series B Preferred Dividends that would result in the issuance of fractional shares shall be paid in cash out of legally available funds pursuant to clause (A) above, and provided further that the receipt of shares of Series B-1 Preferred Stock paid as dividends under this clause (B) shall be deemed to have occurred upon such Dividend Payment Date and the holder entitled to receive such dividends shall be treated for all purposes as the

record holder of such shares of Series B-1 Preferred Stock as of such Dividend Payment Date, or (C) any combination of (A) and (B) above. Any shares of Series B-1 Preferred Stock accrued as Series B Preferred Dividend shall be referred to as the “**Dividend Shares.**”

1.3 The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of the Corporation’s common stock, no par value (the “**Common Stock**”), payable in shares of Common Stock or distributions made pursuant to the Corporation’s Shareholder Rights Plan (as the same may be amended from time to time)) unless the holders of the Series B Preferred Stock then outstanding shall simultaneously receive, a dividend on each outstanding share of Series B Preferred Stock in an amount at least equal to (A) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series B Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable upon conversion of a share of Series B Preferred Stock (including all Dividend Shares accrued thereon) (whether or not the shares of Series B Preferred Stock are then convertible into Common Stock pursuant to Section 4), in each case calculated on the record date for determination of holders entitled to receive such dividend or (B) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series B Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (2) multiplying such fraction by an amount equal to the Series B Original Issue Price; provided that, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series B Preferred Stock pursuant to this Section 1.3 shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Series B Preferred Stock dividend.

1.4 The Corporation shall at all times when the Series B Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of accruing the Series B Preferred Dividends, such number of its duly authorized shares of Series B-1 Preferred Stock as shall from time to time be sufficient to effect the accrual of the Series B Preferred Dividends; and if at any time the number of authorized but unissued shares of Series B-1 Preferred Stock shall not be sufficient to effect the accrual of the Series B Preferred Dividends, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Series B-1 Preferred Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to the Articles of Incorporation.

1.5 The “**Series B Original Issue Price**” shall mean, with respect to each series of Series B Preferred Stock, \$3,250 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such series of the Series B Preferred Stock.

2. Liquidation, Dissolution or Winding Up.

2.1 Payments to Holders of Series B Preferred Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Series B Preferred Stock then outstanding (on a pari passu basis between the shares of Series B-1 Preferred Stock and the Series B-2 Preferred Stock) shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders before any payment shall be made to the holders of Common Stock or any other class of capital stock of the Corporation ranking junior to the Series B Preferred Stock as to liquidation, by reason of their ownership thereof, an amount per share equal to the greater of (i) the Series B Original Issue Price, plus (x) the Series B Preferred Dividend that has accrued through the date immediately prior to the date of such voluntary or involuntary liquidation, dissolution or winding up of the Corporation, (y) any other declared but unpaid dividends thereon and, (z) without duplication to the foregoing (x) and (y), if the voluntary or involuntary liquidation, dissolution or winding up of the Corporation is consummated prior to the Conversion Date, the amount of the Accelerated Dividends or (ii) such amount per share as would have been payable with respect to such share had all shares of Series B Preferred Stock been converted into Common Stock pursuant to Section 4 immediately prior to such liquidation, dissolution or winding up (whether or not the shares of Series B Preferred Stock are then convertible into Common Stock pursuant to Section 4) (the “**Liquidation Preference**”). For purposes of this Subsection 2.1, “**Accelerated Dividends**” shall mean all Series B Preferred Dividends that as of the date of such voluntary or involuntary liquidation, dissolution or winding up of the Corporation had not yet accrued pursuant to Subsection 1.1 of this Certificate of Designations but would have accrued assuming that the then outstanding shares of Series B Preferred Stock remained outstanding through and including the Conversion Date. If upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation available for distribution to its shareholders shall be insufficient to pay the holders of shares of Series B Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1, the holders of shares of Series B Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

2.2 Payments to Holders of Common Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after the payment of all preferential amounts required to be paid to the holders of shares of Series B Preferred Stock and subject to any other distribution that may be required with respect to any other series of Preferred Stock, the remaining assets of the Corporation available for distribution to its shareholders shall be distributed among the holders of shares of Common Stock and any class or series of capital stock that participates with the Common Stock in such distributions.

2.3 Fundamental Change. For purposes of this Section 2, at the election of the Required Holders by written notice to the Corporation at least five days prior to the effective date of a Fundamental Change described in clause (b) or (c) of Section 7.1, a voluntary or involuntary liquidation, dissolution or winding up of the Corporation shall be deemed to be occasioned by, and the holders of Series B Preferred Stock shall be entitled to receive in cash, securities or other property, the amount specified in Section 2.1 at the closing of a Fundamental Change described in clause (c) of Section 7.1 or not later than 30 days after a Fundamental Change referred to in clause (b) of Section 7.1, provided, however, that the receipt of cash, securities or other property pursuant to this Section 2.3 shall be (x) without duplication of the distributions to the holders of

Series B Preferred Stock pursuant to Section 2.1 and (y) in lieu of, and without duplication of, the Fundamental Change Redemption described in Section 7.

2.4 Notice of Liquidation. The Corporation shall give written notice of any voluntary or involuntary liquidation, dissolution or winding up (or any transaction which might reasonably be deemed to be a Fundamental Change) to each holder of Series B Preferred Stock not less than 10 days prior to such liquidation, dissolution, winding up or Fundamental Change.

2.5 Contractual Enforcement of Fundamental Changes. The Corporation shall not have the power to effect any Fundamental Change described in clause (c) of Section 7.1 unless the agreement or plan of merger or consolidation or combination provides that the consideration payable to the shareholders of the Corporation shall be allocated among the holders of capital stock of the Corporation in accordance with this Section 2. In the event of a Fundamental Change described in clause (b) of Section 7.1, if the Corporation does not effect a dissolution of the Corporation under the Michigan Business Corporation Act within 30 days after such Fundamental Change, then (i) the Corporation shall deliver a written notice to each holder of Series B Preferred Stock not later than 30 days after the Fundamental Change advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of Section 7 to require the redemption of such shares of Series B Preferred Stock and (ii) the Corporation shall use the consideration received by the Corporation in connection with such Fundamental Change (net of any retained liabilities associated with the assets sold, as determined in good faith by the Board of Directors of the Corporation) (the “**Net Proceeds**”) to redeem the Series B Preferred Stock pursuant to the terms of Section 7 (without duplication of any amounts distributed to the holders of Series B Preferred Stock pursuant to Sections 2.1 or 7).

3. Voting.

3.1 On any matter presented to the shareholders of the Corporation for their action or consideration at any meeting of shareholders of the Corporation or by written consent without a meeting, each holder of outstanding shares of Series B-2 Preferred Stock shall be entitled to cast a number of votes equal to the number of whole shares of Common Stock into which the shares of Series B-2 Preferred Stock (excluding, for the avoidance of doubt, all Dividend Shares) held by such holder are convertible as of the record date for determining shareholders entitled to vote on such matter (whether or not the shares of Series B-2 Preferred Stock are then convertible into Common Stock). Except as provided by Section 3.2 below, by law or by the other provisions of the Articles of Incorporation, holders of Series B-1 Preferred Stock shall have no voting rights. Except as provided by Section 3.2 below, by law or by the other provisions of the Articles of Incorporation, holders of Series B-2 Preferred Stock shall vote together with the holders of Common Stock as a single class.

3.2 Series B Preferred Stock Protective Provisions. At any time when shares of Series B Preferred Stock are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Articles of Incorporation) the written consent or affirmative vote of the holders of at least a majority of the then outstanding shares of Series B Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may

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be) separately as a class (the “**Requisite Holders**”), and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect.

3.2.1 amend, alter or repeal any provision of the Articles of Incorporation or Bylaws of the Corporation in a manner that adversely affects the powers, preferences or rights of the Series B Preferred Stock;

3.2.2 create, or authorize the creation of any additional class or series of capital stock that ranks senior to the Series B Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and rights of redemption;

3.2.3 issue or obligate itself to issue any shares of Series B Preferred Stock other than pursuant to the terms of this Certificate of Designations and/or the Securities Purchase Agreement dated on or about the date hereof, as each may be amended and/or restated from time to time; or

3.2.4 increase or decrease the authorized number of shares of Series B Preferred Stock.

4. Optional Conversion.

The holders of the Series B Preferred Stock shall have conversion rights as follows (the “**Conversion Rights**”):

4.1 Right to Convert.

4.1.1 Conversion Ratio. Each share of each series of Series B Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time after the Conversion Date, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Series B Original Issue Price by the applicable Conversion Price (as defined below) in effect at the time of conversion. The “**Conversion Price**” with respect to each series of Series B Preferred Stock shall initially be equal to \$3.25. Such initial Conversion Price, and the rate at which shares of each series of Series B Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below. Notwithstanding the foregoing, the Corporation shall not effect any conversion of such holder’s Series B Preferred Stock and such holder shall not be entitled to convert its shares of Series B Preferred Stock for a number of shares of Common Stock in excess of that number of shares of Common Stock which, upon giving effect to such conversion, would cause (a) the aggregate number of shares of Common Stock beneficially owned by a holder of Series B Preferred Stock and its affiliates and any other persons whose beneficial ownership of Common Stock would be aggregated with the holder’s for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), to exceed 19.99% of the total number of issued and outstanding shares of Common Stock of the Corporation following such conversion, or (b) the combined voting power of the securities of the Corporation beneficially owned by a holder of Series B Preferred Stock and its affiliates and any other persons whose beneficial ownership of Common Stock would be

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aggregated with the holder's for purposes of Section 13(d) of the Exchange Act to exceed 19.99% of the combined voting power of all of the securities of the Corporation then outstanding following such conversion (including for such purpose the shares of Common Stock issuable upon conversion of the Series B-2 Preferred Stock), unless, in either case, the Corporation obtains the requisite shareholder approval under NASDAQ Marketplace Rule 5635(b) (the "**Issuance Limitation**"), in which case, this limitation under this Section 4.1.1 shall no longer apply to the holder. For purposes of this Section 4.1.1, the aggregate number of shares of Common Stock or voting securities beneficially owned by the holder and its affiliates and any other persons whose beneficial ownership of Common Stock would be aggregated with the holder's for purposes of Section 13(d) of the Exchange Act shall include the shares of Common Stock issuable upon the conversion of the Series B Preferred Stock with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon exercise or conversion of the unexercised, non-converted or non-cancelled portion of any other securities of the Corporation that do not have voting power (including without limitation shares of Series B-1 Preferred Stock and any securities of the Corporation which would entitle the holder thereof to acquire at any time Common Stock, including without limitation any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the holder or any of its affiliates and other persons whose beneficial ownership of Common Stock would be aggregated with the holder's for purposes of Section 13(d) of the Exchange Act.

4.1.2 **Termination of Conversion Rights.** In the event of a notice of redemption of any shares of Series B Preferred Stock pursuant to Sections 6 or 7, the Conversion Rights of the shares designated for redemption shall terminate at the close of business on the last full day preceding the date fixed for redemption, unless the redemption price is not fully paid on such redemption date, in which case the Conversion Rights for such shares shall continue until such price is paid in full. In the event of a liquidation, dissolution or winding up of the Corporation, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Series B Preferred Stock.

4.2 **Fractional Shares.** No fractional shares of Common Stock shall be issued upon conversion of the Series B Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the Market Price of a share of Common Stock. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of shares of Series B Preferred Stock the holder is at the time converting into Common Stock and the aggregate number of shares of Common Stock issuable upon such conversion. The "**Market Price**" of the Common Stock shall be determined as follows: if the Common Stock is listed on a national securities exchange or another nationally recognized trading system, the Market Price per share of Common Stock shall be deemed to be the greater of (a) the 20 consecutive trading day average closing price per share of the Corporation's common stock ending on the trading day immediately prior to the date of determination and (b) the closing price of the Corporation's common stock on the trading day immediately prior to the date of determination; and if the Common Stock is not listed on a national securities exchange or another nationally recognized

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trading system, the Market Price per share of Common Stock shall be deemed to be the amount most recently determined by the Board of Directors of the Corporation 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 Corporation). Upon request of a holder of Series B Preferred Stock, the Board of Directors (or a representative thereof) shall, as promptly as reasonably practicable but in any event not later than 10 days after such request, notify the holder of the Market Price and furnish the holder with reasonable documentation of the Board's determination of such Market Price. Notwithstanding the foregoing, if the Board has not made such a determination within the three-month period prior to the date of determination, then the Board shall make, and shall provide or cause to be provided to the holder notice of, a determination of the Market Price within 15 days of a request by the holder that it do so.

4.3 **Mechanics of Conversion.**

4.3.1 **Notice of Conversion.** In order for a holder of Series B Preferred Stock to voluntarily convert shares of Series B Preferred Stock into shares of Common Stock, such holder shall surrender the certificate or certificates for the shares of Series B Preferred Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Series B Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of the Series B Preferred Stock represented by such certificate or certificates and the Dividend Shares accrued thereon and, if applicable, any event on which such conversion is contingent. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of such certificates (or lost certificate affidavit and agreement) and notice shall be the time of conversion (the "**Conversion Time**"), and the shares of Common Stock issuable upon conversion of the shares to be converted shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Conversion Time, (i) issue and deliver to such holder of Series B Preferred Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof and a certificate for the number (if any) of the shares of Series B Preferred Stock represented by the surrendered certificate that were not converted into Common Stock, (ii) pay in cash such amount as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and (iii) pay pursuant to Section 1 any accrued but unpaid Series B Preferred Dividends with respect to the shares so converted that are payable in cash pursuant to Section 1.2.

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4.3.2 **Reservation of Shares.** The Corporation shall at all times when the Series B Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Series B Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series B Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of

the Series B Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to the Articles of Incorporation.

4.3.3 Effect of Conversion. All shares of Series B Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor, to receive payment in lieu of any fraction of a share otherwise issuable upon such conversion as provided in Subsection 4.2 and to receive payment of any dividends payable in cash and accrued or declared but unpaid thereon. Any shares of Series B Preferred Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for shareholder action) as may be necessary to reduce the authorized number of shares of Series B Preferred Stock accordingly.

4.3.4 No Further Adjustment. Upon any such conversion, no adjustment to the Conversion Price shall be made for any declared but unpaid dividends on the Series B Preferred Stock surrendered for conversion or on the Common Stock delivered upon conversion.

4.3.5 Taxes. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Series B Preferred Stock pursuant to this Section 4. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Series B Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

4.4 Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after March 9, 2012 (the “**Series B Original Issue Date**”) effect a subdivision of the outstanding Common Stock without an identical subdivision of any series of Series B Preferred Stock, the Conversion Price of such series of Series B Preferred Stock in effect immediately before that subdivision shall be proportionately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding. If the Corporation shall at any time or from time to time after the Series B Original Issue Date combine the outstanding shares of Common Stock without an identical combination

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of any series of Series B Preferred Stock, the Conversion Price of such series of Series B Preferred Stock in effect immediately before the combination shall be proportionately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding. Any adjustment under this subsection shall become effective at the close of business on the date the subdivision or combination becomes effective.

4.5 Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series B 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 on the Common Stock in additional shares of Common Stock and any series of Series B Preferred Stock does not simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of such series of Series B Preferred Stock had been converted into Common Stock on the date of such event, then and in each such event the Conversion Price of such series of Series B Preferred Stock 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 Conversion Price of such series of Series B Preferred Stock 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.

Notwithstanding the foregoing, 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 Conversion Price of such series of Series B Preferred Stock shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Price of such Series of Series B Preferred Stock shall be adjusted pursuant to this subsection as of the time of actual payment of such dividends or distributions.

4.6 Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series B 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 Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other property such that any series of Series B Preferred Stock does not simultaneously receive a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other

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property equal to the distribution they would have received if all outstanding shares of such series of Series B Preferred Stock had been converted into Common Stock on the date of such event, then and in each such event the holders of such series of Series B Preferred Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of such series of Series B Preferred Stock had been converted into Common Stock on the date of such event.

4.7 Adjustment for Merger or Reorganization, etc. If there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not any series of Series B Preferred Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Subsections 4.4, or 4.6), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each share of such series of Series B Preferred Stock shall thereafter be convertible in lieu of the Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of such series of Series B Preferred Stock immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Corporation) shall be made in the application of the provisions in this Section 4 with respect to the rights and interests thereafter of the holders of such series of Series B Preferred Stock, to the end that the provisions set forth in this Section 4 (including provisions with respect to changes in and other adjustments of the Conversion Price of such series of Series B Preferred Stock) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of such series of Series B Preferred Stock.

4.8 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price of any series of Series B Preferred Stock pursuant to this Section 4, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than 10 days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of such series of Series B Preferred Stock a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which such series of Series B Preferred Stock is convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Series B Preferred Stock (but in any event not later than 10 days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the Conversion Price of such series of Series B Preferred Stock then in effect, and (ii) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of such series of Series B Preferred Stock.

4.9 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Series B

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Preferred Stock) 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 capital stock of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, or any consolidation or merger of the Corporation; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation,

then, and in each such case, the Corporation will send or cause to be sent to the holders of the Series B Preferred Stock (or series thereof) 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 proposed 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 capital stock or securities at the time issuable upon the conversion of the Series B Preferred Stock) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Series B Preferred Stock and the Common Stock. Such notice shall be sent at least 10 days prior to the record date or effective date for the event specified in such notice.

4.10 Mandatory Conversion.

4.10.1 Trigger Events. At any time after the Conversion Date, (a) the Corporation may elect, in its sole discretion, to convert all or a portion of the then outstanding shares of Series B Preferred Stock and the Dividend Shares accrued thereon into shares of Common Stock, or (b) the Requisite Holders may elect the date and time, or the occurrence of an event, to convert all of the then outstanding shares of Series B Preferred Stock and the Dividend Shares accrued thereon into shares of Common Stock (such election or the date and time specified or the time of the event specified for purposes of subclauses (a) or (b) is referred to herein as the “**Mandatory Conversion Time**”), in each case at the then effective conversion rate, provided that, (1) the Corporation has obtained the requisite shareholder approval under NASDAQ Marketplace Rule 5635(b) for purposes of the Issuance Limitation, and (2) with respect to the Corporation’s election to convert the shares of Series B Preferred Stock pursuant to clause (a) of this Section 4.10.1, such shares of Series B Preferred Stock could be converted into shares of Common Stock without requiring the holders thereof to make any material filing with any governmental authority (other than filings required pursuant to the Securities Exchange Act of 1934). Any such shares of Series B Preferred Stock so converted shall not be reissued by the Corporation.

4.10.2 Procedural Requirements. All holders of record of shares of Series B Preferred Stock shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Series B Preferred Stock pursuant to

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this Section 4.10. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Series B Preferred Stock shall surrender his, her or its certificate or certificates for all such shares to be converted (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Series B Preferred Stock converted pursuant to Subsection 4.10.1, including the rights, if

any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender the certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Subsection 4.10.2. As soon as practicable after the Mandatory Conversion Time and the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for Series B Preferred Stock, the Corporation shall issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, together with cash as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and the payment of any declared but unpaid dividends on the shares of Series B Preferred Stock converted that are payable in cash. Such converted Series B Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for shareholder action) as may be necessary to reduce the authorized number of shares of Series B Preferred Stock accordingly.

5. Series B Preferred Stock Exchange.

The holders of the Series B-1 Preferred Stock shall have exchange rights as follows (the “**Exchange Rights**”):

5.1 Right to Exchange.

5.1.1 Exchange Ratio. Each share of Series B-1 Preferred Stock may be exchanged at any time and from time to time after the Corporation obtains the requisite shareholder approval under NASDAQ Marketplace Rule 5635(b) for purposes of the Issuance Limitation, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Series B-2 Preferred Stock as is determined by dividing the Series B Original Issue Price by the applicable Exchange Price (as defined below) in effect at the time of exchange. The “**Exchange Price**” shall initially be equal to \$3,250. Such initial Exchange Price, and the rate at which shares of Series B-1 Preferred Stock may be exchanged for shares of Series B-2 Preferred Stock, shall be subject to adjustment as provided below.

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5.1.2 Termination of Exchange Rights. In the event of a notice of redemption of any shares of Series B Preferred Stock pursuant to Sections 6 or 7, the Exchange Rights of the shares designated for redemption shall terminate at the close of business on the last full day preceding the date fixed for redemption, unless the redemption price is not fully paid on such redemption date, in which case the Exchange Rights for such shares shall continue until such price is paid in full. In the event of a liquidation, dissolution or winding up of the Corporation, the Exchange Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Series B Preferred Stock.

5.2 Fractional Shares. No fractional shares of Series B-2 Preferred Stock shall be issued upon exchange of the Series B-1 Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the Series B-1 Original Issue Price of a share of Series B-1 Preferred Stock. Whether or not fractional shares would be issuable upon such exchange shall be determined on the basis of the total number of shares of Series B-1 Preferred Stock the holder is at the time exchanging for Series B-2 Preferred Stock and the aggregate number of shares of Series B-2 Preferred Stock issuable upon such conversion.

5.3 Mechanics of Exchange.

5.3.1 Notice of Exchange. In order for a holder of Series B-1 Preferred Stock to exchange shares of Series B-1 Preferred Stock into shares of Series B-2 Preferred Stock, such holder shall surrender the certificate or certificates for such shares of Series B-1 Preferred Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Series B-1 Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to exchange all or any number of the shares of the Series B-1 Preferred Stock represented by such certificate or certificates and, if applicable, any event on which such conversion is contingent. Such notice shall state such holder’s name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Series B-2 Preferred Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of such certificates (or lost certificate affidavit and agreement) and notice shall be the time of exchange (the “**Exchange Time**”), and the shares of Series B-2 Preferred Stock issuable upon conversion of the shares represented by such certificate shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Exchange Time, (i) issue and deliver to such holder of Series B-1 Preferred Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Series B-2 Preferred Stock issuable upon such exchange in accordance with the provisions hereof and a certificate for the number (if any) of the shares of Series B-1 Preferred Stock represented by the surrendered certificate that were not converted into Series B-2 Preferred Stock

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and (ii) pay in cash such amount as provided in Subsection 5.2 in lieu of any fraction of a share of Series B-2 Preferred Stock otherwise issuable upon such conversion.

5.3.2 Reservation of Shares. The Corporation shall at all times when the Series B-1 Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the exchange of the Series B-1 Preferred Stock, such number of its duly authorized shares of Series B-2 Preferred Stock as shall from time to time be sufficient to effect the exchange of all outstanding Series B-1 Preferred Stock; and if at any time the number of authorized but unissued shares of Series B-2 Preferred Stock shall not be sufficient to effect the exchange of all then outstanding shares of the Series B-1 Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Series B-2 Preferred Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to the Articles of Incorporation.

5.3.3 Effect of Exchange; Dividends. All shares of Series B-1 Preferred Stock which shall have been surrendered for exchange as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Exchange Time, except only the right of the holders thereof to receive shares of Series B-2 Preferred Stock in exchange therefor and to receive payment in lieu of any fraction of a share otherwise issuable upon such exchange as provided in Subsection 4.2. Any shares of Series B-1 Preferred Stock so exchanged shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for shareholder action) as may be necessary to reduce the authorized number of shares of Series B-1 Preferred Stock accordingly. Any dividends accrued but unpaid upon the shares of Series B-1 Preferred Stock surrendered for exchange as herein provided (including, without limitation, the Series B Preferred Dividends) shall be deemed to be accrued but unpaid upon the shares of Series B-2 Preferred Stock issued upon exchange therefor as if all shares of Series B-2 Preferred Stock issued upon exchange therefor had been issued on the Series B Original Issue Date. For purposes of illustration and without limiting the preceding sentence, Series B Preferred Dividends payable in shares of Series B-1 Preferred Stock accrued but unpaid on shares of Series B-1 Preferred Stock surrendered for exchange shall be deemed to be Series B Preferred Dividends payable in shares of Series B-1 Preferred Stock accrued but unpaid on the shares of Series B-2 Preferred Stock issued upon such exchange.

5.3.4 No Further Adjustment. Upon any such exchange, no adjustment to the Exchange Price shall be made for any declared but unpaid dividends on the Series B-1 Preferred Stock surrendered for exchange or on the Series B-2 Preferred Stock delivered upon conversion.

5.3.5 Taxes. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Series B-1 Preferred Stock upon exchange for shares of Series B-2 Preferred Stock pursuant to this Section 5. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Series B-2 Preferred Stock in a name other than that in which the shares of Series B-1 Preferred Stock so exchanged were registered, and no such issuance or delivery shall be made unless and until the person or

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entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

5.4 Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the Series B Original Issue Date effect a subdivision of the outstanding Series B-1 Preferred Stock, the Exchange Price of such series of Series B Preferred Stock in effect immediately before that subdivision shall be proportionately decreased so that the number of shares of Series B-2 Preferred Stock issuable upon exchange for each share of Series B-1 Preferred Stock shall be increased in proportion to such increase in the aggregate number of shares of Series B-1 Preferred Stock outstanding. If the Corporation shall at any time or from time to time after the Series B Original Issue Date combine the outstanding shares of Series B-1 Preferred Stock with a similar combination of the Series B-2 Preferred Stock, the Exchange Price in effect immediately before the combination shall be proportionately increased so that the number of shares of Series B-2 Preferred Stock issuable upon exchange for each share of Series B-1 Preferred Stock shall be decreased in proportion to such decrease in the aggregate number of shares of Series B-1 Preferred Stock outstanding. Any adjustment under this subsection shall become effective at the close of business on the date the subdivision or combination becomes effective.

5.5 Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series B Original Issue Date shall make or issue, or fix a record date for the determination of holders of Series B-2 Preferred Stock entitled to receive, a dividend or other distribution payable on the Series B-2 Preferred Stock in additional shares of Series B-2 Preferred Stock and the Series B-1 Preferred Stock does not simultaneously receive a dividend or other distribution of shares of Series B-2 Preferred Stock in a number equal to the number of shares of Series B-2 Preferred Stock as they would have received if all outstanding shares of such series of Series B-1 Preferred Stock had been exchanged for shares of Series B-2 Preferred Stock on the date of such event, then and in each such event the Exchange Price 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 Exchange Price then in effect by a fraction:

- (1) the numerator of which shall be the total number of shares of Series B-2 Preferred 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 Series B-2 Preferred 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.

Notwithstanding the foregoing, 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 Exchange Price shall be recomputed accordingly as of the close of business on such record date and thereafter the

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Exchange Price shall be adjusted pursuant to this subsection as of the time of actual payment of such dividends or distributions.

5.6 Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series B Original Issue Date shall make or issue, or fix a record date for the determination of holders of Series B-2 Preferred Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Series B-2 Preferred Stock in respect of outstanding shares of Series B-2 Preferred Stock) or in other property and the Series B-1 Preferred Stock does not simultaneously receive a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Series B-2 Preferred Stock in respect of outstanding shares of Series B-2 Preferred Stock) or in other property equal to the distribution they would have received if all outstanding shares of Series B-1 Preferred Stock had been exchanged for Series B-2 Preferred Stock on the date of such event, then and in each such event the holders of Series B-1 Preferred Stock shall receive, simultaneously with the distribution to the holders of Series B-2 Preferred Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Series B-1 Preferred Stock had been exchanged for Series B-2 Preferred Stock on the date of such event.

5.7 Adjustment for Merger or Reorganization, etc. If there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Series B-2 Preferred Stock (but not the Series B-1 Preferred Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Subsections 5.4, or 5.6), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each share of Series B-1 Preferred Stock may be exchanged thereafter in lieu of the Series B-2 Preferred Stock into which it could have been exchanged for prior to such event for the kind and amount of securities, cash or other property which a holder of the number of shares of Series B-2 Preferred Stock of the Corporation issuable upon the exchange of one share of Series B-1 Preferred Stock immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Corporation) shall be made in the application of the provisions in this Section 5 with respect to the rights and interests thereafter of the holders of Series B-1 Preferred Stock, to the end that the provisions set forth in this Section 5 (including provisions with respect to changes in and other adjustments of the Exchange Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the exchange of the Series B-1 Preferred Stock.

5.8 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Exchange Price pursuant to this Section 5, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than 10 days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series B-1 Preferred Stock a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which Series B-1 Preferred Stock is convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably

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practicable after the written request at any time of any holder of Series B-1 Preferred Stock (but in any event not later than 10 days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the Exchange Price then in effect, and (ii) the number of shares of Series B-2 Preferred Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of Series B-1 Preferred Stock.

5.9 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Series B-2 Preferred Stock (or other capital stock or securities at the time issuable in exchange for the Series B-1 Preferred Stock) 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 capital stock of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Series B-2 Preferred Stock of the Corporation, or any consolidation or merger of the Corporation; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation,

then, and in each such case, the Corporation will send or cause to be sent to the holders of the Series B-1 Preferred Stock 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 proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Series B-2 Preferred Stock (or such other capital stock or securities at the time issuable upon the exchange of the Series B-1 Preferred Stock) shall be entitled to exchange their shares of Series B-2 Preferred Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Series B-1 Preferred Stock and the Series B-2 Preferred Stock. Such notice shall be sent at least 10 days prior to the record date or effective date for the event specified in such notice.

5.10 Mandatory Exchange.

5.10.1. Trigger Events. Upon the earlier to occur of (a) the date the Corporation obtains the requisite shareholder approval under NASDAQ Marketplace Rule 5635(b) for purposes of the Issuance Limitation and all shares of Series B-1 Preferred Stock other than the Dividend Shares could be exchanged for shares of Series B-2 Preferred Stock without requiring the holder thereof to make any material filing with any governmental authority (other than filings required pursuant to the Securities Exchange Act of 1934) or (b) the date and time, or the occurrence of an event, after the Corporation obtains the requisite shareholder approval under NASDAQ Marketplace Rule 5635(b) for purposes of the Issuance Limitation, specified by vote or written consent of the Requisite Holders (the date specified for purposes of subclause (a) or the date and time specified or the time of the event specified for purposes of

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subclause (b) is referred to herein as the “**Mandatory Exchange Time**”), all outstanding shares of Series B-1 Preferred Stock other than the Dividend Shares shall automatically be exchanged for shares of Series B-2 Preferred Stock, at the then effective exchange rate.

5.10.2. Procedural Requirements. All holders of record of shares of Series B-1 Preferred Stock to be exchanged shall be sent written notice of the Mandatory Exchange Time and the place designated for mandatory exchange of all such shares of Series B-1 Preferred Stock pursuant to this Section 5.10. The Corporation may require the mandatory exchange of the Series B-1 Preferred Stock pursuant to Subsection 5.10.1(a) in one exchange for all outstanding shares of Series B-1 Preferred Stock other than the Dividend Shares or multiple exchanges for portions of the outstanding shares of Series B-1 Preferred Stock other than the Dividend Shares. Such notice need not be sent in advance of the occurrence of the Mandatory Exchange Time. Upon receipt of such notice, each holder of shares of Series B-1 Preferred Stock to be exchanged shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Series B-1 Preferred Stock exchanged pursuant to Subsection 5.10.10.1, including the rights, if any, to receive notices and vote (other than as a holder of Series B-2 Preferred Stock), will terminate at the Mandatory Exchange Time (notwithstanding the failure of the holder or holders thereof to surrender the certificates at or prior to such time), except only the rights of the holders thereof,

upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this [Subsection 5.10.2](#). As soon as practicable after the Mandatory Exchange Time and the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for Series B-1 Preferred Stock, the Corporation shall issue and deliver to such holder, or to his, her or its nominee, a certificate or certificates for the number of full shares of Series B-2 Preferred Stock issuable on such exchange in accordance with the provisions hereof, together with cash as provided in [Subsection 5.2](#) in lieu of any fraction of a share of Series B-2 Preferred Stock otherwise issuable upon such exchange. Any dividends accrued but unpaid upon the shares of Series B-1 Preferred Stock exchanged as herein provided (including, without limitation, the Series B Preferred Dividends) shall be deemed to be accrued but unpaid upon the shares of Series B-2 Preferred Stock issued upon exchange therefor as if all shares of Series B-2 Preferred Stock issued upon exchange therefor had been issued on the Series B Original Issue Date. For purposes of illustration and without limiting the preceding sentence, Series B Preferred Dividends payable in shares of Series B-1 Preferred Stock accrued but unpaid on shares of Series B-1 Preferred Stock surrendered for exchange shall be deemed to be Series B Preferred Dividends payable in shares of Series B-1 Preferred Stock accrued but unpaid on the shares of Series B-2 Preferred Stock issued upon such exchange. Such exchanged Series B-1 Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for shareholder action) as may be necessary to reduce the authorized number of shares of Series B-1 Preferred Stock accordingly.

6. [Investor Redemption](#).

6.1 Unless prohibited by Michigan law governing distributions to shareholders, at any time after the Conversion Date, each share of Series B-1 Preferred Stock and each Dividend Share accrued thereon shall be redeemed by the Corporation at a price equal to the greater of (A) the Series B Original Issue Price per share, plus all accrued dividends thereon (including the Series B Preferred Dividends) and (B) the Market Price of a single share of Common Stock multiplied by the number of shares of Common Stock into which such share of Series B-1 Preferred Stock is convertible as of the date of the Corporation's receipt of the Investor Redemption Request (the "**Investor Redemption Price**"), in three annual installments commencing not more than 120 days after receipt by the Corporation from any holder of then outstanding shares of Series B-1 Preferred Stock, of written notice requesting redemption of such holder's shares of Series B-1 Preferred Stock (the "**Investor Redemption Request**"), provided, however, that the Corporation shall not be required to redeem any shares of Series B-1 Preferred Stock if at the time of such Investor Redemption Request the Corporation has obtained the requisite shareholder approval under NASDAQ Marketplace Rule 5635(b) for purposes of the Issuance Limitation and such shares of Series B-1 Preferred Stock could be exchanged for shares of Series B-2 Preferred Stock pursuant to Section 5 without requiring the holder thereof to make any material filing with any governmental authority (other than filings required pursuant to the Securities Exchange Act of 1934). The date of each such installment shall be referred to as an "**Investor Redemption Date**". On each Investor Redemption Date, the Corporation shall redeem, on a pro rata basis in accordance with the number of shares of Series B-1 Preferred Stock subject to the Investor Redemption Request, that number of outstanding shares of Series B-1 Preferred Stock determined by dividing (i) the total number of shares of Series B-1 Preferred Stock subject to the Investor Redemption Request immediately prior to such Investor Redemption Date by (ii) the number of remaining Investor Redemption Dates (including the Investor Redemption Date to which such calculation applies). If on any Investor Redemption Date Michigan law governing distributions to shareholders prevents the Corporation from redeeming all shares of Series B-1 Preferred Stock to be redeemed, the Corporation shall ratably redeem the maximum number of shares that it may redeem consistent with such law, and shall redeem the remaining shares as soon as it may lawfully do so under such law.

6.2 [Surrender of Certificates; Payment](#). On or before the applicable Investor Redemption Date, each holder of shares of Series B-1 Preferred Stock to be redeemed on such Redemption Date, unless such holder has exercised his, her or its right to convert such shares as provided in [Section 4](#) or the Corporation has exercised its right to convert such shares as provided in [Section 4.10](#), shall surrender the certificate or certificates representing such shares (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation and thereupon the Investor Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. In the event less than all of the shares of Series B-1 Preferred Stock represented by a certificate are redeemed, a new certificate representing the unredeemed shares of Series B-1 Preferred Stock shall promptly be issued to such holder.

6.3 [Rights Subsequent to Redemption](#). If an Investor Redemption Request shall have been duly given, and if on the applicable Investor Redemption Date the Investor Redemption Price payable upon redemption of the shares of Series B-1 Preferred Stock to be redeemed on such Investor Redemption Date is paid or tendered for payment or deposited with an independent payment agent so as to be available therefor in a timely manner, then notwithstanding that the certificates evidencing any of the shares of Series B-1 Preferred Stock so called for redemption shall not have been surrendered, dividends with respect to such shares of Series B-1 Preferred Stock shall cease to accrue after such Investor Redemption Date and all rights with respect to such shares shall forthwith after the Investor Redemption Date terminate, except only the right of the holders to receive the Investor Redemption Price without interest upon surrender of their certificate or certificates therefor.

7. [Fundamental Change Redemption](#).

7.1 [Fundamental Change](#). Subject to [Section 2.3](#), upon the occurrence of a Fundamental Change, each holder of shares of Series B Preferred Stock may, at its sole option, require the Corporation to purchase all or a portion of its shares of Series B Preferred Stock (the "**Fundamental Change Redemption**") at a price per share equal to the Liquidation Preference (the "**Fundamental Change Redemption Price**"). A "**Fundamental Change**" shall mean any of the following events:

(a) any "person" or "group" (each term as defined in the Exchange Act) that is not an affiliate of any holder of shares of Series B Preferred Stock becoming the "beneficial owner" (as defined in the Exchange Act) of voting securities of the Corporation, representing 66 2/3% or more of the outstanding voting securities of the Corporation (treating all securities convertible or exchangeable into or exercisable for shares of Common Stock as having been fully converted, exchanged and exercised, without regard to any exercise, conversion or exchange limitations therein) other than in connection with a transaction described in clause (c) below;

(b) a sale of all or substantially all of the assets of the Corporation's assets to a person that is not an affiliate of any holder of shares of Series B Preferred Stock; or

(c) a merger, consolidation, business combination or similar transaction the result of which a “person” or “group” (each as defined in the Exchange Act) that is not an affiliate of any holder of shares of Series B Preferred Stock owns voting securities representing 66 2/3% or more of the outstanding voting securities of the surviving entity upon completion of such transaction.

7.2 Exercise of Fundamental Change Redemption Option. The Corporation shall send a written notice (the “**Fundamental Change Notice**”) to each holder of shares of Series B Preferred Stock of (i) the occurrence of a Fundamental Change described in Subsection 7.1(a) above, within 10 days of the Corporation’s becoming aware of the occurrence of such Fundamental Change. The Fundamental Change Notice shall describe the Fundamental Change and state that each holder of shares of Series B Preferred Stock has the right to require a Fundamental Change Redemption. In order to require a Fundamental Change Redemption, a holder of Series B Preferred Stock must deliver written notice to the Corporation requesting the

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Fundamental Change Redemption within five days after the date of the Fundamental Change Notice and stating the number of shares of Series B Preferred Stock to be redeemed. Unless prohibited by Michigan law governing distributions to shareholders, the Corporation shall redeem the shares of Series B Preferred Stock requested to be redeemed at a price equal to the Redemption Price and on a date to be fixed by the Corporation which shall not be more than 30 days from the date of the last timely delivered Fundamental Change Redemption request. If, on the date of the Fundamental Change Redemption, Michigan law governing distributions to shareholders prevents the Corporation from redeeming all shares of Series B Preferred Stock to be redeemed, the Corporation shall ratably redeem the maximum number of shares that it may redeem consistent with such law, and shall redeem the remaining shares as soon as it may lawfully do so under such law.

7.3 Fundamental Change Redemption Notice. Following receipt of a timely request for a Fundamental Change Redemption by a holder of Series B Preferred Stock, the Corporation shall send written notice confirming the fundamental change redemption to the holder stating:

- (a) the date fixed for the Fundamental Redemption (the “**Fundamental Change Redemption Date**”) and the Fundamental Redemption Price;
- (b) the date upon which the holder’s right to convert such shares terminates (as determined in accordance with Sections 4 and 5); and
- (c) that the holder is to surrender to the Corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares of Series B Preferred Stock to be redeemed.

7.4 Surrender of Certificates; Payment. On or before the Fundamental Change Redemption Date, each holder of shares of Series B Preferred Stock to be redeemed on such Fundamental Change Redemption Date, unless such holder has exercised his, her or its right to convert such shares as provided in Section 4 or Section 5, shall surrender the certificate or certificates representing such shares (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation, in the manner and at the place designated in the notice from the Corporation, and thereupon the Fundamental Change Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. In the event less than all of the shares of Series B Preferred Stock represented by a certificate are redeemed, a new certificate representing the unredeemed shares of Series A Preferred Stock shall promptly be issued to such holder.

7.5 Rights Subsequent to Fundamental Change Redemption. If on the Fundamental Change Redemption Date the Fundamental Change Redemption Price payable upon redemption of the shares of the Series B Preferred Stock to be redeemed on such Fundamental Change Redemption Date is paid or tendered for payment or deposited with an independent payment agent so as to be available therefor in a timely manner, then

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notwithstanding that the certificates evidencing any of the shares of Series B Preferred Stock so called for redemption shall not have been surrendered, dividends with respect to such shares of Series B Preferred Stock shall cease to accrue after such Fundamental Change Redemption Date and all rights with respect to such shares shall forthwith after the Fundamental Change Redemption Date terminate, except only the right to the holders to receive the Fundamental Change Redemption Price without interest upon surrender of their certificate or certificates therefor.

7.6 Fundamental Change and Dividends. Upon the occurrence of a Fundamental Change as described in Subsection 7.1(b)-(c), the Corporation’s obligation to pay Series B Preferred Dividends shall terminate.

8. Redeemed or Otherwise Acquired Shares. Any shares of Series B Preferred Stock that are redeemed or otherwise acquired by the Corporation or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Series B Preferred Stock following redemption.

9. Waiver. Any of the rights, powers, preferences and other terms of the Series B Preferred Stock set forth herein may be waived or amended on behalf of all holders of Series B Preferred Stock by the affirmative written consent or vote of the Requisite Holders.

10. Required Filings. The determination as to whether a conversion of the shares of Series B Preferred Stock into Common Stock pursuant to Section 4.10.1, the redemption of shares of Series B-1 Preferred Stock pursuant to Section 6.1 or the mandatory exchange of shares of Series B-1 Preferred Stock pursuant to Section 5.10.1 will require the holders of Series B Preferred Stock or Series B-1 Preferred Stock, as applicable, to make any material filing with any governmental authority (other than filings required pursuant to the Securities Exchange Act of 1934) shall be made reasonably and in good faith by the Requisite Holders.

11. Notices. Any notice required or permitted to be given to a holder of shares of Series B Preferred Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of Michigan law, and shall be deemed sent upon such mailing or electronic transmission.

IN WITNESS WHEREOF, this Certificate of Designations has been executed by a duly authorized officer of this corporation on this 9th day of March, 2012.

By: /s/ Tim M. Mayleben
President and Chief Executive Officer

AMENDMENT NO. 1
TO
SHAREHOLDER RIGHTS AGREEMENT

This Amendment No.1 to Shareholder Rights Agreement, effective as of March 9, 2012 (the "Amendment"), amends the Shareholder Rights Agreement, dated August 11, 2011 (the "Rights Agreement"), by and between Aastrom Biosciences, Inc., a Michigan corporation (the "Company"), and Continental Stock Transfer & Trust Company (the "Rights Agent"). Capitalized terms used herein but not defined herein shall have their defined meanings set forth in the Rights Agreement.

WHEREAS, on March 9, 2012, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with Eastern Capital Limited, a Cayman exempted company (the "Purchaser");

WHEREAS, pursuant to the Securities Purchase Agreement, the Company is selling and issuing to the Purchaser shares (the "Shares") of its authorized Series B-1 non-voting preferred stock, no par value per share (the "Series B-1 Preferred Stock"), at a per share price of \$3,250 for an aggregate purchase price of \$40,001,000;

WHEREAS, pursuant to the Certificate of Designations, Preferences and Rights of Series B-1 Non-Voting Preferred Stock and Series B-2 Voting Preferred Stock (the "Certificate of Designations"), the Company will issue shares (the "Exchange Shares") of its Series B-2 voting preferred stock, no par value per share (the "Series B-2 Preferred Stock"), upon exchange of the Series B-1 Preferred Stock in accordance with the terms and condition of the Certificate of Designations;

WHEREAS, the Shares, and the Exchange Shares when issued upon exchange of the Shares, shall accrue a cumulative dividend in accordance with the terms of the Certificate of Designations, which (1) prior to March 9, 2017 shall and (2) after March 9, 2017 may, at the option of the Company, be paid in shares of Series B-1 Preferred Stock (the "Dividend Shares");

WHEREAS, the Shares, the Exchange Shares and the Dividend Shares are convertible into shares of the Company's common stock, no par value (the "Common Stock") (all such shares as converted, collectively, the "Conversion Shares"), in accordance with the terms of the Certificate of Designations;

WHEREAS, pursuant to the Securities Purchase Agreement, the Company is granting to the Purchaser an option to purchase additional equity securities proposed to be sold and issued by the Company from time to time in one or more additional financings pursuant to the terms and conditions of the Securities Purchase Agreement (the "Additional Financing Shares");

WHEREAS, the Company and the Rights Agent are entering into this Amendment to permit the Purchaser to acquire the (i) Shares, (ii) the Exchange Shares, (iii) the Dividend Shares, (iv) the Conversion Shares, (v) the Additional Financing Shares, and (vi) and additional shares of Common Stock from time to time, without thereby making the Purchaser or any of its Affiliates or Associates an Acquiring Person or resulting in a Distribution Date.

NOW, THEREFORE, the parties hereby agree as follows:

- Section 1(a) of the Rights Agreement is hereby deleted in its entirety and the following is inserted in lieu thereof:

"(a) "Acquiring Person" shall mean any Person (as such term is hereinafter defined) who or which, together with all Affiliates (as such term is hereinafter defined) and Associates (as such term is hereinafter defined) of such Person, shall be the Beneficial Owner (as such term is hereinafter defined) of 15% or more of the shares of Common Stock of the Company then outstanding, but shall not include (i) the Company, (ii) any Subsidiary (as such term is hereinafter defined) of the Company, (iii) any employee benefit plan or compensation arrangement of the Company or any Subsidiary of the Company or (iv) any Person holding shares of Common Stock of the Company organized, appointed or established by the Company or any Subsidiary of the Company for or pursuant to the terms of any such employee benefit plan or compensation arrangement (the Persons described in clauses (i) through (iv) above are referred to herein as "Exempt Persons"); provided, however, that the term "Acquiring Person" shall not include: (A) Eastern Capital Limited, a Cayman exempted company, and its Affiliates and Associates (collectively, "Eastern"), unless Eastern becomes the Beneficial Owner of 49.9% (the "Eastern Percentage") or more of the shares of Common Stock of the Company then outstanding; or (B) any Grandfathered Person, unless such Grandfathered Person becomes the Beneficial Owner of a percentage of the shares of Common Stock of the Company then outstanding equal to or exceeding such Grandfathered Person's Grandfathered Percentage. For the avoidance of doubt, as of March 9, 2012, no Stock Acquisition Date has occurred with respect to Eastern and Eastern is not an Acquiring Person.

Notwithstanding the foregoing, no Person shall become an "Acquiring Person" as the result of an acquisition by the Company of Common Stock of the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares Beneficially Owned by such Person to 15% (or (i) in the case of Eastern, the Eastern Percentage, or (ii) in the case of a Grandfathered Person, the Grandfathered Percentage applicable to such Grandfathered Person) or more of the shares of Common Stock of the Company then outstanding; provided, however, that if a Person shall become the Beneficial Owner of 15% (or (i) in the case of Eastern, the Eastern Percentage, or (ii) in the case of a Grandfathered Person, the Grandfathered Percentage applicable to such Grandfathered Person) or more of the shares of Common

Stock of the Company then outstanding by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any additional shares (other than pursuant to a stock split, stock dividend or similar transaction) of Common Stock of the Company and immediately thereafter be the Beneficial Owner of 15% (or (i) in the case of Eastern, the Eastern

Percentage, or (ii) in the case of a Grandfathered Person, the Grandfathered Percentage applicable to such Grandfathered Person) or more of the shares of Common Stock of the Company then outstanding, then such Person shall be deemed to be an "Acquiring Person."

In addition, notwithstanding the foregoing, and notwithstanding anything to the contrary provided in the Agreement including without limitation in Sections 1(jj), 3(a) or 27, a Person shall not be an "Acquiring Person" if the Board of Directors of the Company determines at any time that a Person who would otherwise be an "Acquiring Person," has become such without intending to become an "Acquiring Person," and such Person divests as promptly as practicable (or within such period of time as the Board of Directors of the Company determines is reasonable) a sufficient number of shares of Common Stock of the Company so that such Person would no longer be an "Acquiring Person," as defined pursuant to the foregoing provisions of this Section 1(a)."

2. Section 1(c) of the Rights Agreement is hereby deleted in its entirety and the following is inserted in lieu thereof:

"(c) "Affiliate" and "Associate" (i) shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations (the "Rules") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date of this Agreement and (ii) as to Eastern, shall also include, without limitation, all Purchaser Affiliates and Immediate Family Members of Purchaser Affiliates (as such terms are defined in the Securities Purchase Agreement dated as of March 9, 2012 between the Company and Eastern) to whom any Securities or Additional Financing Shares (each, as defined in the Securities Purchase Agreement) are transferred or Beneficially Owned; provided, however, that no Person who is a director or officer of the Company shall be deemed an Affiliate or an Associate of any other director or officer of the Company solely as a result of his or her position as director or officer of the Company."

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3. Section 3(a) of the Rights Agreement is hereby deleted in its entirety and the following is inserted in lieu thereof:

"(a) From the date hereof until the earlier of (i) the Close of Business on the tenth calendar day after the Stock Acquisition Date or (ii) the Close of Business on the tenth Business Day (or such later calendar day, if any, as the Board of Directors of the Company may determine in its sole discretion) after the date a tender or exchange offer by any Person, other than an Exempt Person, is first published or sent or given within the meaning of Rule 14d-4(a) of the Exchange Act, or any successor rule, if, upon consummation thereof, such Person could become, or would be, the Beneficial Owner of 15% (or (i) in the case of Eastern, the Eastern Percentage, or (ii) in the case of a Grandfathered Person, the Grandfathered Percentage applicable to such Grandfathered Person) or more of the shares of Common Stock of the Company then outstanding (including any such date which is after the date of this Agreement and prior to the issuance of the Rights) (the earliest of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for the Common Stock of the Company registered in the names of the holders of the Common Stock of the Company (which certificates for Common Stock of the Company shall be deemed also to be certificates for Rights) and not by separate certificates, and (y) the Rights will be transferable only in connection with the transfer of the underlying shares of Common Stock of the Company. As soon as practicable after the Distribution Date, the Rights Agent will, at the Company's expense send, by first-class, insured, postage prepaid mail, to each record holder of the Common Stock of the Company as of the Close of Business on the Distribution Date, at the address of such holder shown on the records of the Company, one or more certificates, in substantially the form of Exhibit B hereto (the "Right Certificates"), evidencing one Right for each share of Common Stock of the Company so held, subject to adjustment as provided herein. In the event that an adjustment in the number of Rights per share of Common Stock of the Company has been made pursuant to Section 11(o) hereof, the Company may make the necessary and appropriate rounding adjustments (in accordance with Section 14(a) hereof) at the time of distribution of the Right Certificates, so that Right Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Rights. As of and after the Close of Business on the Distribution Date, the Rights will be evidenced solely by such Right Certificates."

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3. This Amendment to the Rights Agreement shall be effective as of the date of this Amendment, and all references to the Rights Agreement shall, from and after such time, be deemed references to the Rights Agreement as amended hereby. Except as expressly set forth in this Amendment all other terms of the Rights Agreement shall remain in full force and effect.

4. This Amendment shall be governed by and construed in accordance with the laws of the State of Michigan applicable to contracts made and to be performed entirely within such State, without regard to conflict-of-law principles.

5. This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

6. The undersigned officer of the Company certifies by execution hereof that this Amendment is in compliance with the terms of Section 27 of the Rights Agreement.

[The remainder of this page has been intentionally left blank; signature page follows.]

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IN WITNESS WHEREOF, the Company and the Rights Agent have executed this Amendment effective as of the date first above written.

THE CORPORATION:

AASTROM BIOSCIENCES, INC.,

By: /s/ Tim M. Mayleben
Tim M. Mayleben
President and Chief Executive Officer

RIGHTS AGENT:

CONTINENTAL STOCK TRANSFER & TRUST COMPANY

By: /s/ Michael G. Mullings
Name: Michael G. Mullings
Title: Vice President

SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT (the “**Agreement**”), dated as of March 9, 2012, by and among Aastrom Biosciences, Inc., a Michigan corporation, (the “**Company**”), and the investors listed on the Schedule of Purchasers attached hereto (individually, a “**Purchaser**” and collectively, the “**Purchasers**”).

WHEREAS:

A. The Company and each Purchaser is executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by Section 4(2) of the Securities Act of 1933, as amended (the “**1933 Act**”), and Rule 506 of Regulation D (“**Regulation D**”) as promulgated by the U.S. Securities and Exchange Commission (the “**SEC**”) under the 1933 Act.

B. The Company has authorized (1) a new series of Series B-1 non-voting preferred stock, no par value per share (the “**Series B-1 Preferred Stock**”), and (2) a new series of Series B-2 voting preferred stock, no par value per share (the “**Series B-2 Preferred Stock**” and, together with the Series B-1 Preferred Stock, the “**Series B Preferred Stock**”), each having the respective rights, preferences and privileges set forth in the Certificate of Designations, to be filed prior to the Closing by the Company with the Department of Licensing and Regulatory Affairs of the State of Michigan, in the form of Exhibit A hereto (the “**Certificate of Designations**”), which Series B Preferred Stock shall be convertible into the Company’s common stock, no par value per share (the “**Common Stock**”).

C. Each Purchaser wishes to purchase, and the Company wishes to sell, upon the terms and conditions stated in this Agreement, that number of shares of Series B-1 Preferred Stock (the “**Shares**”) set forth opposite such Purchaser’s name in column (3) on the Schedule of Purchasers attached hereto, for the aggregate purchase price for all Purchasers of \$40,001,000.00, (1) which Shares are exchangeable for shares of the Series B-2 Preferred Stock (the “**Exchange Shares**”) and (2) which Shares, the Exchange Shares and Dividend Shares (as defined below) are convertible into shares of the Company’s Common Stock (as converted, collectively, the “**Conversion Shares**”).

D. The Shares shall accrue a cumulative dividend in accordance with the terms of the Certificate of Designations, which (1) prior to the fifth anniversary of the Closing shall and (2) after the fifth anniversary of the Closing date may, at the option of the Company, be paid in shares of Series B-1 Preferred Stock (the “**Dividend Shares**”).

E. Pursuant to this Agreement, the Company is granting to each Purchaser an option to purchase additional equity securities proposed to be sold and issued by the Company from time to time in one or more Additional Financings (as defined below) (the “**Additional Financing Shares**”).

F. Contemporaneously with the execution and delivery of this Agreement, the parties hereto are executing and delivering a Registration Rights Agreement, substantially in the form attached hereto as Exhibit B (the “**Registration Rights Agreement**”), pursuant to which

the Company has agreed to provide certain registration rights with respect to the Registrable Securities (as defined in the Registration Rights Agreement) under the 1933 Act and the rules and regulations promulgated thereunder, and applicable state securities laws.

G. The Shares, the Exchange Shares, the Conversion Shares and the Dividend Shares collectively are referred to herein as the “**Securities**”.

H. Prior to the execution and delivery of this Agreement, the Company and Continental Stock Transfer & Trust Company, as Rights Agent, have executed and delivered an Amendment No. 1 to Shareholder Rights Agreement, in the form attached hereto as Exhibit D (the “**Rights Agreement Amendment**”), pursuant to which the Purchasers may acquire the Securities and the Additional Financing Shares without making any Purchaser an Acquiring Person or resulting in a Distribution Date (each as defined in the Shareholder Rights Agreement, dated as of August 11, 2011, between the Company and the Rights Agent (the “**Rights Agreement**”).

NOW, THEREFORE, the Company and each Purchaser hereby agree as follows:

1. PURCHASE AND SALE OF SHARES.

(a) Purchase of Shares. Subject to the satisfaction (or waiver) of the conditions set forth in Sections 6 and 7 below, the Company shall issue and sell to each Purchaser, and each Purchaser severally, but not jointly, agrees to purchase from the Company on the Closing Date (as defined below), the number of Shares set forth opposite such Purchaser’s name in column (3) on the Schedule of Purchasers (the “**Closing**”).

(b) Closing. The date and time of the Closing (the “**Closing Date**”) shall be 10:00 a.m., New York City time, on the date hereof (or such later date as is mutually agreed to by the Company and each Purchaser) after satisfaction (or waiver) of the conditions to the Closing set forth in Sections 6 and 7 below at the offices of Goodwin Procter LLP, Exchange Place, 53 State Street, Boston, MA 02109.

(c) Purchase Price. The aggregate purchase price for the Shares to be purchased by each such Purchaser at the Closing (the “**Purchase Price**”) shall be the amount set forth opposite each Purchaser’s name in column (4) of the Schedule of Purchasers. Each Purchaser shall pay \$3,250.00 per share of Series B-1 Preferred Stock to be purchased by such Purchaser at the Closing.

(d) Form of Payment. On the Closing Date, (i) each Purchaser shall pay its Purchase Price to the Company for the Shares to be issued and sold to such Purchaser at the Closing, by wire transfer of immediately available funds in accordance with the Company’s written wire instructions and (ii) the Company shall issue and deliver the applicable number of Shares to be sold by the Company hereunder to each of the Purchasers.

2. PURCHASER'S REPRESENTATIONS AND WARRANTIES. Each Purchaser, severally and not jointly, represents and warrants with respect to only itself to the Company that:

(a) No Public Sale or Distribution. Such Purchaser is (i) acquiring the Shares and (ii) upon (A) exchange of the Shares for the Exchange Shares will acquire the shares of Series B-2 Preferred Stock issuable upon the exchange, (B) payment of the dividend pursuant to the terms of the Certificate of Designations will acquire the shares of Series B-1 Preferred Stock, and (C) conversion of the Shares, the Exchange Shares or the Dividend Shares will acquire the Conversion Shares issuable upon conversion of the Shares, the Exchange Shares or the Dividend Shares for its own account and not with a view towards, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered or exempted under the 1933 Act; provided, however, that by making the representations herein, such Purchaser does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act. Such Purchaser does not presently have any agreement or understanding, directly or indirectly, with any person or entity to distribute any of the Securities.

(b) Accredited Investor Status. Such Purchaser is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D.

(c) Reliance on Exemptions. Such Purchaser understands that the Securities are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and such Purchaser's compliance with, the representations, warranties, agreements, acknowledgments and understandings of such Purchaser set forth herein in order to determine the availability of such exemptions and the eligibility of such Purchaser to acquire the Securities.

(d) Information. Such Purchaser has been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by such Purchaser. Such Purchaser has been afforded the opportunity to ask questions of the Company. Neither such materials, inquiries nor any other due diligence investigations conducted by such Purchaser or its advisors, if any, or its representatives shall modify, amend or affect the Company's representations and warranties contained hereon or such Purchaser's right to rely on the Company's representations and warranties contained herein. Such Purchaser understands that its investment in the Securities involves a high degree of risk. Such Purchaser has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its acquisition of the Securities.

(e) No Governmental Review. Such Purchaser understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

(f) Transfer or Resale. Such Purchaser understands that except as provided in

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the Registration Rights Agreement: (i) the Securities have not been and are not being registered under the 1933 Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (A) subsequently registered thereunder, (B) such Purchaser shall have delivered to the Company an opinion of counsel, in a generally acceptable form, to the effect that such Securities to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration, or (C) such Purchaser provides the Company with reasonable assurance that such Securities can be sold, assigned or transferred pursuant to Rule 144 or Rule 144A promulgated under the 1933 Act, as amended, (or a successor rule thereto) (collectively, "**Rule 144**"); (ii) any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144 and further, if Rule 144 is not applicable, any resale of the Securities under circumstances in which the seller (or the Person (as defined in Section 3(s)) through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other Person is under any obligation to register the Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, no registration statement or opinion of counsel will be required for any transfer of the Securities by a Purchaser to an affiliate of such Purchaser.

(g) Legends. Such Purchaser understands that the certificates or other instruments representing the Shares, the Exchange Shares and the Dividend Shares and, until such time as the resale of the Conversion Shares have been registered under the 1933 Act as contemplated by the Registration Rights Agreement, the stock certificates representing the Conversion Shares, except as set forth below, shall bear any legend as required by the "blue sky" laws of any state and a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of such stock certificates):

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL, IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT.

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of the Securities upon which it is stamped or issue to such holder by electronic delivery at the applicable balance account at DTC (as defined below), unless otherwise required by state securities laws, (i) such Securities are registered for resale under the 1933 Act, (ii) in connection with a sale, assignment or other transfer, such holder provides the Company

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with an opinion of counsel, in a generally acceptable form, to the effect that such sale, assignment or transfer of the Securities may be made without registration under the applicable requirements of the 1933 Act, or (iii) such holder provides the Company with reasonable assurance that the Securities can be sold, assigned or transferred pursuant to Rule 144 or Rule 144A.

(h) Validity; Enforcement. This Agreement and the Registration Rights Agreement have been duly and validly authorized, executed and delivered on behalf of such Purchaser and shall constitute the legal, valid and binding obligations of such Purchaser enforceable against such Purchaser in accordance with their respective terms, except (i) as such enforceability may be limited by general principles of equity or to applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies and (ii) to the extent the indemnification provisions contained in the Registration Rights Agreement may be limited by applicable federal or state securities laws.

(i) No Conflicts. The execution, delivery and performance by such Purchaser of this Agreement and the Registration Rights Agreement and the consummation by such Purchaser of the transactions contemplated hereby and thereby will not (i) result in a violation of the organizational documents of such Purchaser or (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, indenture or instrument to which such Purchaser is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws) applicable to such Purchaser, except in the case of clauses (ii) and (iii) above, for such conflicts, defaults, rights or violations which would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of such Purchaser to perform its obligations hereunder.

(j) Residency. Such Purchaser is a resident of that jurisdiction specified below its address on the Schedule of Purchasers.

(k) Foreign Investors. If the Purchaser is not a United States person (as defined by Section 7701(a)(30) of the Internal Revenue Code), the Purchaser hereby represents that it has satisfied itself as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the Securities or any use of this Agreement, including (i) the legal requirements within its jurisdiction for the purchase of the Securities, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Securities. The Purchaser's subscription and payment for and continued beneficial ownership of the Securities will not violate any applicable securities or other laws of the Purchaser's jurisdiction.

(l) Certain Trading Activities. The Purchaser has not directly or indirectly, nor has any Person acting on behalf of or pursuant to any understanding with such Purchaser, engaged in any transactions in the securities of the Company (including, without limitation, any Short Sales (as defined below) involving the Company's securities) during the period

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commencing on January 1, 2012 and ending immediately prior to the execution of this Agreement by such Purchaser. "Short Sales" means all "short sales" as defined in Rule 200 promulgated under Regulation SHO under the Securities Exchange Act of 1934, as amended (the "1934 Act").

(m) Source of Funds. The Purchaser further represents and warrants to, and covenants with, the Company that (i) the Purchaser is in compliance with Executive Order 13224 and the regulations administered by the U.S. Department of the Treasury (the "Treasury") Office of Foreign Assets Control, (ii) the Purchaser, its parents, subsidiaries, affiliated companies, officers, directors and partners, and to the Purchaser's knowledge, its shareholders, owners, employees, and agents, are not on the List of Specially Designated Nationals and Blocked Persons maintained by the Treasury and have not been designated by Treasury as a financial institution of primary money laundering concern, (iii) to the Purchaser's knowledge after reasonable investigation, all of the funds to be used to acquire the Securities are derived from legitimate sources and are not the product of illegal activities, and (iv) the Purchaser is in compliance in all material respects with all other applicable U.S. anti-money laundering laws and regulations and has implemented, if applicable, an anti-money laundering compliance program in accordance with the requirements of the Bank Secrecy Act, as amended by the USA PATRIOT Act, Pub. L. 107-56.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each of the Purchasers that:

(a) Organization and Qualification. Each of the Company and its "Subsidiaries" (which for purposes of this Agreement means any entity in which the Company, directly or indirectly, owns any of the capital stock or holds an equity or similar interest, and includes, without limitation, Aastrom Biosciences, Ltd., Ireland and Aastrom Biosciences GmbH, Germany) are entities duly organized and validly existing in good standing under the laws of the jurisdiction in which they are formed, and have the requisite power and authorization to own their properties and to carry on their business as now being conducted. Each of the Company and its Subsidiaries is duly qualified as a foreign entity to do business and is in good standing in every jurisdiction in which its ownership of property or the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect. As used in this Agreement, "Material Adverse Effect" means any material adverse effect on the business, properties, assets, operations, results of operations, prospects or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, or on the transactions contemplated hereby and the other Transaction Documents (as defined below) or by the agreements and instruments to be entered into in connection herewith or therewith, or on the authority or ability of the Company to perform its obligations under the Transaction Documents or to consummate the transactions contemplated hereby and thereby.

(b) Authorization; Enforcement; Validity.

(i) The Company has the requisite power and authority to enter into and perform its obligations under this Agreement, the Certificate of Designations, the

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Registration Rights Agreement, the Rights Agreement Amendment, the Transfer Agent Instructions (as defined in Section 5(b)), and each of the other agreements entered into by the parties hereto in connection with the transactions contemplated by this Agreement (collectively, the "Transaction Documents") and to issue the Securities in accordance with the terms hereof and thereof. The execution and delivery of the Transaction Documents by the

Company and the consummation by the Company of the transactions contemplated hereby and thereby, including, without limitation, the filing of the Certificate of Designations, the issuance of the Shares, the reservation for issuance and the issuance of the Exchange Shares issuable upon exchange of the Shares, the reservation for issuance and the issuance of the Conversion Shares issuable upon conversion of the Shares or the Exchange Shares and the reservation for issuance and the issuance of the Dividend Shares, have been duly authorized by the Company's Board of Directors and (other than (A) the filing with the SEC and applicable state securities commissions of Form D and related filings, and (B) the filing with the SEC of one or more Registration Statements in accordance with the requirements of the Registration Rights Agreement) no further filing, consent, or authorization is required by the Company, its Board of Directors or its shareholders. Without limiting the foregoing, on or prior to the date hereof, the Board of Directors of the Company has duly adopted resolutions (W) approving the Transaction Documents and the transactions contemplated hereby and thereby, (X) declaring the Transaction Documents the issuance and sale of the Securities advisable, (Y) recommending the Proposal (as defined below) and (Z) adopting the Certificate of Designations, and, as of the date hereof, such resolutions have not been rescinded, modified or withdrawn in any way. True and complete copies of all resolutions of the Board of Directors reflecting such actions have been previously provided to the Purchasers.

(ii) This Agreement and the other Transaction Documents have been duly executed and delivered by the Company, and constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except (i) as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies and (ii) to the extent the indemnification provisions contained in the Registration Rights Agreement may be limited by applicable federal or state securities laws.

(c) Governmental Consents. No consent, approval, order, or authorization of, or registration, qualification, declaration, or filing with, any federal, state, or local governmental authority on the part of the Company is required in connection with the offer, sale, or issuance of the Securities or the consummation of any other transaction contemplated hereby, except for the following: (1) the filing of the Certificate of Designations in the office of the Department of Licensing and Regulatory Affairs of the State of Michigan, which will be filed by the Company and be effective as an amendment to the Articles of Incorporation prior to the Closing; (2) the compliance with other applicable federal and state securities laws, including the filing with the SEC and applicable state securities commissions of Form D and related filings, which compliance will have occurred within the appropriate time periods therefor; (3) the notification of the issuance and sale of the Securities to NASDAQ in accordance with the NASDAQ Rule 4310(c)(17)(B); and (4) the filing with the SEC of such reports under the Exchange Act as may be required in connection with this Agreement and the transactions contemplated by this Agreement.

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(d) Issuance of Securities. The Securities are duly authorized and are free from all taxes, liens and charges with respect to the issue thereof. As of the Closing, a number of shares of Series B-1 Preferred Stock shall have been duly authorized and reserved for issuance which equals the maximum number of shares of Series B-1 Preferred Stock issuable as Dividend Shares pursuant to the terms of the Certificate of Designations. As of the Closing, a number of shares of Series B-2 Preferred Stock shall have been duly authorized and reserved for issuance which equals the maximum number of shares of Series B-2 Preferred Stock issuable upon exchange of the Shares. As of the Closing, a number of shares of Common Stock shall have been duly authorized and reserved for issuance which equals the maximum number of shares of Common Stock issuable upon conversion of the Shares, the Exchange Shares or the Dividend Shares. Upon payment in accordance with the Certificate of Designations, the Dividend Shares (including, without limitation, Dividend Shares accrued as Accelerated Dividends (as defined the Certificate of Designations)) will be validly issued, fully paid and nonassessable and free from all preemptive or similar rights, taxes, liens and charges with respect to the issue thereof, with the holders being entitled to all rights accorded to a holder of Series B-1 Preferred Stock. Upon exchange in accordance with the Certificate of Designations, the Exchange Shares will be validly issued, fully paid and nonassessable and free from all preemptive or similar rights, taxes, liens and charges with respect to the issue thereof, with the holders being entitled to all rights accorded to a holder of Series B-2 Preferred Stock. Upon conversion in accordance with the Certificate of Designations, the Conversion Shares will be validly issued, fully paid and nonassessable and free from all preemptive or similar rights, taxes, liens and charges with respect to the issue thereof, with the holders being entitled to all rights accorded to a holder of Common Stock. The offer and issuance by the Company of the Securities is exempt from registration under the 1933 Act and all applicable state securities laws, and neither the Company nor any authorized agent acting on its behalf will take any action hereafter that would cause the loss of such exemptions.

(e) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance of the Shares, and reservation for issuance and issuance of the Exchange Shares, the Conversion Shares and the Dividend Shares) will not (i) result in a violation of any articles of incorporation (including, without limitation, the Articles of Incorporation), certificate of formation, any certificate of designations or other constituent documents of the Company or any of its Subsidiaries, any capital stock of the Company or any of its Subsidiaries, any Options (as defined below) or Convertible Securities (as defined below) of the Company or any of its Subsidiaries, or the bylaws (including, without limitation, the Bylaws) of the Company or any of its Subsidiaries, (ii) result in a violation of the regulations and rules of The Nasdaq Capital Market (the "**Principal Market**"), (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including foreign, federal and state securities laws) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or (iv) conflict with, result in the breach or violation of, or constitute, either by itself or upon notice or the passage of time or both, a default under any material contract or agreement filed or required by the Securities Exchange Act of 1934, as amended to be filed as an exhibit to the reports thereunder by which the Company or any of its properties are bound, except in the case of clauses (iii) and (iv) above, for any lien, charge, security interest, encumbrance, conflict, breach, violation or default which would not have a Material Adverse Effect.

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(f) No General Solicitation; Agents' Fees. Neither the Company, nor any of its Subsidiaries or affiliates, nor any Person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the offer or sale of the Securities. The Company shall be responsible for the payment of any placement agent's fees, financial advisory fees, or brokers' commissions (other than for persons engaged by any Purchaser or its investment advisor) relating to or arising out of the transactions contemplated hereby. The Company has not engaged any placement agent or other agent other than McNicoll, Lewis & Vlak LLC in connection with the sale of the Securities.

(g) No Integrated Offering. None of the Company, its Subsidiaries, any of their affiliates, and any Person acting on their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of any of the Securities under the 1933 Act or cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of the 1933 Act or any applicable shareholder approval provisions, including, without limitation, under the rules and regulations of any exchange or automated quotation system on which any of the securities of the Company are listed or designated. None of the Company, its Subsidiaries, their affiliates and any

Person acting on their behalf will take any action or steps referred to in the preceding sentence that would require registration of any of the Securities under the 1933 Act or cause the offering of the Securities to be integrated with other offerings.

(h) Application of Takeover Protections; Rights Agreement. 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 (including, without limitation, the Rights Agreement)) or other similar anti-takeover provision under the Articles of Incorporation or the laws of the jurisdiction of its formation which is or could become applicable to any Purchaser as a result of the transactions contemplated by this Agreement, including, without limitation, the Company's issuance of the Securities and the Additional Financing Shares and any Purchaser's ownership of the Securities and the Additional Financing Shares. True and complete copies of all resolutions of the Board of Directors reflecting such actions have been previously provided to the Purchasers. Except as set forth in the Certificate of Designations, no provision of the Articles of Incorporation or the Bylaws of the Company would, directly or indirectly, restrict or impair the ability of the Purchasers to vote, or otherwise to exercise the rights of a shareholder with respect to, the Securities.

(i) SEC Documents; Financial Statements. Except as disclosed in Schedule 3(i), the Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the 1934 Act (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein being hereinafter referred to as the "SEC Documents"). The Company has delivered to the Purchasers or their respective representatives true, correct and complete copies of the SEC Documents not available on the EDGAR system. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement

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of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Company included in the SEC Documents complied in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise set forth in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). No other information provided by or on behalf of the Company to the Purchasers which is not included in the SEC Documents, including, without limitation, information referred to in Section 2(d) of this Agreement, contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstance under which they are or were made, not misleading.

(j) Equity Capitalization. As of the date hereof, the authorized capital stock of the Company is as disclosed in the Articles of Incorporation (as defined below). All of the outstanding shares of capital stock of the Company have been, or upon issuance will be, validly issued and are fully paid and nonassessable. Except as disclosed in the SEC Documents: (i) none of the Company's capital stock is subject to preemptive rights or any other similar rights or any liens or encumbrances suffered or permitted by the Company; (ii) there are no outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, or exercisable or exchangeable for, any capital stock of the Company or any of its Subsidiaries, or contracts, commitments, understandings or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional capital stock of the Company or any of its Subsidiaries or options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, or exercisable or exchangeable for, any capital stock of the Company or any of its Subsidiaries; (iii) there are no outstanding debt securities, notes, credit agreements, credit facilities or other agreements, documents or instruments evidencing Indebtedness of the Company or any of its Subsidiaries or by which the Company or any of its Subsidiaries is or may become bound; (iv) there are no financing statements securing obligations in any material amounts, either singly or in the aggregate, filed in connection with the Company or any of its Subsidiaries; (v) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of their securities under the 1933 Act (except pursuant to the Registration Rights Agreement) and to the knowledge of the Company no shareholder of the Company has entered into any agreement with respect to the voting of equity securities of the Company; (vi) there are no outstanding securities or instruments of the Company or any of its Subsidiaries which contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any of its Subsidiaries is or may become bound to redeem a security of the Company or any of its Subsidiaries; (vii) there are no securities or instruments containing anti-dilution or similar provisions that will be triggered by the issuance of the Securities; (viii) the Company does not have any stock appreciation rights or "phantom stock" plans or agreements or any similar plan or

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agreement; and (ix) the Company and its Subsidiaries have no liabilities or obligations required to be disclosed in the SEC Documents but not so disclosed in the SEC Documents, other than those incurred in the ordinary course of the Company's or its Subsidiaries' respective businesses and which, individually or in the aggregate, are not material. The Company has furnished or made available to the Purchasers true, correct and complete copies of the Company's Articles of Incorporation, as amended and as in effect on the date hereof (the "**Articles of Incorporation**"), and the Company's Bylaws, as amended and as in effect on the date hereof (the "**Bylaws**").

(i) No Material Adverse Effect. Since November 8, 2011, no event or circumstance has occurred that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect other than continued incurrence of operating losses incurred in the ordinary course of the Company's business.

(k) No Restriction on Ability to Pay Dividends. The Company is not party to any contract, agreement, arrangement or other understanding, oral or written, express or implied, and is not subject to any provision in its Articles of Incorporation or Bylaws or other governing documents or resolutions of the Board, that could restrict, limit, prohibit or prevent the Company's ability to pay dividends in full (whether payable as Dividend Shares or in cash) on the Shares or the Exchange Shares in the amounts contemplated by the Certificate of Designations.

(l) Disclosure. The Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that constitutes material, nonpublic information. The Company understands and confirms that each of the Purchasers will rely on the foregoing representations in effecting transactions in securities of the Company. All disclosure provided to the Purchasers regarding the Company, or any of its Subsidiaries, their business and the transactions contemplated hereby, including the Schedules to this Agreement, furnished by or on behalf of the Company is true and correct in all material respects and 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. Each press release issued by the Company or any of its Subsidiaries during the twelve (12) months preceding the date of this Agreement did not at the time of release 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, in the light of the circumstances under which they were made, not misleading. Except as contemplated by this Agreement, 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.

4. COVENANTS.

(a) Best Efforts. Each party shall use its best efforts timely to satisfy each of the conditions to be satisfied by it as provided in Sections 6 and 7 of this Agreement.

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(b) Form D and Blue Sky. The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D. The Company shall, on or before the Closing Date, take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for or to qualify the Securities for sale to the Purchasers at the Closing pursuant to this Agreement under applicable securities or "Blue Sky" laws of the states of the United States (or to obtain an exemption from such qualification). The Company shall make all filings and reports relating to the offer and sale of the Securities required under applicable securities or "Blue Sky" laws of the states of the United States following the Closing Date.

(c) Reporting Status. Until the date on which the Purchasers shall have sold all the Conversion Shares and the Dividend Shares and none of the Shares are outstanding (the "**Reporting Period**"), or such earlier date as a Fundamental Change (as defined in the Certificate of Designations) shall occur, the Company shall timely file all reports required to be filed with the SEC pursuant to the 1934 Act, and the Company shall not terminate its status as an issuer required to file reports under the 1934 Act even if the 1934 Act or the rules and regulations thereunder would permit such termination.

(d) Listing. The Company shall promptly secure the listing of all of the Registrable Securities (as defined in the Registration Rights Agreement) upon each national securities exchange and automated quotation system, if any, upon which the Common Stock is then listed (subject to official notice of issuance) and shall maintain such listing of all Registrable Securities from time to time issuable under the terms of the Transaction Documents. The Company shall maintain the Common Stocks' authorization for quotation on the Principal Market. Neither the Company nor any of its Subsidiaries shall take any action which would be reasonably expected to result in the delisting or suspension of the Common Stock on the Principal Market.

(e) Fees. Each party to this Agreement shall bear its own expenses in connection with the sale of the Securities to the Purchasers.

(f) Reservation of Shares. The Company shall take all action necessary to at all times have authorized, and reserved for the purpose of issuance, (i) the maximum number of shares of Series B-2 Preferred Stock issuable upon exchange of the Shares, (ii) the maximum number shares of Common Stock issuable upon conversion of the Shares, the Exchange Shares or the Dividend Shares, and (iii) the maximum number shares of Series B-1 Preferred Stock issuable as Dividend Shares pursuant to the terms of the Certificate of Designations.

(g) Conduct of Business. The business of the Company and its Subsidiaries shall not be conducted in violation of any law, ordinance or regulation of any governmental entity, except where such violations would not result, either individually or in the aggregate, in a Material Adverse Effect.

(h) Shareholder Approval.

(i) So long as any Securities remain outstanding, the Company shall use its reasonable best efforts, in accordance with the applicable corporate law of the State of Michigan and the Articles of Incorporation and Bylaws, to obtain the approval of the

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shareholders of the Company to approve the Company's issuance of all of the Securities and Additional Financing Shares in accordance with applicable law and the applicable rules and regulations of the Principal Market or any other U.S. national or regional securities exchange on which the Common Stock is listed (the "**Proposal**"), as soon as practicable after the Closing Date (the "**Shareholder Approval**") including: (A) duly calling, giving notice of, convening and holding a meeting of the shareholders of the Company (the "**First Shareholders Meeting**") to be held as promptly as reasonably practicable, and in any event not later than June 30, 2012, for the purpose of approving the Proposal; (B) using its reasonable best efforts to solicit from its shareholders proxies in favor of the approval of the Proposal and taking all other action reasonably necessary or advisable to secure the Shareholder Approval; and (C) if the Company does not obtain the Shareholder Approval at the First Shareholders Meeting, calling a shareholders meeting to be held no later than the date that is 9 months after the First Shareholders Meeting (the "**Second Shareholders Meeting**") for the purpose of obtaining the Shareholder Approval, and, if the Company does not obtain the Shareholder Approval at the Second Shareholders Meeting, if any, submitting the Proposal for approval at each annual meeting of the Company's shareholders held thereafter, in each case to seek the Shareholder Approval, until the date on which the Shareholder Approval is obtained (each of any such annual meeting, the First Shareholders Meeting and the Second Shareholders Meeting being referred to as, a "**Shareholders Meeting**").

(ii) In connection with each Shareholders Meeting, the Company will use its reasonable best efforts to (A) as promptly as reasonably practicable before the date of such Shareholders Meeting (and in the case of the First Shareholders Meeting, as promptly as reasonably practicable after the date of this Agreement), prepare and file with the SEC a proxy statement (as it may be amended or supplemented from time to time, a "**Proxy Statement**") related to the consideration of the Proposal at the Shareholders Meeting, (B) respond as promptly as reasonably practicable to any comments received from the SEC with respect to such filings and provide copies of such comments to one counsel designated by the Controlling Purchaser (as defined in the Registration Rights Agreement) (which will be Vinson & Elkins L.L.P. unless the Company is otherwise notified in writing prior to the required

delivery date (“**Counsel**”)) promptly upon receipt and provide copies of proposed responses to Counsel at least three Business Days (as defined below) prior to filing to allow Counsel the opportunity to provide comments, (C) as promptly as reasonably practicable, prepare and file any amendments or supplements necessary to be filed in response to any SEC comments or as otherwise required by applicable laws, (D) as promptly as reasonably practicable, distribute or otherwise make available to its shareholders, in accordance with applicable law and the rules of the SEC, the Proxy Statement and, as determined by the Company, all other customary proxy or other materials for meetings such as the Shareholders Meeting, (E) to the extent required by applicable laws or rules of the SEC, as promptly as reasonably practicable prepare, file and distribute (or otherwise make available) to its shareholders, in accordance with applicable law and the rules of the SEC, any supplement or amendment to the Proxy Statement if any event shall occur which requires such action at any time prior to the Shareholders Meeting, and (F) otherwise comply in all material respects with all requirements of law and rules of the SEC applicable to any Shareholders Meeting. Each Purchaser shall cooperate with the Company in connection with the preparation of the Proxy Statement and any amendments or supplements thereto, including promptly furnishing the Company, upon request, with any and all information as may be required to be set forth in the Proxy Statement under applicable laws or rules of the SEC. The Company

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will provide to Counsel, at least three Business Days prior to filing with the SEC, the Proxy Statement, or any amendments or supplements thereto, and shall give reasonable consideration to any comments proposed by Counsel prior to distributing (or otherwise making available) the Proxy Statement to its shareholders. The Proxy Statement shall include the recommendation of the Board of Directors of the Company to approve the Proposal referred to in Section 3(b).

(iii) If, at any time prior to a Shareholders Meeting, any information relating to the Company or any of the Purchasers should be discovered by the Company or any of the Purchasers which should be set forth in an amendment or supplement to a Proxy Statement so that the Proxy Statement shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, the party that discovers such information shall promptly notify the other parties and, to the extent required by applicable law, the Company shall use its reasonable best efforts to disseminate as promptly as reasonably practicable in an appropriate manner in accordance with applicable law and the rules of the SEC an appropriate amendment thereof or supplement thereto describing such information to its shareholders.

(iv) The Company hereby represents, warrants, covenants and agrees that none of the information included or incorporated by reference in a Proxy Statement shall, at the date it is first distributed or otherwise made available to shareholders or at the time of the applicable Shareholders Meeting or at the time of any amendment or supplement thereof, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, except that no such representation is made by the Company with respect to statements made or incorporated by reference therein in reliance on, and in conformity with, information supplied in writing by or on behalf of the Purchasers in connection with the preparation of the Proxy Statement or any supplement or amendment thereto expressly for inclusion therein. The Proxy Statement or any supplement or amendment thereto that is filed by the Company shall comply as to form in all material respects with the requirements of the Exchange Act.

(v) The Company’s obligations under this Section 4(h) shall not apply following any date on which the rules of the Principal Market or any other U.S. national or regional exchange on which the Common Stock is listed, or the staff interpretations thereof, are changed such that no approval of the Company’s shareholders is required for the Proposal under such rules; provided that the Company has received, and delivered, or caused to be delivered, to each of the Purchasers, a written opinion of outside counsel to the Company to such effect, or the Principal Market or any other U.S. national or regional exchange on which the Common Stock is listed has provided confirmation to such effect.

(i) HSR Compliance. The Company acknowledges that issuance of the Securities and the Additional Financing Shares to a Purchaser may subject such Purchaser to the filing requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “**HSR Act**”). As such, the exchange of the Shares for the Exchange Shares, the conversion of the Shares or the Exchange Shares for the Conversion Shares, the issuance of the Dividend Shares and the purchase of Additional Financing Shares may be subject to compliance by the

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Purchasers with all applicable filing requirements and the expiration of all waiting periods under the HSR Act (the “**HSR Act Restrictions**”). If, on or before the expiration of any period of time for a Purchaser to exercise any right or comply with any obligation with respect to the Securities or the Additional Financing Shares under any Transaction Agreement or otherwise, such Purchaser has notified the Company of its inability to exercise such right or comply with such obligation prior to the expiration of such period because of HSR Act Restrictions, such Purchaser shall be entitled to exercise such right or comply with such obligation without waiver or breach of any Transaction Agreement, notwithstanding the fact that the exercise of such right or compliance with such obligation would occur after expiration of such period, so long as Purchaser uses its reasonable best efforts to comply with the filing requirements of the HSR Act (including its waiting periods) until such time as Purchaser exercises such right or complies with such obligation. The Company will cooperate with each Purchaser in making all applicable filings under the HSR Act; provided, however, that such Purchaser will pay all applicable filing fees.

(j) Shareholder Rights Agreement. The Company hereby agrees that it shall not amend or modify Sections 1(a), 1(c) or 3(a) of the Shareholder Rights Agreement with respect to Eastern Capital Limited or its Affiliates or Associates (each, as defined therein) without the written consent of the holders of a majority of the then-outstanding Registrable Securities issued hereunder then held by Eastern Capital Limited and its Affiliates and Associates.

5. REGISTER; TRANSFER AGENT INSTRUCTIONS.

(a) Register. The Company shall maintain at its principal executive offices (or such other office or agency of the Company as it may designate by notice to each holder of Securities, which for purposes of the Common Stock, shall be the Company’s existing independent registrar and transfer agent) a register for the Shares in which the Company shall record the name and address of the Person in whose name the Shares have been issued (including the name and address of each transferee), the number of Shares held by such Person, the number of Exchange Shares issuable upon exchange of the Shares, the number of Conversion Shares issuable upon conversion of the Shares, Exchange Shares, or Dividend Shares, as applicable, and the number of Dividend Shares. The Company shall keep the register open and available at all times during reasonable business hours for inspection of any Purchaser or its legal representatives.

(b) Transfer Agent Instructions. The Company shall issue irrevocable instructions to its transfer agent, and any subsequent transfer agent, to issue certificates or credit shares to the applicable balance accounts at The Depository Trust Company (“DTC”), registered in the name of each Purchaser or its respective nominee(s), for the Conversion Shares issuable upon conversion of the Shares, the Exchange Shares or the Dividend Shares in such amounts as specified from time to time by each Purchaser to the Company, including upon conversion of the Shares, the Exchange Shares or the Dividend Shares in the form of Exhibit C (the “**Transfer Agent Instructions**”). The Company warrants that no instruction other than the Transfer Agent Instructions referred to in this Section 5(b), and stop transfer instructions to give effect to Section 2(g) hereof, will be given by the Company to its transfer agent, and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent

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provided in this Agreement and the other Transaction Documents. If a Purchaser effects a sale, assignment or transfer of the Securities in accordance with Section 2(f), the Company shall permit the transfer and shall promptly instruct its transfer agent to issue one or more certificates or credit shares to the applicable balance accounts at DTC in such name and in such denominations as specified by such Purchaser to effect such sale, transfer or assignment. In the event that such sale, assignment or transfer involves Conversion Shares sold, assigned or transferred pursuant to an effective registration statement or pursuant to Rule 144, the transfer agent shall issue such Securities to the Purchaser, assignee or transferee, as the case may be, without any restrictive legend.

6. CONDITIONS TO THE COMPANY’S OBLIGATION TO SELL.

The obligation of the Company hereunder to issue and sell the Shares to each Purchaser at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for the Company’s sole benefit and may be waived by the Company at any time in its sole discretion by providing each Purchaser with prior written notice thereof:

(i) Such Purchaser shall have executed each of the Transaction Documents to which it is a party and delivered the same to the Company.

(ii) Such Purchaser and each other Purchaser shall have delivered to the Company the Purchase Price for the Shares being purchased by such Purchaser at the Closing by wire transfer of immediately available funds in accordance with Section 1(d) hereof.

(iii) The representations and warranties of such Purchaser shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date which shall be true and correct as of such specified date), and such Purchaser shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by such Purchaser at or prior to the Closing Date.

7. CONDITIONS TO EACH PURCHASER’S OBLIGATION TO PURCHASE.

The obligation of each Purchaser hereunder to purchase the Shares at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for each Purchaser’s sole benefit and may be waived by such Purchaser at any time in its sole discretion by providing the Company with prior written notice thereof:

(i) The Company shall have duly executed and delivered to such Purchaser (A) each of the Transaction Documents and (B) the Shares (in such amounts as such Purchaser shall request), being purchased by such Purchaser at the Closing pursuant to this Agreement in accordance with Section 1(d) hereof.

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(ii) The Company shall have filed the Certificate of Designations with the Department of Licensing and Regulatory Affairs of the State of Michigan, and the Certificate of Designations shall have become effective as an amendment to the Articles of Incorporation.

(iii) The Company shall have delivered to such Purchaser a copy of the Transfer Agent Instructions, in the form of Exhibit C attached hereto, which instructions shall have been delivered to the Company’s transfer agent.

(iv) The representations and warranties of the Company shall be true and correct in all material respects (except for representations and warranties that are qualified and limited by “material,” “materiality,” “Material Adverse Effect” or words of similar import which shall be true and correct in all respects) as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date which shall be true and correct as of such specified date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Company at or prior to the Closing Date.

(v) The Common Stock (I) shall be designated for quotation or listed on the Principal Market and (II) shall not have been suspended, as of the Closing Date, by the SEC or the Principal Market from trading on the Principal Market nor shall suspension by the SEC or the Principal Market have been threatened, as of the Closing Date, either (A) in writing by the SEC or the Principal Market or (B) by falling below the minimum listing maintenance requirements of the Principal Market.

(vi) The Company shall have obtained all governmental or regulatory consents and approvals, if any, necessary for the sale of the Securities, except for such consents and approvals as are contemplated to be obtained following the Closing Date.

(vii) Each of Goodwin Procter LLP and Dykema Gossett PLLC, counsels for the Company, shall deliver to the Purchasers an opinion, dated as of the Closing Date, in substantially the forms previously agreed to between the Purchaser and the Company.

(viii) The Chief Executive Officer and/or Chief Financial Officer of the Company shall have delivered to the Purchasers at the Closing a certificate certifying that the conditions specified in clauses (ii), (iv), (v) and (vi) of this Section 7 have been fulfilled.

8. **TERMINATION.** In the event that the Closing shall not have occurred with respect to a Purchaser on or before five (5) Business Days from the date hereof due to the Company's or such Purchaser's failure to satisfy the conditions set forth in Sections 6 and 7 above (and the nonbreaching party's failure to waive such unsatisfied condition(s)), the nonbreaching party shall have the option to terminate this Agreement with respect to such breaching party at the close of business on such date without liability of any party to any other party. As used in this Agreement, "**Business Day**" means any day other than (a) a Saturday, Sunday or federal holiday or (b) a day on which commercial banks in New York, New York are authorized or required by law to be closed.

9. **PREEMPTIVE RIGHTS.**

(i) With respect to any Purchaser, in the event that, (a) such Purchaser continues to own a number of Shares or Exchange Shares (including shares of Common Stock issued upon conversion of the Shares or the Exchange Shares) which is equal to or greater than ten percent (10%) of the number of Shares purchased by such Purchaser pursuant to this Agreement and set forth opposite such Purchaser's name on the Schedule of Purchasers (such number of Shares being subject to adjustment for stock splits, dividends, combinations, recapitalizations, reclassifications and other similar events), and (b) the Company proposes to sell and issue equity securities of the Company (an "**Additional Financing**"), such Purchaser shall have the option to purchase, on the same terms and conditions offered by the Company to the other purchasers of such securities in such Additional Financing, up to that percentage of the securities sold in such Additional Financing equal to (x) the number of shares of Common Stock purchased by such Purchaser pursuant to this Agreement that are held by such Purchaser immediately prior to the consummation of the Additional Financing (calculated on an as-converted to Common Stock basis (whether or not the Shares or Exchange Shares held by such Purchaser are then convertible) and including, without limitation, such Purchaser's Conversion Shares and Dividend Shares) as compared to (y) the total number of shares of Common Stock outstanding immediately prior to the consummation of the Additional Financing (including all Conversion Shares and Dividend Shares) (such percentage being such Purchaser's "**Additional Financing Pro Rata Amount**").

(ii) Promptly after the Company determines to engage in an Additional Financing, the Company shall deliver a written notice (the "**Offer Notice**") to the Purchasers stating (a) its bona fide intention to offer securities in an Additional Financing, (b) the number of such securities to be offered, (c) the price and terms, to the extent known, upon which it proposes to offer such securities or borrow such funds, and (d) the anticipated closing date of the Additional Financing. The Company shall promptly notify each Purchaser of (x) the determination of the price and terms upon which it proposes to offer such securities, to the extent not set forth in the Offer Notice, and (y) any material change in any of the information set forth in the Offer Notice or in the price or other terms previously communicated to such Purchaser.

(iii) No Purchaser may participate in an Additional Financing, in whole or in part, unless it (a) delivers to the Company, on or prior to the date five (5) Business Days after the date of delivery of the Offer Notice a written notice of acceptance (an "**Acceptance Notice**") providing a representation letter certifying that such Purchaser is an accredited investor within the meaning of Rule 501 under the Securities Act and indicating the portion of the

Purchaser's Additional Financing Pro Rata Amount that such Purchaser elects to purchase and (b) deposits in a U.S. escrow account on terms mutually satisfactory to the Company and the Purchaser the amount that the Purchaser proposes to invest pursuant to the preemptive rights set forth in this Section 9 (the "**Escrow Deposit**") concurrently with delivering an Acceptance Notice indicating the amount or number of securities to be purchased by the Purchaser; provided that, if the Company does not intend to sign the definitive documentation for such Additional Financing within ten (10) Business Days of the date such Acceptance Notice is due pursuant to clause (a) of this Section 9(iii), the Purchaser must make the Escrow Deposit no later than five (5) Business Days after a request from the Company for the Purchaser to make such Escrow Deposit.

(iv) Any issuance of Exempted Securities (as defined below) shall not be Additional Financings for purposes of this Section 9 and the Purchasers shall have no rights hereunder with respect to the issuance of Exempted Securities. For purposes of this Agreement, "**Exempted Securities**" shall mean (A) shares of Common Stock, Options or Convertible Securities issued as a dividend or distribution on the Shares, (B) shares of Common Stock, Options or Convertible Securities issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock or the Series B Preferred Stock, (C) shares of Common Stock or Options representing up to an aggregate of twenty percent (20%) of the fully-diluted capitalization of the Company (including as outstanding all Securities whether or not then convertible into Common Stock) as determined at the time of such issuance issued to employees or directors of, or consultants or advisors to, the Company or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the Board of Directors of the Company, (D) shares of Common Stock or Convertible Securities actually issued upon the exercise of Options or shares of Common Stock actually issued upon the conversion or exchange of Convertible Securities, in each case provided such issuance is pursuant to the terms of such Option or Convertible Security, (E) shares of Common Stock, Options or Convertible Securities issued as payments of interest on notes or other indebtedness of the Company, (F) shares of Common Stock, Options or Convertible Securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a debt financing, equipment leasing or real property leasing transaction approved by the Board of Directors of the Company, (G) shares of Common Stock, Options or Convertible Securities issued to suppliers or third party service providers in connection with the provision of goods or services, including placement agents, pursuant to transactions approved by the Board of Directors of the Company, (H) shares of Common Stock, Options or Convertible Securities issued pursuant to the acquisition of another corporation by the Company by merger, purchase of substantially all of the assets or other reorganization or to a joint venture agreement, provided, that such issuances are approved by the Board of Directors of the Company, (I) shares of Common Stock, Options or Convertible Securities issued in connection with sponsored research, collaboration, technology license, development, marketing or other similar agreements or strategic partnerships or strategic collaborations approved by the Board of Directors of the Company, (J) up to \$20,300,000 of shares of Common Stock (subject to adjustment for stock splits, dividends, combinations, recapitalizations, reclassifications and other similar events with respect to such shares) issued in connection with that certain At Market Issuance Sales Agreement, dated June 16, 2011, by and between the Company and McNicoll, Lewis & Vlak LLC or (K) shares of Common Stock issued in connection with that certain Shareholder Rights Agreement, dated as of August 11, 2011, by and between the Company and Continental Stock Transfer & Trust Company, as Rights Agent,

as amended (the “**Shareholder Rights Agreement**”), provided, however, that the total number of shares of Common Stock, Options or Convertible Securities, as applicable, described by clauses (E), (F), (G), (I) and issued pursuant to a joint venture agreement approved by the Board of the Directors of the Company that shall be considered Exempted Securities shall not exceed 12,000,000 in the aggregate (subject to adjustment for stock splits, dividends, combinations, recapitalizations, reclassifications and other similar events with respect to such shares). For purposes of this Agreement, “**Option**” shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities. For purposes of this Agreement, “**Convertible Securities**” shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

(v) No Purchaser shall have any right to purchase securities of the Company hereunder, and the Company shall have no obligation to a Purchaser hereunder, if (1) the Company has used its reasonable best efforts to ensure that the sale of such securities to such Purchaser will not violate the Securities Act or the Exchange Act and, despite such efforts, the Company reasonably determines in good faith that the sale of such securities to such Purchaser cannot be made without the violation of the Securities Act or the Exchange Act or (2) the Company reasonably determines in good faith that the sale of such securities to such Purchaser cannot be made without requiring the approval of the Company’s shareholders for a reason that is related to such Purchaser (or to the Purchasers as a group) and is not related to the participation of other participants in the Additional Financing, including, without limitation, the application of the Nasdaq Marketplace Rules.

10. [INTENTIONALLY OMITTED].

11. INDEMNIFICATION.

The Company (as “**Indemnitor**”) hereby agrees to indemnify, pay and hold each Purchaser, and each of the respective officers, directors, employees and affiliates of each Purchaser (collectively, the “**Indemnified Parties**”) harmless from and against any and all liabilities, costs, expenses, liabilities, obligations, losses, damages (but excluding any consequential, punitive, special or otherwise), penalties, actions, judgments, suits, claims and disbursements of any kind or nature whatsoever (but including only the reasonable fees and expenses of one counsel) which are actually incurred by or asserted against such Indemnified Party, in any manner relating to or arising out of the breach of any of the representations and warranties of the Company set forth in this Agreement (the “**Indemnified Liabilities**”). Each Indemnified Party shall give the Indemnitor prompt written notice of any claim (but in no event later than 20 days after receipt of notice in writing of such asserted claim or the date the Indemnified Party becomes aware of such claim) that might give rise to Indemnified Liabilities setting forth a reasonable description of those elements of such claim of which such Indemnified Party has knowledge; provided, that any delay or failure to give such notice shall not affect the obligations of the Indemnitor unless (and then solely to the extent) such Indemnitor is materially prejudiced by such delay or failure. The Indemnitor shall have the right at any time during which such claim is pending to select counsel to defend and control the defense thereof and settle any claims for which they are responsible for indemnification hereunder (provided, that the Indemnitor will not settle any such claim without (a) the appropriate Indemnified Party’s prior

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written consent, which consent shall not be unreasonably withheld or (b) obtaining an unconditional release of the appropriate Indemnified Party from all claims arising out of or in any way relating to the circumstances involving such claim) so long as in any such event the Indemnitor shall have stated in a writing delivered to the Indemnified Party that, as between the Indemnitor and the Indemnified Party, the Indemnitor is responsible to the Indemnified Party with respect to such claim to the extent and subject to the limitations set forth herein; provided, that the Indemnitor shall not be entitled to control the defense of any claim in the event that in the reasonable opinion of counsel for the Indemnified Party there are one or more material defenses available to the Indemnified Party which are not available to the Indemnitor; provided further, that with respect to any claim as to which the Indemnified Party is controlling the defense, the Indemnitor will not be liable to any Indemnified Party for any settlement of any claim pursuant to this Section that is effected without the Indemnitor’s prior written consent. To the extent that the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Company shall contribute the maximum portion which it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by the Indemnified Parties or any of them. Notwithstanding anything to the contrary in this Agreement or the other Transaction Documents, the maximum aggregate liability of the Company for indemnification for Indemnified Liabilities shall not exceed US\$40,001,000.00 in the aggregate.

12. MISCELLANEOUS.

(a) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

(b) Arbitration.

(i) Any dispute, controversy, or claim arising out of, relating to, or in connection with this Agreement, or the breach, termination, or validity thereof, shall be finally settled by arbitration; provided, however, that any dispute, controversy, or claim arising out of, relating to or in connection with the Rights Agreement Amendment or any interpretation thereof, or the breach, termination or validity thereof, shall not be settled by arbitration or subject to the provisions of this Section 12(b). The arbitration shall be conducted in accordance with the Securities Arbitration Rules (the “**Rules**”) of the American Arbitration Association (“**AAA**”), including the AAA’s Procedures for Large, Complex Commercial Disputes, in effect at the time of the arbitration, except as they may be modified herein or by mutual agreement of the parties. The seat of the arbitration shall be New York, New York, and it shall be conducted in the English language. The parties consent to the jurisdiction of the federal or state courts in New York, New York for the limited purpose of enforcing this agreement to arbitrate. The arbitration and this clause shall be governed by Title 9 (Arbitration) of the United States Code.

(ii) The arbitration shall be conducted by three arbitrators. The claimant shall appoint an arbitrator in its request for arbitration. The respondent shall appoint an arbitrator within 20 days of the receipt of the request for arbitration. The two arbitrators shall

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appoint a third arbitrator, who shall act as chair of the tribunal, within 20 days after the appointment of the second arbitrator. If any of the three arbitrators is not appointed within the time prescribed above, then the AAA shall appoint that arbitrator from its National Panel of Securities Arbitrators or its Large, Complex Commercial Case Panel, not including any such members affiliated with the securities industry. The chair of the tribunal shall be a citizen of the United States.

(iii) In addition to the authority conferred on the arbitration tribunal by the Rules, the arbitration tribunal shall have the authority to order such production of documents, generally consistent with the discovery permitted under the Federal Rules of Civil Procedure, as may reasonably be requested by either party or by the tribunal itself. In addition, either party may request a reasonable number of depositions of party witnesses.

(iv) The parties agree that the arbitration shall be kept confidential and that the existence of the proceeding and any element of it (including but not limited to any pleadings, briefs or other documents submitted or exchanged, any testimony or other oral submissions, and any awards) shall not be disclosed beyond the tribunal, the AAA, the parties, their counsel, accountants and auditors, insurers and re-insurers, and any person necessary to the conduct of the proceeding. The confidentiality obligations shall not apply (i) if disclosure is required by law, or in judicial or administrative proceedings, or (ii) as far as disclosure is necessary to enforce the rights arising out of the award.

(v) The arbitration award shall be final and binding on the parties. Judgment upon the award may be entered by any court having jurisdiction thereof or having jurisdiction over the relevant party or its assets.

(vi) In order to facilitate the comprehensive resolution of related disputes, and upon request of any party to the arbitration proceeding, the arbitration tribunal may consolidate the arbitration proceeding with any other arbitration proceeding involving any of the parties hereto relating to this Agreement, the Master Custody Agreement or the ISDA Agreement. The arbitration tribunal shall not consolidate such arbitrations unless it determines that (i) there are issues of fact or law common to the related proceedings so that a consolidated proceeding would be more efficient than separate proceedings, and (ii) no party would be prejudiced as a result of such consolidation through undue delay or otherwise. In the event of different rulings on this question by the arbitration tribunal constituted hereunder, the tribunal constituted under the Master Custody Agreement or the tribunal constituted under the ISDA Agreement, the ruling of the arbitration tribunal constituted hereunder shall control.

(c) Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party; provided that a facsimile signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not a facsimile signature.

(d) Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

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(e) Severability. If any provision of this Agreement is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Agreement so long as this Agreement as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

(f) Entire Agreement; Amendments. This Agreement and the other Transaction Documents supersede all other prior oral or written agreements between the Purchasers, the Company, their affiliates and Persons acting on their behalf with respect to the matters discussed herein, and this Agreement, the other Transaction Documents and the instruments referenced herein and therein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor any Purchaser makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be amended other than by an instrument in writing signed by the Company and the holders of at least a majority of the aggregate number of Registrable Securities issued and issuable hereunder and under the Shares, and any amendment to this Agreement made in conformity with the provisions of this Section 12(f) shall be binding on all Purchasers and holders of Securities, as applicable. No such amendment shall be effective to the extent that it applies to less than all of the holders of the applicable Securities then outstanding. No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of the Transaction Documents unless the same consideration also is offered to all of the parties to the Transaction Documents, holders of Shares. The Company has not, directly or indirectly, made any agreements with any Purchasers relating to the terms or conditions of the transactions contemplated by the Transaction Documents except as set forth in the Transaction Documents.

(g) Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile or a .pdf via email (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) two Business Days after deposit with an overnight courier service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Aastrom Biosciences, Inc.
24 Frank Lloyd Wright Drive

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PO Box 376
Ann Arbor, MI 48106
Telephone: (734) 418-4400
Facsimile: (734)
Attention: VP Finance or Chief Financial Officer

With a copy (such copy not to constitute notice) to:

Goodwin Procter LLP
Exchange Place
Boston, MA 02109
Telephone: (617) 570-1000
Facsimile: (617) 523-1231
Attention: Mitchell S. Bloom, Esq., Danielle M. Lauzon, Esq.

If to a Purchaser, to its address and facsimile number set forth on the Schedule of Purchasers, with copies (such copies not to constitute notice) to such Purchaser's representatives as set forth on the Schedule of Purchasers,

or to such other address and/or facsimile number and/or to the attention of such other Person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by an overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from an overnight courier service in accordance with clause (i), (ii) or (iii) above, respectively.

(h) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, including any purchasers of the Shares. The Company shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the holders of at least a majority of the aggregate number of Registrable Securities issued and issuable hereunder, except in connection with a Fundamental Change (as defined in the Certificate of Designations). The Purchasers shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Company; provided, that this Agreement or any rights or obligations hereunder may be assigned by a Purchaser to (i) an affiliate of a Purchaser (as defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended) (a "**Purchaser Affiliate**"); (ii) an Immediate Family Member of a Purchaser or a Purchaser Affiliate or custodian or trustee for the benefit of a Purchaser or a Purchaser Affiliate or one or more of such Purchaser's or Purchaser Affiliate's Immediate Family Members; or (iii) a transferee pursuant to any transfer by such Purchaser for bona fide estate planning purposes, either during such Purchaser's lifetime or on death by gift, will or intestate succession; provided, that within a reasonable time after such transfer, the Company is furnished with written notice of the name and address of such transferee and the shares with respect to which such rights are being

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transferred. For purposes of this Agreement, an "**Immediate Family Member**" means any parent, spouse, sibling, lineal descendant or lineal descendant of a spouse, including any adoptive relationships.

(i) No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

(j) Survival. Unless this Agreement is terminated under Section 8, the representations and warranties of the Company and the Purchasers contained in Sections 2 and 3 shall survive the Closing for a period of two (2) years thereafter, and the agreements and covenants set forth in Sections 4, 5, 9, 10, 11 and 12 shall survive the Closing. Each Purchaser shall be responsible only for its own representations, warranties, agreements and covenants hereunder.

(k) Publicity. On the date hereof, the Company shall issue a press release substantially in the form of Exhibit E hereto. No other written public release or written announcement concerning the purchase of the Shares contemplated hereby shall be issued by any party without the prior written consent of the other party (which consent shall not be unreasonably withheld), except as such release or announcement may be required by law or the rules or regulations of any securities exchange, in which case the party required to make the release or announcement shall, to the extent reasonably practicable, allow the other party reasonable time to comment on such release or announcement in advance of such issuance. The provisions of this Section 12(k) shall not restrict the ability of a party to summarize or describe the transactions contemplated by this Agreement in any prospectus or similar offering document so long as the other party is provided a reasonable opportunity to review such disclosure in advance.

(l) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(m) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

(n) Remedies. Each Purchaser and each holder of the Securities shall have all rights and remedies set forth in the Transaction Documents and all rights and remedies which such holders have been granted at any time under any other agreement or contract and all of the rights which such holders have under any law. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law.

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(o) Payment Set Aside. To the extent that the Company makes a payment or payments to the Purchasers hereunder or pursuant to any of the other Transaction Documents or the Purchasers enforce or exercise their rights hereunder or thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, foreign, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

(p) Aggregation of Shares. All Shares, Exchange Shares, Conversion Shares, Dividend Shares and Additional Financing Shares held or acquired by a Purchaser, any Purchaser Affiliates and such Purchaser's or Purchaser Affiliate's Immediate Family Members shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

IN WITNESS WHEREOF, each Purchaser and the Company have caused their respective signature page to this Securities Purchase Agreement to be duly executed as of the date first written above.

COMPANY:

AASTROM BIOSCIENCES, INC.

By: /s/ Tim M. Mayleben

Name: Tim M. Mayleben

Title: President and Chief Executive Officer

IN WITNESS WHEREOF, each Purchaser and the Company have caused their respective signature page to this Securities Purchase Agreement to be duly executed as of the date first written above.

PURCHASERS:

EASTERN CAPITAL LIMITED

By: /s/ Mark VanDevelde

Name: Mark VanDevelde

Title: Director

SCHEDULE OF PURCHASERS

(1) Purchaser	(2) Address and Facsimile Number	(3) Aggregate Number of Shares	(4) Aggregate Purchase Price	(5) Legal Representative's Address and Facsimile Number
Eastern Capital Limited, a Cayman exempted company	<u>Physical Address (For Courier)</u> 89 Nexus Way, 3 rd Floor, Suite #8303 Camana Bay Grand Cayman CAYMAN ISLANDS <u>Mailing Address</u> 10 Market Street, #773 Camana Bay Grand Cayman KY1-9006 CAYMAN ISLANDS	12,308	\$ 40,001,000.00	Vinson & Elkins L.L.P. 2801 Via Fortuna, Suite 100 Austin, Texas 78746 Attn: William R. Volk Fax 512.236.3240

EXHIBITS

- Exhibit A Form of Certificate of Designations
- Exhibit B Form of Registration Rights Agreement

Exhibit C Form of Transfer Agent Instructions
Exhibit D Rights Agreement Amendment
Exhibit E Form of Press Release

AASTROM BIOSCIENCES, INC.

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this “**Agreement**”), dated as of March 9, 2012, by and among Aastrom Biosciences, Inc., a corporation organized under the laws of the State of Michigan (the “**Company**”), and each of the persons or entities listed on Exhibit A hereto (the “**Purchasers**”).

WHEREAS:

A. In connection with the Securities Purchase Agreement, dated as of even date herewith, by and among the Company and the Purchasers (the “**Securities Purchase Agreement**”), the Company has agreed, upon the terms and subject to the conditions contained therein, to issue and sell to the Purchasers shares (the “**Shares**”) of the Company’s Series B-1 Convertible Preferred Stock, no par value per share (the “**Preferred Stock**”).

B. To induce the Purchasers to execute and deliver the Securities Purchase Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the “**Securities Act**”), and applicable state securities laws.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Purchasers hereby agree as follows:

1. DEFINITIONS.

A. As used in this Agreement, the following terms shall have the following meanings:

i. “**Common Stock**” means shares of the Company’s common stock, no par value per share.

ii. “**Controlling Purchaser**” means Eastern Capital Limited, a Cayman exempted company, and its successors and assigns.

iii. “**Purchasers**” means the Purchasers and any transferees or assignees pursuant to Section 12 hereof.

iv. “**Register**,” “**Registered**,” and “**Registration**” refer to a registration effected by preparing and filing one or more Registration Statements in compliance with the Securities Act and pursuant to Rule 415 under the Securities Act, or any successor rule providing for offering securities on a continuous basis (“**Rule 415**”), and the declaration or ordering of effectiveness of such Registration Statement(s) by the U.S. Securities and Exchange Commission (the “**SEC**”).

v. “**Registrable Securities**” means (a) the shares of Common Stock issued or issuable upon the conversion of the Shares, the Exchange Shares or the Dividend Shares in

accordance with the terms of the Certificate of Designation (collectively, the “**Conversion Shares**”), and (b) any shares of capital stock issued or issuable, from time to time (with any adjustments), to any Purchaser by virtue of any stock split, stock dividend, recapitalization, merger, consolidation or similar event in respect of the Conversion Shares; provided, however, that shares of Common Stock that are Registrable Securities shall cease to be Registrable Securities upon the earliest of (A) the date and to the extent that such shares are permitted to be publicly sold without limitations pursuant to Rule 144(b)(1)(i) under the Securities Act; provided that a period of at least one year, as determined in accordance with paragraph (d) of Rule 144 under the Securities Act, has elapsed since the later of the date such shares were acquired from the Company or an affiliate of the Company, (B) the date that such shares are sold (I) pursuant to a registration statement, (II) to or through a broker, dealer or underwriter in a public securities transaction and/or (III) in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act such that all transfer restrictions and restrictive legends with respect thereto, if any, are removed upon the consummation of such sale, or (C) any sale or transfer to any person or entity in violation of Section 12 of this Agreement. Wherever reference is made in this Agreement to a request or consent of holders of a certain percentage of Registrable Securities, the determination of such percentage shall include shares of Common Stock issuable upon conversion of the Shares, even if such conversion has not been effected.

vi. “**Registration Statement**” means a registration statement of the Company under the Securities Act covering the Registrable Securities.

B. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Securities Purchase Agreement.

2. **MANDATORY REGISTRATION.** The Company shall file with the SEC and use its reasonable best efforts to cause to become effective a Registration Statement on Form S-3 (or, if Form S-3 is not then available, on such form of Registration Statement as is then available to effect a registration of all of the Registrable Securities), including the prospectus to be used in connection therewith, covering the resale of the Registrable Securities within one hundred twenty (120) days of receipt of a request from the Controlling Purchaser (the “**Registration Deadline**”). No other Person shall be permitted to offer securities under the Registration Statement unless the Controlling Purchaser consents in writing, which consent will not be unreasonably withheld. The Controlling Purchaser shall be entitled to specify the plan of distribution under any Registration Statement required by this Section 2, which may include one or more underwritten or similar Shelf Takedowns (as defined below).

3. SHELF TAKEDOWNS.

A. At any time following the date on which the Shares are converted to Common Stock, at the request of the Controlling Purchaser, the Company shall facilitate in the manner described in this Agreement a “takedown” sale from the Registration Statement (a “**Shelf Takedown**”), including, if requested

by the Controlling Purchaser, an underwritten or similar Shelf Takedown, with respect to the number of Registrable Securities specified by the Controlling Purchaser. The Controlling Purchaser shall be entitled to select the underwriter for any Shelf Takedown, if applicable, subject to the reasonable approval of the Company.

B. The Company shall not be obligated to effect, or to take any action to effect, any underwritten or similar Shelf Takedown pursuant to Section 2 or Section 3 (i) during the period that is sixty (60) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration statement, provided, that the Company is using its good faith reasonable best efforts to cause such registration statement to become effective as soon as practicable; (ii) after the Company has effected an aggregate of two underwritten or similar Shelf Takedowns pursuant to Section 2 of this Agreement; or (iii) if the Company has effected one (1) underwritten or similar Shelf Takedown pursuant to Section 2 of this Agreement within the twelve (12) month period immediately preceding the date of such request.

C. No Shelf Takedown under this Section 3 shall relieve the Company of its obligation, if any, to effect sales of Registrable Securities pursuant to Section 4.

4. PIGGYBACK OFFERINGS.

A. At any time following the date on which the Shares are converted to Common Stock, subject to the other restrictions contained in this Section 4, if the Company proposes, other than pursuant to Section 3, to conduct or facilitate any offering (a "Piggyback Offering") of any equity securities of the Company (collectively, "Other Securities") for public sale under the Securities Act (whether proposed to be offered for sale by the Company or by any other Person), the Company shall use its reasonable best efforts to conduct such Piggyback Offering in a manner which would permit the inclusion of Registrable Securities in such Piggyback Offering and the Company will give prompt written notice, but in any event within ten (10) days of such proposed Piggyback Offering, (which notice shall specify the intended method or methods of disposition and the number and type of Other Securities proposed to be included in such Piggyback Offering) to the Controlling Purchaser of its intention to do so (such notice, an "Piggyback Notice"), and upon the written request of the Controlling Purchaser delivered to the Company within five (5) Business Days after the giving of any such notice (which request shall specify the number of Registrable Securities requested to be disposed of by Purchasers), the Company shall use its reasonable best efforts to cause to be included in such Piggyback Offering of Other Securities, such Registrable Securities requested by the Controlling Purchaser to be included in such Piggyback Offering; provided, however, that:

i. if, at any time after giving such written notice of its intention to conduct or facilitate a Piggyback Offering and prior to the date of the final prospectus in respect of a Piggyback Offering, the Company shall determine for any reason not to conduct or facilitate the Piggyback Offering, the Company may, at its election, give written notice of such determination to the Controlling Purchaser, if the Controlling Purchaser requested the inclusion of Registrable Securities in such Piggyback Offering, and thereupon the Company shall be relieved of its obligation to include the Registrable Securities in the Piggyback Offering (but not from its obligation to pay registration expenses in accordance with Section 7 of this Agreement to the extent incurred in connection therewith);

ii. the Company will not be required to include any Registrable Securities in any Piggyback Offering pursuant to this Section 4 if the Company shall have been advised by the managing underwriter for the offering that, in such firm's good faith opinion, the inclusion of

Registrable Securities in such offering at that time may interfere with an orderly sale and distribution of the Other Securities being sold in such offering or materially and adversely affect the price of such Other Securities; provided, however, that if an offering of some but not all of the Registrable Securities requested to be included by the Controlling Purchaser and securities of all other Persons having rights to include securities held by them in such offering would not adversely affect the distribution or price of the securities to be sold in the offering in the good faith opinion of such firm, then the Company will include in such offering: first, the Other Securities to be offered for the Company's account and pursuant to demands of other stockholders, second, the Registrable Securities of the Purchasers as well as all other shares of Common Stock of third party stockholders that are entitled to participate in the offering under other registration rights agreements, allocated pro rata among the Registrable Securities of the Purchasers and the shares of Common Stock held by such third parties based on the number of shares of Common Stock that the Purchasers and third party stockholders have elected to include in such offering as of the date of the Piggyback Notice and third, all Other Securities requested to be included in such Piggyback Offering; and

iii. the Company shall not be required to give notice of, or effect any Piggyback Offering of Registrable Securities under this Section 4 incidental to, the offering of any of its securities in connection with mergers, consolidations, acquisitions, exchange offers, subscription offers, dividend reinvestment plans, stock options or other employee benefit or compensation plans or any offering pursuant to that certain At Market Issuance Sales Agreement, dated June 16, 2011, by and between the Company and McNicoll, Lewis & Vlak LLC.

B. No inclusion of Registrable Securities in any Piggyback Offering under this Section 4 shall relieve the Company of its obligations (if any) to effect the registration of Registrable Securities or facilitate a Shelf Takedown pursuant to Sections 2 and 3.

C. The Controlling Purchaser agrees, in the case of a Piggyback Offering, to consider in good faith any reasonable request by the managing underwriter of such Piggyback Offering that the Controlling Purchaser enter into a reasonable and customary lock up with respect to the of capital stock of the Company held by the Controlling Purchaser.

5. OBLIGATIONS OF THE COMPANY; COVENANTS; ACKNOWLEDGEMENTS.

In connection with the Registration or offering of Registrable Securities, the Company shall have the following obligations:

A. The Company shall prepare and file with the SEC one or more Registration Statements within the time periods specified herein, and use its reasonable best efforts to cause such Registration Statement to become effective as promptly as practicable and to remain continuously effective under the Securities Act until such time as all securities covered thereby are no longer Registrable Securities (the "**Registration Period**"). For the avoidance of doubt,

if a Registration Statement covering the resale of Registrable Securities ceases to be effective at any time, the Company shall immediately file a new Registration Statement and cause such Registration Statement to be declared effective and remain continuously effective;

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B. The Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to the Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to keep the Registration Statement effective pursuant to Rule 415 during the Registration Period, and, during such period, comply with the provisions of the Securities Act in order to enable the disposition of all Registrable Securities of the Company covered by the Registration Statement until such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in the Registration Statement;

C. In connection with the effectiveness of the Registration Statement, the Company shall furnish to each Purchaser whose Registrable Securities are included in the Registration Statement within three Trading Days of the date of effectiveness of the Registration Statement or any amendment thereto, a notice stating that the Registration Statement or amendment has been declared effective; and such number of copies of a prospectus, including a preliminary prospectus, and all amendments and supplements thereto and such other documents as such Purchaser may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Purchaser;

D. Within a reasonable time prior to the filing of any Registration Statement, any prospectus, any amendment to a Registration Statement, amendment or supplement to a prospectus or any free writing prospectus, the Company shall provide copies of such documents to the Purchasers of the Registrable Securities being sold and to the underwriter or underwriters of an underwritten offering, if applicable, and to underwriter's counsel; and fairly consider such reasonable changes in any such documents prior to the filing thereof as a Purchaser or the underwriter or underwriters may request;

E. The Company shall comply in all material respects with the provisions of the Securities Act with respect to the disposition of all securities covered by the Registration Statement during the Registration Period;

F. The Company shall use its reasonable best efforts to (i) register and qualify all Registrable Securities under such other securities or "blue sky" laws of such jurisdictions in the United States as each Purchaser who holds Registrable Securities being offered reasonably requests, (ii) prepare and file in those jurisdictions such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (a) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 5(F), (b) subject itself to general taxation in any such jurisdiction, (c) file a general consent to service of process in any such jurisdiction, (d) provide any undertakings that cause the Company undue expense or burden, or (e) make any change in its charter or by-laws, which in each case the Board of Directors of the Company determines to be contrary to the best interests of the Company and its shareholders.

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G. The Company shall notify each Purchaser who holds Registrable Securities of the time when a supplement to any prospectus forming a part of such Registration Statement has been filed and of any request by the SEC for the amending or supplementing of such Registration Statement or prospectus. If the Company has delivered a Prospectus and after having done so the prospectus is amended to comply with the requirements of the Securities Act, the Company shall promptly notify each Purchaser who holds Registrable Securities and, if requested, such Purchasers shall immediately cease making offers of Registrable Securities and return all prospectuses to the Company. The Company shall promptly provide the Purchasers with revised prospectuses and, following receipt of the revised prospectuses, the Purchasers shall be free to resume making offers of the Registrable Securities.

H. The Company shall provide a transfer agent and registrar, which may be a single entity, and CUSIP number for the Registrable Securities not later than the effective date of the Registration Statement.

I. The Company shall cooperate with the Purchasers and the sole underwriter or managing underwriter of an underwritten offering, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be offered pursuant to the Registration Statement and not bearing any restrictive legends, and enable such certificates to be in such denominations or amounts and registered in such names as the Purchasers or the sole underwriter or managing underwriter of an underwritten offering of shares, if any, may reasonably request.

J. At the reasonable request of the Purchasers holding a majority of the Registrable Securities, the Company shall prepare and file with the SEC such amendments (including post effective amendments) and supplements to a Registration Statement and the prospectus used in connection with such Registration Statement as may be necessary in order to change the plan of distribution set forth in such Registration Statement.

K. The Company agrees that if a Purchaser advises the Company that such Purchaser believes (based on the advice of such Purchaser's legal counsel) that it could reasonably be deemed to be an "underwriter" as defined in Section 2(a)(11) of the Securities Act in connection with the Registration Statement in respect of any registration of Registrable Securities pursuant to this Agreement, and any amendment or supplement thereof (any such Registration Statement or amendment or supplement a "Underwriter Registration Statement"), then the Company will cooperate with Purchasers in allowing Purchasers to conduct customary "underwriter's due diligence" with respect to the Company and satisfy its obligations in respect thereof. In addition, at the Controlling Purchaser's request, the Company will furnish to the Purchasers, on the date of the effectiveness of any Underwriter Registration Statement and thereafter from time to time on such dates as the Controlling Purchaser may reasonably request, (i) a letter, dated such date, from the Company's independent certified public accountants in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the Purchasers, and (ii) an opinion, dated as of such date, of counsel representing the Company for purposes of such Underwriter Registration Statement, in form, scope and substance as is customarily given in an underwritten public offering, including a standard "10b-5" opinion for such offering, addressed to the Purchasers. The Company will also permit legal counsel to the Controlling Purchaser to review and comment upon any such

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Underwriter Registration Statement at least five Business Days prior to its filing with the SEC and all amendments and supplements to any such Underwriter Registration Statement within a reasonable time period prior to their filing with the SEC and not file any Underwriter Registration Statement or amendment or supplement thereto in a form to which the Controlling Purchaser's legal counsel reasonably objects.

L. The Company shall use its reasonable best efforts to cause all Registrable Securities registered pursuant to this Agreement to be listed on each securities exchange or trading system on which similar securities issued by the Company are then listed.

M. The Company shall use its reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of the Registration Statement at the earliest possible time.

N. The Company shall enter into such agreements and take such other appropriate actions as are customary and reasonably necessary to expedite or facilitate the disposition of such Registrable Securities (including, in the case of an underwritten offering, underwriting agreements in customary form, and including provisions with respect to indemnification and contribution in customary form and consistent with the provisions relating to indemnification and contribution contained herein and including provisions with respect to a lock up by the Company of up to ninety (90) days), and in that regard, deliver to the Purchasers such documents and certificates as may be reasonably requested by any Purchaser of the Registrable Securities being sold or, as applicable, the managing underwriters, to evidence the Company's compliance with this Agreement including, without limitation, using its reasonable efforts to cause its independent accountants to deliver to the Company (and to the Purchasers selling Registrable Securities in any offering) an accountants' comfort letter substantially similar to that in scope delivered in an underwritten public offering and covering audited and interim financial statements included in the registration statement or, if such letter can not be obtained through the exercise of the Company's reasonable efforts, cause its independent accountants to deliver to the Company (and to the Purchasers of Registrable Securities being sold in any offering) a comfort letter based on negotiated procedures providing comfort with respect to the Company's financial statements included or incorporated by reference in the registration statement at the highest level permitted to be given by such accountants under the then applicable standards of the Association of Independent Certified Accountants with respect to such registration statement. In addition, the Company shall furnish to the Purchasers an opinion of counsel in substance and scope to that customarily delivered to underwriters in public offerings, including a standard "10b-5" opinion for such offering.

O. The Company covenants and agrees not to effect any public sale or distribution of equity securities of the Company during the thirty (30) day period prior to, and during the sixty (60) day period following, the consummation of an underwritten offering in which Purchasers are participating pursuant to Section 3 hereof, or such other period as the managing underwriter may require, except pursuant to registrations on Form S-4, Form S-8 or any successor form for the registration of securities issued or to be issued in connection with a merger, acquisition or employee benefit plan.

P. The Company represents and warrants to the Purchasers that the Company has not granted any other Person registration rights, which registration rights have not yet been

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exercised. The Company covenants and agrees not to enter into any other registration rights agreement after the date hereof that contains registration rights in favor of a third party unless such third party's registration rights were limited to the right to include securities in any registration on a subordinate basis after all Purchasers have had the opportunity to include in the registration and offering all shares of Registrable Securities that they wish to so include, provided, however, that the Company may enter into agreements with third parties that grant such third party registration rights that are limited to the right to include securities in any registration on a pari passu basis with the registration rights of the Purchasers hereunder with the written consent of the Purchasers holding a majority of the then outstanding Registrable Securities, which consent shall not be unreasonably withheld, delayed or conditioned.

6. OBLIGATIONS OF THE PURCHASERS. In connection with the registration of the Registrable Securities, the Purchasers shall have the following obligations:

A. It shall be a condition precedent to the obligations of the Company under Sections 4 and 5 with respect to the Registrable Securities of a particular Purchaser that such Purchaser shall furnish to the Company such information regarding itself as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least fifteen (15) days prior to the first anticipated filing date of the Registration Statement, the Company shall notify each Purchaser of the information the Company requires from each such Purchaser.

B. Each Purchaser, by such Purchaser's acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of the Registration Statement hereunder, unless such Purchaser has notified the Company in writing of such Purchaser's election to exclude all of such Purchaser's Registrable Securities from such Registration Statement.

C. Each Purchaser agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Sections 5(G) or 11, such Purchaser will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Purchaser's receipt of the copies of the supplemented or amended prospectus contemplated by Sections 5(G) or 11.

7. EXPENSES OF REGISTRATION. All reasonable expenses incurred by the Company or the Purchasers in connection with registrations, filings or qualifications pursuant to Sections 2, 3, 4 and 5 above, including, without limitation, all registration, listing, filing and qualifications fees, printers and accounting fees, the fees and disbursements of counsel for the Company and the fees and disbursements of one counsel selected by the Purchasers, such fees and disbursements for Purchaser's counsel not to exceed \$25,000 in the aggregate, shall be borne by the Company, excluding underwriting discounts, selling commissions and similar costs (which underwriting discounts, selling commissions and similar costs shall be borne by the Purchasers pro rata on the basis of the number of Registrable Securities registered on their behalf), provided, however, that the Purchasers shall reimburse the Company for the fees and disbursements of counsel for the Company that exceed \$100,000 in the aggregate in connection with underwritten registrations and Shelf Takedowns pursuant to Section 2 and 3 of this Agreement.

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8. INDEMNIFICATION. In the event any Registrable Securities are included in a Registration Statement under this Agreement:

A. To the extent permitted by law, the Company will indemnify, hold harmless and defend (i) each Purchaser who holds such Registrable Securities, and (ii) the directors, officers, partners, members, employees and agents of such Purchaser and each person who controls any Purchaser within the meaning of Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), if any, (each, an “**Indemnified Person**”), against any joint or several losses, claims, damages, liabilities or expenses (collectively, together with actions, proceedings or inquiries by any regulatory or self-regulatory organization, whether commenced or threatened, in respect thereof, “**Claims**”) to which any of them may become subject insofar as such Claims arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or any document incorporated by reference therein or the omission or alleged omission to state therein a material fact required to be stated or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities (the matters in the foregoing clauses (i) through (iii), collectively, “**Violations**”). Subject to the restrictions set forth in Section 8(C) with respect to the number of legal counsel, the Company shall reimburse the Purchasers and each other Indemnified Person, promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the obligations of the Company contained in this Section 8(A): (i) shall not apply to a Claim arising out of or based upon (A) a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by such Indemnified Person expressly for use in the Registration Statement or any such amendment thereof or supplement thereto, (B) the failure of a Purchaser to comply with Section 6(C) or (C) the use by a Purchaser in connection with any sale or sales of Registrable Securities of a prospectus containing any untrue statement or omission of a material fact following notification by the Company that such prospectus contains an untrue statement or omission of a material fact and receipt by the Purchaser of a corrected prospectus; and (ii) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld, conditioned or delayed. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Purchasers pursuant to Section 12 hereof.

B. Each Purchaser who holds such Registrable Securities agrees severally and not jointly to indemnify, hold harmless and defend, the Company, each of its directors, each of its officers who signs the Registration Statement, its employees, agents and each person, if any, who

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controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, and any other shareholder selling securities pursuant to the Registration Statement or any of its directors or officers or any person who controls such shareholder within the meaning of the Securities Act or the Exchange Act (collectively and together with an Indemnified Person, an “**Indemnified Party**”), against any Claim to which any of them may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such Claim arises out of or is based upon any Violation, in each case if and to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Purchaser expressly for use in connection with such Registration Statement; and subject to Section 8(C) such Purchaser will reimburse any legal or other expenses (promptly as such expenses are incurred and are due and payable) reasonably incurred by them in connection with investigating or defending any such Claim; provided, however, that (I) the obligations of a Purchaser contained in this Section 8(B) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed, and (II) the Purchaser shall be liable under this Agreement (including this Section 8(B) and Section 9) for only that amount as does not exceed the gross proceeds actually received by such Purchaser as a result of the sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Purchasers pursuant to Section 12 hereof.

C. Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 8 of notice of the threat or commencement of any action (including any governmental action), such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 8, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly notified, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided, however, that such indemnifying party shall not be entitled to assume such defense and an Indemnified Person or Indemnified Party shall have the right to retain its own counsel with the fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential conflicts of interest between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding or the actual or potential defendants in, or targets of, any such action include both the Indemnified Person or the Indemnified Party and the indemnifying party and any such Indemnified Person or Indemnified Party reasonably determines, based upon the reasonable opinion of counsel, that there may be legal defenses available to such Indemnified Person or Indemnified Party which are in conflict with those available to such indemnifying party. The indemnifying party shall pay for only one separate legal counsel for the Indemnified Persons or the Indemnified Parties, as applicable, and such legal counsel shall be selected by Purchasers holding a majority of the Registrable Securities included in the Registration Statement to which the Claim relates (with the approval of the Purchasers if it holds Registrable Securities included in such Registration Statement), if the Purchasers are entitled to indemnification hereunder, or by the Company, if the

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Company is entitled to indemnification hereunder, as applicable. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 8, except to the extent that the indemnifying party is actually prejudiced in its ability to defend such action.

D. The Indemnified Party shall cooperate fully with the indemnifying party in connection with any negotiation or defense of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the Indemnified Party which relates to

such action or claim.

E. No indemnifying party shall, except with the consent of each Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed), consent to entry of any judgment or enter into any settlement which does not include the giving by the claimant to such Indemnified Party a release from all liability in respect to such claim or litigation.

9. CONTRIBUTION. To the extent any indemnification by an indemnifying party required by the terms of this Agreement is prohibited or limited by law, the indemnifying party, in lieu of indemnifying the Indemnified Party, agrees to contribute with respect to any amounts for which it would otherwise be liable under Section 8 up to the amount paid or payable by the indemnifying party as a result of the Claims in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the Indemnified Person or Indemnified Party, as the case may be, on the other hand, with respect to the Violation giving rise to the applicable Claim; provided, however, that (i) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in Section 8, (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of such fraudulent misrepresentation, and (iii) contribution (together with any indemnification or other obligations under this Agreement) by any seller of Registrable Securities shall be limited in amount to the amount of gross proceeds received by such seller from the sale of such Registrable Securities. The relative fault of the Company and the Purchasers shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of material fact related to information supplied by the Company or the Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

10. REPORTS UNDER THE EXCHANGE ACT. With a view to making available to the Purchasers the benefits of Rule 144 promulgated under the Securities Act or any other similar rule or regulation of the SEC that may at any time permit each Purchaser to sell securities of the Company to the public without registration ("**Rule 144**"), so long as such Purchaser holds Registrable Securities, the Company agrees to:

i. make and keep public information regarding the Company available, as those terms are understood and defined in Rule 144, at all times from and after the date of this Agreement;

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ii. file with the SEC in a timely manner and make and keep available all reports and other documents required of the Company under the Securities Act and the Exchange Act so long as the Company remains subject to such requirements and the filing and availability of such reports and other documents is required by the applicable provisions of Rule 144, at all times from and after the date of this Agreement; and

iii. furnish to each Purchaser so long as such Purchaser owns Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested to permit the Purchasers to sell such securities under Rule 144 without registration.

11. SUSPENSION OF USE OF PROSPECTUS. The Company may, by written notice to the Purchasers, (i) delay the filing of, or effectiveness of, the Registration Statement; or (ii) suspend the Registration Statement after effectiveness and require that the Purchasers immediately cease sales of Registrable Securities pursuant to the Registration Statement, if (a) the Company reasonably believes that there is or may be in existence material nonpublic information or events involving the Company, the failure of which to be disclosed in the prospectus included in the registration statement would result in a Violation and (b) the Company shall furnish to the Purchasers a certificate signed by the Chairman of the Board of Directors of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would have a material adverse effect on the Company (which for this purpose shall include a material adverse effect on a pending transaction) to disclose such material nonpublic information or events in the prospectus included in the registration statement (a "**Suspension**"). The Company shall not disclose such information or events to any Purchaser. If the Company requires the Purchasers to cease sales of Registrable Securities pursuant to a Suspension, the Company shall, as promptly as practicable following the termination of the circumstance which entitled the Company to do so, take such actions as may be necessary to reinstate the effectiveness of the Registration Statement and/or give written notice to the Purchasers authorizing them to resume sales pursuant to the Registration Statement. If, as a result thereof, the prospectus included in the Registration Statement has been amended to comply with the requirements of the Securities Act, the Company shall enclose such revised prospectus with the notice to the Purchasers given pursuant hereto, and the Purchasers shall make no offers or sales of Registrable Securities pursuant to the Registration Statement other than by means of such revised prospectus. Notwithstanding anything to the contrary contained in this Agreement, the Company shall not cause a Suspension on more than two occasions during any twelve (12) month period or for more than thirty (30) days per such occasion.

12. ASSIGNMENT OF REGISTRATION RIGHTS. The rights of the Purchasers hereunder, including the right to have the Company register Registrable Securities pursuant to this Agreement, shall be automatically assignable by each Purchaser if to (i) an affiliate of a Purchaser (as defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended) (a "**Purchaser Affiliate**"); (ii) an Immediate Family Member of a Purchaser or a Purchaser Affiliate or custodian or trustee for the benefit of a Purchaser or a Purchaser Affiliate or one or more of such Purchaser's or Purchaser Affiliate's Immediate Family Members; (iii) a transferee pursuant to any transfer by such Purchaser for

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bona fide estate planning purposes, either during such Purchaser's lifetime or on death by gift, will or intestate succession or (iv) a single transferee of all or substantially all of the Registrable Securities purchased by the Purchaser pursuant to the Securities Purchase Agreement if: (i) the Company is furnished with written notice of (a) the name and address of such transferee or assignee, (b) the manner in which the transferee or assignee acquired Registrable Securities from the Purchaser and (c) the securities with respect to which such registration rights are being transferred or assigned, (ii) the transferee or assignee agrees in writing for the benefit of the Company to be bound by all of the provisions contained herein, and (iii) such transfer shall have been made in accordance with the applicable requirements of the Securities Purchase Agreement, as applicable. Any transfer or assignment in accordance with this Section 12 shall be recorded on the books and records of the Company and the Company shall take such other measures as are necessary to update the record owner with the Company's transfer agent or registrar. For purposes of this Agreement, an "**Immediate Family Member**" means any parent, spouse, sibling, lineal descendant or lineal descendant of a spouse, including any adoptive relationships.

13. AMENDMENT OF REGISTRATION RIGHTS. Provisions of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with written consent of the Company and Purchasers who hold a majority of the Registrable Securities. Unless a Purchaser otherwise agrees, each amendment hereto must similarly affect each Purchaser. Any amendment or waiver effected in accordance with this Section 13 shall be binding upon each Purchaser and the Company.

14. [INTENTIONALLY OMITTED]

15. EQUITABLE REMEDIES. The parties hereto agree that irreparable harm would occur in the event that any of the agreements and provisions of this Agreement were not performed fully by the parties hereto in accordance with their specific terms or conditions or were otherwise breached, and that money damages are an inadequate remedy for breach of this Agreement because of the difficulty of ascertaining and quantifying the amount of damage that will be suffered by the parties hereto in the event that this Agreement is not performed in accordance with its terms or conditions or is otherwise breached. It is accordingly hereby agreed that the parties hereto shall be entitled to an injunction or injunctions to restrain, enjoin and prevent breaches of this Agreement by the other parties and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, such remedy being in addition to and not in lieu of, any other rights and remedies to which the other parties are entitled to at law or in equity.

16. MISCELLANEOUS.

A. A person or entity is deemed to be a holder of Registrable Securities whenever such person or entity owns of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more persons or entities with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the registered owner of such Registrable Securities.

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B. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon delivery to the party to be notified, (ii) when received by email or confirmed facsimile, or (iii) two (2) Business Days after deposit with a nationally recognized overnight carrier, specifying next Business Day delivery, with written verification of receipt. All communications shall be sent to the Company and the Purchasers as follows or at such other addresses as the Company or the Purchasers may designate upon ten (10) days' advance written notice to the other party:

If to the Company:

Aastrom Biosciences, Inc.
24 Frank Lloyd Wright Drive, P.O. Box 76
Ann Arbor, Michigan 48105
Attn: Chief Executive Officer
Fax: 734-418-4410
Email: tmayleben@aastrom.com

with a copy simultaneously transmitted by like means to:

Goodwin Procter LLP
Exchange Place
Boston, Massachusetts 02109
Attn: Mitchell S. Bloom
Fax: 617-570-1055
Email: mbloom@goodwinprocter.com

If to a Purchaser, at its address as set forth on the Schedule of Purchasers attached to the Securities Purchase Agreement.

C. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

D. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of law.

E. This Agreement, the Securities Purchase Agreement and the other Transaction Documents (including all schedules and exhibits thereto) constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement and the Securities Purchase Agreement supersede all prior agreements and understandings among the parties hereto with respect to the subject matter hereof and thereof.

F. Subject to the requirements of Section 12 hereof, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

G. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

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H. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

I. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of

this Agreement and the consummation of the transactions contemplated hereby.

J. All consents, approvals and other determinations to be made by the Purchasers pursuant to this Agreement shall be made by the Purchasers holding a majority of the Registrable Securities (determined as if all Shares then outstanding had been converted into or exercised for Registrable Securities) held by all Purchasers.

K. Each party to this Agreement has participated in the negotiation and drafting of this Agreement. As such, the language used herein shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction will be applied against any party to this Agreement.

L. For purposes of this Agreement, the term "Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law, regulation or executive order to close, and the term "Trading Day" means any day on which the Nasdaq Capital Market, or if the Common Stock is not then traded on the Nasdaq Capital Market the principal securities exchange or trading market where the Common Stock is then listed or traded, is open for trading.

M. All Registrable Securities held or acquired by a Purchaser, any Purchaser Affiliates and such Purchaser's or Purchaser Affiliate's Immediate Family Members shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

AASTROM BIOSCIENCES, INC.

By: /s/ Tim M. Mayleben
Name: Tim M. Mayleben
Title: President and CEO

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]

PURCHASERS:

EASTERN CAPITAL LIMITED

By: /s/ Mark VanDevelde
Name: Mark VanDevelde
Title: Director

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]

EXHIBIT A

Purchasers

Eastern Capital Limited,
a Cayman exempted corporation

Aastrom Biosciences
 Domino's Farms, Lobby K
 24 Frank Lloyd Wright Drive
 Ann Arbor, MI 48105
 T 734 418-4400 F 734 665-0485
 www.aastrom.com
 Ann Arbor, MI 48105

For Immediate Release

Aastrom Biosciences Completes \$40 Million Financing

ANN ARBOR, Mich., [March 9, 2012] - Aastrom Biosciences, Inc. (Nasdaq: ASTM), the leading developer of patient-specific, expanded multicellular therapies for the treatment of severe, chronic cardiovascular diseases, today announced that it has completed a \$40 million private placement with Eastern Capital Limited in a financing structured and arranged by MLV & Co. Net proceeds to Aastrom, after placement fees and other offering expenses, are approximately \$38 million. The Company intends to use the net proceeds from the financing for general corporate purposes, including research and development expenses related to the pivotal Phase 3 REVIVE-CLI clinical trial with ixmyelocel-T initiated in February 2012.

At closing, Aastrom issued approximately 12,300 shares of Series B convertible preferred stock to Eastern Capital at a price of \$3,250 per share. The shares will accrue dividends at a rate of 11.5% per annum during the 5-year term. The Series B preferred stock is convertible into shares of the Company's common stock only after March 8, 2017 at a rate of 1,000 common shares for one preferred share. There were no warrants issued in connection with the financing and Eastern Capital will not take a board seat.

Tim Mayleben, president and chief executive officer of Aastrom, stated: "This financing is the largest in Aastrom's history and represents a strong endorsement of our team, our Phase 2b RESTORE-CLI clinical results and our prospects for future success by one of the industry's leading long-term, fundamental investors. The amount and structure of this financing significantly improve our financial position and our ability to execute the pivotal Phase 3 REVIVE-CLI clinical trial with ixmyelocel-T."

This release does not constitute an offer to sell or the solicitation of an offer to buy the securities. The securities sold in the private placement have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or applicable state securities laws. Accordingly, the securities may not be offered or sold in the United States except pursuant to an effective registration statement or an applicable exemption from the registration requirements of the Securities Act and such applicable state securities laws. Eastern Capital is an accredited investor.

Further details of the private placement will be described in a Current Report on Form 8-K to be filed with the SEC by the Company and all of the transaction documents will be attached to the Form 8-K.

About Aastrom Biosciences

Aastrom Biosciences is the leader in developing patient-specific, expanded multicellular therapies for use in the treatment of patients with severe, chronic cardiovascular diseases. The company's proprietary cell-processing technology enables the manufacture of ixmyelocel-T, a patient-specific multicellular therapy expanded from a patient's own bone marrow and delivered directly to damaged tissues. Aastrom has advanced ixmyelocel-T into late-stage clinical development, including a Phase 3 clinical program to study patients with critical limb ischemia and a planned Phase 2b clinical trial in patients with ischemic dilated cardiomyopathy. For more information, please visit Aastrom's website at www.aastrom.com. For more information on the pivotal REVIVE Phase 3 clinical trial, please visit the trial website at www.revivecli.com.

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This document contains forward-looking statements, including, without limitation, statements concerning clinical trial plans and progress, objectives and expectations, clinical activity timing, intended product development, the performance and contribution of certain individuals and expected timing of collecting and analyzing treatment data, all of which involve certain risks and uncertainties. These statements are often, but are not always, made through the use of words or phrases such as "anticipates," "intends," "estimates," "plans," "expects," "we believe," "we intend," and similar words or phrases, or future or conditional verbs such as "will," "would," "should," "potential," "could," "may," or similar expressions. Actual results may differ significantly from the expectations contained in the forward-looking statements. Among the factors that may result in differences are the inherent uncertainties associated with clinical trial and product development activities, regulatory approval requirements, competitive developments, and the availability of resources and the allocation of resources among different potential uses. These and other significant factors are discussed in greater detail in Aastrom's Annual or Transition Report on Form 10-K or 10-K/T, Quarterly Reports on Form 10-Q and other filings with the Securities and Exchange Commission. These forward-looking statements reflect management's current views and Aastrom does not undertake to update any of these forward-looking statements to reflect a change in its views or events or circumstances that occur after the date of this release except as required by law