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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

October 23, 2009

Aastrom Biosciences, Inc.

(Exact name of registrant as specified in its charter)

Michigan

000-22025

94-3096597

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

24 Frank Lloyd Wright Drive, P.O. Box 376, Ann
Arbor, Michigan

48106

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(734) 930-5555

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))
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Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On October 23, 2009, Aastrom Biosciences, Inc. (the "Company") entered into an Amendment to its Employment Agreement with George W. Dunbar, Jr. dated July 17, 2006 (the "Amendment"), a Consulting Agreement with Timothy M. Mayleben (the "Consulting Agreement") and an Employment Agreement with Mr. Mayleben (the "Employment Agreement"). These agreements were entered into in connection with the previously announced management transition whereby, immediately after the upcoming Annual Meeting of Shareholders scheduled for December 14, 2009, Mr. Dunbar will step down as Chief Executive Officer, President and Chief Financial Officer and Mr. Mayleben will assume such responsibilities. The following is a summary of the material terms of the agreements.

Mr. Dunbar's Amendment

Under the Amendment, Mr. Dunbar will terminate his employment with the Company and resign from all positions with the Company and its affiliates, other than his membership on the Board of Directors. In addition, the Company agrees, subject to Mr. Dunbar executing a release of claims against the Company, to extend the period for exercising the options granted to Mr. Dunbar on October 31, 2008, through the period ending on the earlier of 24-months from (i) the date that he ceases to be a member of the Board of Directors or, if later, otherwise terminates his Service (as defined in the 2004 Equity Incentive Plan) with the Company or (ii) the original term of the option. All other options granted to Mr. Dunbar prior to October 31, 2008, whether vested or not shall be forfeited.

The foregoing summary is qualified in its entirety by reference to the Amended Agreement, filed herewith as Exhibit 99.1.

Mr. Mayleben's Consulting Agreement

The Company and Mr. Mayleben entered into the Consulting Agreement to cover the management transition period from its announcement on September 3, 2009 until the date Mr. Mayleben assumes his new roles. Under the Consulting Agreement, Mr. Mayleben will be paid a lump sum of \$50,000, on the commencement of his employment as Chief Executive Officer and President of the Company, for the time, effort and consulting services provided by Mr. Mayleben during the term of the Consulting Agreement in preparing to take on and getting involved in day to day activities of the Company prior to assuming his new roles. The Company has determined that the Consulting Agreement was desirable in order to better assure that the transition from Mr. Dunbar to Mr. Mayleben will go as smoothly as possible. During this period, Mr. Mayleben will continue as an independent contractor to the Company and not as an employee.

The foregoing summary is qualified in its entirety by reference to the Consulting Agreement, filed herewith as Exhibit 99.2.

Mr. Mayleben's Employment Agreement

Under the Employment Agreement and beginning on his first day of service as Chief Executive Officer and President, Mr. Mayleben will receive an initial annual base salary of \$425,000 and will be eligible to receive a cash bonus (as a participant in the Company's existing cash performance bonus program) based upon his performance, as determined by the Board of Directors, for up to 45% of his base salary. Mr. Mayleben will be granted an initial stock option to purchase 3,000,000 shares of Company common stock (with an exercise price equal to the fair market value of the stock on the date of grant) immediately following the upcoming Annual Meeting of the Shareholders. All 3,000,000 shares will be subject to time vesting and will vest in 48 equal monthly installments commencing on the first day of the calendar month first following the date of grant. In the event of his termination by the Company without "Cause" or by Mr. Mayleben for "Good Reason" within one year following a "Change of Control" (in each case, as those terms are defined in the Agreement), the vesting of all his stock options will accelerate, with all options becoming fully exercisable. In addition, if Mr. Mayleben's employment is terminated without Cause or for Good Reason within one year following a "Change in Control," he will be entitled to a severance payment equal to his one and one-half times his annual base salary at termination. If Mr. Mayleben's employment is terminated without "Cause" or if he terminates his employment for "Good Reason" (in each case, other than in conjunction with a "Change of Control"), he will be entitled to a severance payment equal to one year of his annual base salary at termination. In addition, in the event of Mr. Mayleben's termination without Cause or for Good Reason, the Company will pay the costs of his first 12 months of continued medical coverage under COBRA. All severance payments under the Agreement, including any accelerated vesting of options and the Company's payment of Mr. Mayleben's COBRA premiums is conditioned upon Mr. Mayleben executing a release of claims against the Company.

Mr. Mayleben agrees not to disclose confidential information of the Company; during the term of his agreement and for a period of one year thereafter, not to solicit employees, customers or vendors of the Company; and during the term of his agreement and for a period of one year thereafter, not to compete with the Company.

In the event of a Change in Control, if the payments to Mr. Mayleben constitute excess parachute payments, he will receive either (i) the entire benefit and pay the excise taxes on the excess amount or (ii) reduced payments, whichever will provide the greater amount of benefits to Mr. Mayleben on an after-tax basis. If he chooses the latter, the Company will not be entitled to a deduction for the excess amounts on which Mr. Mayleben is required to pay excise taxes.

In the event of a transfer of control of the Company, as defined in the Company's stock option plan, the Company must cause any successor corporation to assume the outstanding stock options or substitute similar options for outstanding options. In the event that any successor to the Company in a merger or consolidation will not assume the options or substitute similar options, then the options become exercisable in full and such options will be terminated if not exercised prior to such merger or consolidation. In general, options granted to executive officers of the Company will become fully exercisable if such officer is terminated following a transfer of control. Options granted to non-employee directors under the Company's stock option plans will become fully vested and immediately exercisable upon a transfer of control, as defined in the respective option plans.

The foregoing summary is qualified in its entirety by reference to the Employment Agreement, filed herewith as Exhibit 99.3.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.



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.

October 27, 2009

By: */s/ George W. Dunbar, Jr.*

Name: George W. Dunbar, Jr.

Title: Chief Executive Officer and President

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Amended Agreement, dated October 23, 2009, between Aastrom Biosciences, Inc. and George W. Dunbar
99.2	Consulting Agreement, dated October 23, 2009, between Aastrom Biosciences, Inc. and Timothy M. Mayleben
99.3	Employment Agreement, dated October 23, 2009, between Aastrom Biosciences, Inc. and Timothy M. Mayleben

AMENDMENT TO EMPLOYMENT AGREEMENT AND OPTION AGREEMENT

THIS AMENDMENT is entered into as of the October 23, 2009, by and between Aastrom Biosciences, Inc., a Michigan corporation ("Employer") and George W. Dunbar ("Employee").

RECITALS:

WHEREAS, Employer and Employee entered into that Employment Agreement dated July 17, 2006 (the "Employment Agreement") pursuant to which Employee serves as President and Chief Executive Officer of Employer.

WHEREAS, it was announced on September 3, 2009, that Employee intends to transition out of day to day management of Employer and is expected to terminate his employment as President and Chief Executive Officer immediately following the upcoming Annual Shareholders' Meeting of the Company, which is currently expected to be held on December 14, 2009.

WHEREAS, it is the intent of the Employer and Employee that immediately following the upcoming Annual Meeting of Shareholders, Employee will assume the role of Chairman of the Board of Directors of the Employer.

WHEREAS, in connection with this transition, Employer and Employee desire to make certain amendments to the Employment Agreement and to that certain Stock Option Agreement dated October 31, 2008.

NOW THEREFORE, in consideration of the mutual covenants contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. Termination of Employment and Employment Agreement. Effective immediately following the Annual Shareholders' Meeting of the Company, which is currently expected to be held on December 14, 2009 (the "Termination Date"), Employee's employment with the Employer is hereby terminated and, except as provided herein, the Employment Agreement is terminated. As of the Termination Date, Employee shall resign from all positions with the Employer and its affiliates, including officerships and directorships, *other than* his membership on the Board of Directors of the Employer.

2. Employee Stock Options.

(a) It is understood by both parties that, in accordance with the definition of the term "Service" in Section 2.1(oo) of the Company's Amended and Restated 2004 Equity Incentive Plan ("Plan") and as set forth in his various option agreements, Employee's termination as an employee of the Employer will not cause a forfeiture of those non-vested options granted to him while he was an employee of the Company as long as he continues, without a break, as a member of the Board of Directors. Those options shall continue to vest during his service as a member of the Board of Directors, and, except as set forth below, at such time as Employee ceases to be a member of the Board of Directors, or, if later, otherwise terminates his Service with the Company, he will have 90 days (or, if less, until the original term of the option) in which to exercise his vested options.

(b) In exchange for executing a release from claims against the Employer in the form set forth as Exhibit D to Employee's Employment Agreement, the Employer agrees that, on the Termination Date, the 500,000 options granted to Employee on October 31, 2008, shall continue to vest in accordance with the terms set forth in the Option Agreement and the Plan; provided, however, that the exercise period for such options shall be extended through the period ending on the earlier of 24-months from (i) the date that he ceases to be a member of the Board of Directors or, if later, otherwise terminates his Service with the Company or (ii) the original term of the option.

(c) All remaining outstanding options granted to Employee prior to October 31, 2008, whether vested or not, shall terminate and be forfeited on the Termination Date.

IN WITNESS WHEREAS, the parties have executed this Amendment as of the date first set forth above.

AASTROM BIOSCIENCES, INC.

By: /s/ Alan L. Rubino—

Name: Alan L. Rubino
Title: Chair of the Compensation Committee of
the Board of Directors

EXECUTIVE

 /s/ George W. Dunbar—

George W. Dunbar

October 23, 2009

Mr. Timothy M. Mayleben
 706 Dornoch Drive
 Ann Arbor, Michigan 48103
 Re: Consulting Services

Dear Tim:

In connection with the transition plan that was announced on September 3, 2009, whereby George Dunbar has announced his intention to terminate his employment as President and Chief Executive Officer with the Company immediately following the upcoming Annual Shareholders' Meeting of the Company, which is currently expected to be held on December 14, 2009, and your agreement to take over those positions immediately upon George's stepping down, the Company would like to enter into a consulting agreement with you, effective immediately and ending at the time that you assume employment with the Company as President and Chief Executive Officer.

While you have been a member of the Board of Directors of the Company for several years, the Company understands that you will need to spend significant time "getting up to speed" on and involved in day to day activities of the Company prior to assuming your new role, to better assure that the transition from George to you will go as smoothly as possible. In this regard, it is expected that you will consult with George, members of the Board and others at the Company to the extent you deem necessary or appropriate in order to be prepared to take over as President and Chief Executive Officer. You will spend such time between the date of this Agreement and the date you assume your roles as President and Chief Executive Officer as you deem necessary.

In consideration for your services as a consultant, the Company agrees to pay you a lump sum payment of \$50,000, payable upon your commencement as President and Chief Executive Officer of the Company, for the time, effort and consulting services provided by you during the term of this Agreement. If for any reason this Agreement terminates prior to the Annual Shareholders' Meeting and an employment agreement between you and the Company is not entered into, the Company will pay you a pro-rated portion of the \$50,000, based on the number of days from September 14, 2009 to the date of notice of termination of this Agreement divided by the total number of days from the September 14, 2009 until the date the Annual Shareholders' Meeting is to be held.

At all times during the term of this Agreement, you shall be an independent contractor and shall not be considered an employee of the Company for any purpose. You understand and acknowledge that the only compensation for your services under this Agreement is the \$50,000 payment referred to above and during the term of the Agreement you will not be covered by any of the Company's benefit plans or programs (other than any plans or programs that you are covered by reason of your being a Board member). Your compensation for services under this Agreement will be reported to you on IRS Form 1099 and you shall be responsible for the payment of any and all income or employment taxes (whether federal, state or local) arising out of this Agreement.

This Agreement is the sole and exclusive Agreement between the parties regarding your consulting relationship with the Company and supersedes any prior written or oral agreements with respect thereto. Any modifications to this Agreement shall be in writing and signed by both parties.

If you agree to the terms of this arrangement, please sign both copies of this letter and return one copy to Alan Rubino. The other copy is for your files.

AASTROM BIOSCIENCES, INC.

By: /s/ Alan L. Rubino

Alan L. Rubino, Chairman of the Compensation Committee

AGREED TO AND ACKNOWLEDGED:

 /s/ Timothy M. Mayleben
 Timothy M. Mayleben

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (this “**Agreement**”) is entered into as of October 23, 2009, by and between AASTROM BIOSCIENCES, INC., a Michigan corporation (“**Aastrom**”), and TIMOTHY M. MAYLEBEN (“**Executive**”).

RECITALS:

WHEREAS, Executive has been a member of the Board of Directors of Aastrom since June 2005;

WHEREAS, it was announced on September 3, 2009, that the current President and Chief Executive Officer, of Aastrom, George W. Dunbar, intends to transition out of day to day management of Aastrom and is expected to terminate his employment relationship as President and Chief Executive Officer immediately following the Annual Shareholders’ Meeting of Aastrom, which is currently expected to be held on December 14, 2009; and

WHEREAS, Aastrom desires and Executive is willing to enter into this Employment Agreement pursuant to which Executive shall become the President and Chief Executive Officer of Aastrom upon George Dunbar’s resignation as such, immediately following the Annual Shareholders’ Meeting of Aastrom, which is currently expected to be held on December 14, 2009.

NOW THEREFORE, in consideration of the mutual covenants contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. **Definitions.** Capitalized terms not otherwise defined in this Agreement shall have the following meanings:

“**Aastrom**” means Aastrom Biosciences, Inc., a Michigan corporation, and, following a Change in Control, any Successor that agrees to assume all of the terms and provisions of this Agreement, or a Successor which otherwise becomes bound by operation of law to this Agreement.

“**Aastrom Documents and Materials**” means documents or other media, whether in tangible or intangible form, that contain or embody Confidential Information or any other information concerning the business, operations or plans of Aastrom, whether such documents or media have been prepared by Executive or by others. Aastrom Documents and Materials include, without limitation, blueprints, drawings, photographs, charts, graphs, notebooks, customer lists, computer disks, tapes or printouts, sound recordings and other printed, electronic, typewritten or handwritten documents or information, sample products, prototypes and models.

“**Acquiring Corporation**” means the surviving, successor or purchasing corporation or parent corporation thereof, in a Change in Control, as the case may be.

“**Annual Meeting**” means the annual meeting of the shareholders of Aastrom next following the date of this Agreement.

“**Base Salary**” means the base annual salary to be paid to Executive under Section 4.1 of this Agreement, as it may be adjusted from time to time as provided in such Section.

“**Board**” means the Board of Directors of Aastrom.

“**Cause**” means the occurrence of any of the following events, as determined by the Board of Aastrom, in good faith:

(a) Executive’s material breach of any of Executive’s material duties or obligations to Aastrom (but not mere unsatisfactory performance), which breach is not cured to the reasonable satisfaction of Aastrom’s Board within fifteen (15) days after Executive’s receipt of a written notice describing in detail any such breach;

(b) Executive’s (i) theft of any property of Aastrom, (ii) fraud against Aastrom, (iii) intentional falsification of any records of Aastrom, or (iv) any other wrongful act that materially and adversely impacts the business or reputation of Aastrom;

(c) Executive’s material breach of Aastrom’s Executive Confidential Information and Invention Agreement or any other agreement with Aastrom covering the use or disclosure of confidential or proprietary information of Aastrom, the ownership of intellectual property or restrictions on competition;

(d) Executive’s gross negligence or willful misconduct in the performance of Executive’s assigned duties (but not mere unsatisfactory performance); or

(e) Executive’s conviction or plea of guilty *or nolo contendere* on a felony indictment.

“**Change in Control**” means the occurrence of any of the following:

(a) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)), other than a trustee or other fiduciary holding securities of Aastrom under an employee benefit plan of Aastrom, becomes the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or

indirectly, of securities of Aastrom representing greater than or equal to fifty percent (50%) of (A) the outstanding shares of common stock of Aastrom, or (B) the combined voting power of Aastrom's then-outstanding securities;

(b) Aastrom is party to a merger or consolidation which results in the holders of voting securities of Aastrom outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of Aastrom or such surviving entity outstanding immediately after such merger or consolidation; or

(c) the sale or disposition of all or substantially all of Aastrom's assets (or consummation of any transaction having similar effect).

"Commencement Date" means the date of the Annual Meeting.

"Confidential Information" means information that was or will be developed, created, or discovered by or on behalf of Aastrom, or which became or will become known by, or was or is conveyed to Aastrom, which has commercial value in Aastrom's business, including, without limitation, information about software programs and subroutines, source and object code, algorithms, trade secrets, designs, technology, know-how, processes, data, ideas, techniques, inventions (whether patentable or copyrightable or not), works of authorship, formulas, business and product development plans, customer lists, information concerning vendors and contract terms with vendors that are not public knowledge, terms of compensation and performance levels of Aastrom employees and consultants, Aastrom customers and other information concerning Aastrom's actual or anticipated business, research or development, or which is received in confidence by or for Aastrom from any other person or entity.

"Disability" means, with respect to Executive, that:

(a) Executive has been incapacitated by bodily injury, illness or disease such that Executive is unable, with or without accommodations required by law, to perform the essential functions of his duties to Aastrom as prescribed hereunder, as reasonably determined by the Board based upon a medical evaluation of Executive paid for by Company (and Executive agrees to reasonably cooperate with such medical evaluation);

(b) such incapacity shall have continued for a period of six (6) consecutive months; and

(c) such incapacity will, in the opinion of a qualified physician selected by Executive and reasonably acceptable to Aastrom, will persist for a period of more than twelve (12) months from the onset thereof, provided, however, that if a physician chosen by the Company materially disagrees with such opinion, the parties agree to engage, at the Company's expense a third qualified physician, selected by the Executive and the Company and reasonably acceptable to both Executive and the Company to make a final binding decision regarding such incapacity.

"Good Reason" means the occurrence of any of the following conditions, without Executive's informed written consent, which condition(s) remain(s) in effect fifteen (15) days after written notice to Aastrom of Executive's disapproval of the condition(s), during which period Aastrom shall have the opportunity to cure such condition to the reasonable satisfaction of Executive, and Executive's written statement to treat the continuation of the condition(s) as a "Good Reason" condition:

(a) a change in Executive's position as President and Chief Executive Officer that materially reduces his level of responsibility;

(b) a change in Executive's reporting relationship that results in Executive reporting to any person, entity or group other than the Board;

(c) any reduction in Executive's then-effective Base Salary, except for reductions that are comparable to reductions that are generally applicable to all senior executives of Aastrom;

(d) any change in the location of Executive's locus of employment that is more than fifty (50) miles from the current headquarters of Aastrom in Ann Arbor, Michigan;

(e) failure of the Board or its nominating committee to nominate Executive as a member of the Board; or

(f) any material breach of this Agreement by Aastrom.

"Successor" means Aastrom and any successor or assign to substantially all of its business and/or assets.

2. **Employment.** Aastrom hereby engages Executive as an employee, and Executive hereby accepts such engagement, upon the terms and conditions set forth herein.

3. **Duties.**

3.1 **President and CEO.** Executive is engaged as President and Chief Executive Officer. Executive shall perform faithfully and diligently the duties customarily performed by persons in the position for which Executive is engaged, together with such other reasonable and appropriate duties as Aastrom shall designate from time to time.

3.2 **Board of Directors.** Aastrom shall cause Executive to be nominated by the Board or the nominating committee of the Board during the term of this Agreement and shall use commercially reasonable efforts to cause Executive to be elected to the Board; provided, however, that failure of the shareholders to elect the Executive to the Board shall not constitute "Good Reason" unless such failure occurs within twelve months following a Change in Control.

3.3 **Outside Activities.** Executive shall devote Executive's best efforts and Executive's full business time and attention to the performance of the services customarily incident to his office with Aastrom and to such other services as the Board may reasonably request. Executive may also serve on the board of directors or advisory board of one or more other entities with the prior consent of the Board, which shall not be unreasonably withheld, and may also continue to serve in the capacities shown for those third parties listed on Exhibit A attached hereto and incorporated herein, and for the time periods indicated for each, so long as such service does not interfere with Executive's performance of Executive's responsibilities and duties to Aastrom, would not result in a violation of Executive's obligations under Section 7.1 hereof, and is not competitive with Aastrom.

4. Compensation and Fringe Benefits.

4.1 **Base Salary.** During the term of this Agreement, Aastrom shall pay to Executive a Base Salary of Four Hundred and Twenty-Five Thousand Dollars (\$425,000) per year, payable in accordance with Aastrom's standard payroll policies in effect for other executive employees and subject to all required deductions for state and federal withholding taxes, Social Security and all other employment taxes and payroll deductions. The Base Salary shall be subject to review by the compensation committee of the Board on an annual basis, as of January, commencing in 2011.

4.2 **Incentive Bonus Compensation.** In addition to the Base Salary, Executive shall be eligible to receive an annual incentive bonus payment and the stock incentive compensation described in Exhibit B attached hereto and incorporated herein.

4.3 **Customary Fringe Benefits.** Executive shall be entitled to such fringe benefits as Aastrom customarily makes available to Aastrom's senior executives (collectively, "**Fringe Benefits**"). The Fringe Benefits shall include sick leave, health insurance coverage, and 401k plan participation, in accordance with the terms and provisions of such plans, policies and arrangements as adopted by Aastrom from time to time during the term of this Agreement. By action of the Board, Aastrom reserves the right to change the Fringe Benefits on a prospective basis, at any time, effective upon delivery of written notice to Executive.

4.4 **Vacation.** Executive is entitled to twenty (20) days of paid vacation in each calendar year, pro rated for any partial calendar year during the term of this Agreement. Executive also shall be entitled to such paid holidays as are established by Aastrom for all regular full-time employees.

4.5 **Accumulation.** Executive shall earn and accumulate unused vacation and sick leave in accordance with Aastrom's policy in effect from time to time; provided, however, that notwithstanding any written or other policy to the contrary, Executive shall be entitled to carry over up to twenty (20) days of unused vacation in any calendar year to the next, pro rated for any partial calendar year during the term of this Agreement. Further, Executive shall not be entitled to receive payments in lieu of Fringe Benefits, other than for unused vacation leave earned and accumulated at the time the employment relationship terminates.

4.6 **Business Expenses.** Upon submission of itemized expense statements in the manner specified by Aastrom and subject to Aastrom's expense reimbursement policies in effect from time to time, Executive shall be entitled to reimbursement for all expenses of any nature that Executive reasonably incurs in fulfilling his obligations under this Agreement and during the term hereof, including, without limitation, expenses incurred to attend meetings, travel, entertainment, professional dues and journals, telephone and data transmission charges and any equipment purchased by Executive for the purpose of performing such obligations. Aastrom shall so reimburse Executive no later than the last day of the calendar month following the calendar month in which Executive incurred the expenses to be reimbursed. Executive's right to reimbursement for expenses as provided in this Section 4.6 shall not be subject to liquidation or exchange for any other benefit. Notwithstanding anything contained herein to the contrary, the reimbursement of expenses during a year will not affect the expenses eligible for reimbursement in any other year.

4.7 **Equipment.** Aastrom shall supply Executive with all necessary equipment for Executive to perform his obligations under this Agreement, including, without limitation, a laptop computer and smart phone.

5. Term.

5.1 **Commencement Date.** The employment relationship pursuant to this Agreement shall commence on the Commencement Date.

5.2 **Termination at Will.** Aastrom and Executive acknowledge and agree that Aastrom's employment currently is "at will" and that their employment relationship may be terminated by either party at any time, with or without Cause.

6. Consideration Upon Termination.

6.1 **Base Salary.** Upon termination of Executive's employment with Aastrom, Aastrom shall pay Executive his then-effective Base Salary through the effective date of such termination, with such payment to be made with the next following payroll processed by the Company.

6.2 **Severance.**

6.2.1 In the event Executive's employment is terminated by Aastrom without Cause or Executive resigns for Good Reason, then Aastrom shall additionally pay to Executive a severance payment equal to his then-effective Base Salary, payable in equal installments over the one-year period following the date upon which the Release (as defined in Section 6.4) shall have become irrevocable, to be paid on standard payroll dates and in accordance with Aastrom's standard payroll policies in then in effect.

6.2.2 In the event Executive's employment is terminated by Aastrom without Cause or Executive resigns for Good Reason within twelve (12) months following a Change in Control, Aastrom shall instead of the payment contemplated by the foregoing Section 6.2.1 pay Executive a severance payment equal to one and one-half times his then-Effective Base Salary, payable in a lump sum within twenty (20) business days after the Release has become irrevocable.

6.2.3 Executive shall be responsible for paying all taxes in respect of any severance payment he receives under this Section 6.2 and Aastrom may reduce the amount of any such payment by the amount of all required withholding taxes and other deductions required by law.

6.3 **Continued Medical Coverage.** In the event Executive's employment is terminated by the Company for reasons other than Cause or by the Executive for Good Reason, then Executive shall be entitled to elect continued medical insurance coverage in accordance with applicable provisions of the Consolidated Budget Reconciliation Act of 1985 (the "**COBRA Continuation Coverage**"). In the event that Executive elects the COBRA Continuation Coverage, then Aastrom shall, at its sole cost and expense, pay for the COBRA Continuation Coverage for the first twelve (12) months following the date of Executive's termination. Thereafter, if Executive elects to continue the COBRA Continuation Coverage, Executive shall be responsible for payment of the premiums required to maintain the same.

6.4 **Release.** The Executive's right to receive any severance payment contemplated by Section 6.2 or Company paid COBRA Continuation Coverage is conditioned upon (a) execution and delivery by Executive of the release in the form attached hereto as Exhibit C attached hereto and incorporated herein, (the "**Release**") within ten (10) days after the date of Executive's termination, and (b) the Release becoming irrevocable.

6.5 **At Will Employment.** Aastrom retains and reserves the right to terminate the employment of Executive at any time, with or without Cause.

7. Covenants.

7.1 **Non-Disclosure of Confidential Information.** Executive agrees that he will not use or disclose to any person or entity any Confidential Information; provided, however, that Executive shall have no such obligation with respect to Confidential Information that (a) was already known to Executive at the time of its disclosure to Executive by or on behalf of Aastrom whether before or after the date of this Agreement or the Commencement Date, (b) at the time of disclosure to Executive was generally available to the public or otherwise in the public domain, or (c) subsequent to such disclosure becomes generally available to the public without violation by Executive of this covenant. Executive agrees that upon the termination of his employment with Aastrom for any reason, he will not take with him any Confidential Information that is in written, computerized, machine readable, model, sample, or other form of capable of physical delivery, without the prior written consent of the Board. The Executive also agrees that upon the end of his employment with Aastrom for any reason or at any other time that Aastrom may request, he will deliver promptly and return to Aastrom all Aastrom Documents and Materials.

7.2 **Non-Solicitation.** Executive agrees that, during the term of his employment with Aastrom and for a period of one year following the termination of his employment with Aastrom for any reason, he will not, directly or indirectly, on his own behalf or on behalf of any other person or entity, solicit, induce or attempt to solicit or induce: (i) any then current employee or independent contractor of Aastrom to terminate or modify his, her or its employment or business relationship with Aastrom; (ii) any then current customer of Aastrom with which Executive had personal contact during the last twelve (12) months of his employment or about which Executive had access to Confidential Information regarding such customer, or any current vendor, supplier, service provider, or other business relation of Aastrom ("**Business Relation**") to terminate or modify its use of Aastrom's services or its relationship with Aastrom, as applicable.

7.3 **Non-Competition.** Executive agrees that during the term of his employment with Aastrom and for a period of one (1) year following the termination of his employment with Aastrom for any reason, he will not, without the express written consent of the Board, directly or indirectly, on his own behalf or on behalf of any other person or entity, represent, engage in, be employed by, furnish consulting services to, or have any interest in (whether as an agent, director, officer, owner, partner, principal, proprietor, representative, shareholder, or otherwise) any business that is directly competitive with Aastrom's development programs, including product candidates being developed thereunder, technologies or commercial products at such time of Executive's termination of employment. Neither (a) Executive's participation in the activities permitted by Section 3.3, nor (b) Executive's ownership, in itself, of one percent or less of the outstanding publicly traded securities of any class of a corporation or other entity (so long as Executive does not participate in the operations of such competitive business), shall constitute a violation of this Section 7.3.

8. **Executive's Representations.** Executive represents and warrants that Executive (i) is free to enter into this Agreement and to perform each of the terms and covenants contained herein, (ii) is not restricted or prohibited, contractually or otherwise, from entering into and performing this Agreement, and (iii) will not be in violation or breach of any other agreement by reason of Executive's execution and performance of this Agreement.

9. **Aastrom Policies.** To the extent not in conflict with this Agreement, Executive agrees to comply with Aastrom's (i) Confidential Information and Invention Agreement as executed by Executive, and (ii) any handbook or other policies for Aastrom employees and executive adopted from time to time the Board, including, without limitation.

10. General Provisions.

10.1 **Attorneys' Fees.** In the event of any dispute or breach arising with respect to this Agreement, the party prevailing in any negotiations or proceedings for the resolution or enforcement thereof shall be entitled to recover from the losing party reasonable expenses, attorneys' fees and costs incurred therein.

10.2 **Amendments.** No amendment or modification of the terms or conditions of this Agreement shall be valid unless in writing and signed by both parties hereto. There shall be no implied-in-fact contracts modifying the terms of this Agreement.

10.3 **Entire Agreement.** This Agreement and the exhibits attached hereto constitute the entire agreement between the parties with respect to the employment of Executive, other than (i) the agreements relating to Aastrom's stock option grants to Executive, and (ii) policies and agreements referenced in Section 9. This Agreement, together with the items referenced above, supersedes all prior agreements, understandings, negotiations and representation with respect to the employment relationship.

10.4 **Successors and Assigns.** This Agreement shall inure to the benefit of and be enforceable by the Executive's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

10.5 **No Limitation of Regular Benefit Plans.** This Agreement is not intended to and shall not affect, limit or terminate any plans, programs, or arrangements of Aastrom that are regularly made available to a significant number of executives or officers of Aastrom, including without limitation Aastrom's stock option plans.

10.6 **No Assignment of Benefits.** The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditors process, and any action in violation of this Section 10.6 shall be void.

10.7 **Notices.** Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered, when mailed, if mailed by U.S. registered or certified mail, return receipt requested and postage prepaid, or when shipped, if shipped by nationally known reputable overnight delivery service and shipping charges prepaid. In the case of Executive, notices shall be addressed to Executive at the home address which he most recently communicated to Aastrom, in writing. In the case of Aastrom, notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

10.8 **No Duty to Mitigate.** Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking employment with a new Aastrom or in any other manner), nor shall any such payment be reduced by any earnings that Executive may receive from any other source except as otherwise provided herein.

10.9 **No Representations.** Executive acknowledges that in entering into this Agreement Executive is not relying and has not relied on any promise, representation or statement made by or on behalf of Aastrom which is not set forth in this Agreement.

10.10 **Choice of Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Michigan, without regard to its choice of law rules.

10.11 **Waiver.** Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each and every other provision of this Agreement.

10.12 **Severable Provisions.** The provisions of this Agreement are severable, and if any one or more provisions may be determined to be judicially unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

10.13 **Tax Withholding.** The payments to be made pursuant to this Agreement will be subject to customary withholding of applicable income and employment taxes.

10.14 **Consultation.** Executive acknowledges that this Agreement confers significant legal rights on Executive, and also involves Executive waiving other potential rights he might have under other agreements and laws. Executive acknowledges that Aastrom has encouraged Executive to consult with Executive's own legal, tax, and financial advisers before signing the Agreement; and that Executive has had adequate time to do so before signing this Agreement.

10.15 **Counterparts.** This Agreement may be executed in counterparts, and each of which shall be deemed an original, but all of which together will constitute one and the same instrument

10.16 Excess Parachute Payment.

10.16.1 In the event that any payment or benefit received or to be received by Executive pursuant to this Agreement or otherwise would (a) constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**"), or any comparable successor provisions, and (B) but for this Section 10.16 would subject Executive to

the excise tax imposed by Section 4999 of the Code, or any comparable successor provisions (the “**Excise Tax**”), then Executive’s benefits hereunder shall be either (a) provided to Executive in full, or (b) provided to Executive as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax, whichever of the foregoing amounts, when taking into account applicable federal, state, local and foreign income and employment taxes, the Excise Tax, and any other applicable taxes, results in the receipt by Executive, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under the Excise Tax. Unless Aastrom and Executive agree otherwise in writing, any determination required under this paragraph shall be made in writing in good faith by a qualified third party mutually agreed upon by Aastrom and Executive (the “**Professional Service Firm**”). In the event of a reduction of benefits hereunder, Executive shall be given the choice of which benefits to reduce, in the event that the reduction to zero dollars (\$0) of all benefits paid in cash is insufficient to avoid liability under the Excise Tax. For purposes of making the calculations required by this Section 10.16, the Professional Service Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code, and other applicable legal authority. Aastrom and Executive shall furnish to the Professional Service Firm such information and documents as the Professional Service Firm may reasonably request in order to make a determination under this Section 10.16. Aastrom shall bear all costs and expenses the Professional Service Firm may reasonably incur in connection with any calculations contemplated by this Section 10.16.

10.16.2 If, notwithstanding any reduction described in this Section 10.16, the Internal Revenue Service (“**IRS**”) determines that Executive is liable for the Excise Tax as a result of the receipt of the payment of benefits described above, then Executive shall be obligated to pay back to Aastrom, within thirty (30) days after a final IRS determination or in the event that Executive challenges the final IRS determination, a final judicial determination, a portion of the payment equal to the “**Repayment Amount**.” The Repayment Amount with respect to the payment of benefits shall be the smallest amount, if any, as shall be required to be paid to Aastrom so that Executive’s net after-tax proceeds with respect to any payment of benefits (after taking into account the payment of the Excise Tax and all other applicable taxes imposed on such payment) shall be maximized. The Repayment Amount with respect to the payment of benefits shall be zero if a Repayment Amount of more than zero would not result in Executive’s net after-tax proceeds with respect to the payment of such benefits being maximized. If the Excise Tax is not eliminated pursuant to this paragraph, Executive shall pay the Excise Tax.

10.16.3 Notwithstanding any other provision of this Section 10.16, if, within three years of the date of the filing of Executive’s tax return for the year in which a Change in Control occurred (or if later three years from the due date for the filing of such return) (a) there is a reduction in the payment of benefits as described in this Section 10.16, (b) the IRS later determines that Executive is liable for the Excise Tax, the payment of which would result in the maximization of Executive’s net after-tax proceeds (calculated as if Executive’s benefits previously had not been reduced), and (c) Executive pays the Excise Tax, then Aastrom shall pay to Executive those benefits which were reduced pursuant to this paragraph contemporaneously or as soon as administratively possible after Executive pays the Excise Tax so that Executive’s net after-tax proceeds with respect to the payment of benefits is maximized.

10.17 **ERISA and Section 409A.**

10.17.1 *Section 409A General.* To the extent applicable, it is intended that payments and benefits under this Agreement be excluded from or comply with the provisions of Section 409A of the Internal Revenue Code of 1986, as amended or Treasury regulations or other guidance thereunder (the “**Code**”). The Agreement shall be administered in a manner consistent with this intent, and, if either party determines that any provision would cause payments and benefits under the Agreement to be subject to but fail to comply with Code Section 409A, the parties shall cooperate in preparing an amendment to comply with Code Section 409A (which amendment may be retroactive to the extent permitted under Code Section 409A). For purposes of Code Section 409A, Executive’s right to receive installment payments pursuant to Section 6.2.1 shall be treated as a right to receive a series of separate and distinct payments.

10.17.2 *Severance Benefits.* Notwithstanding anything to the contrary in this Agreement, no severance payments contemplated by this Agreement will be paid during the Delay Period (as defined below) if Aastrom and Executive agree that paying such amounts at the time(s) indicated herein would cause Executive to incur an additional tax under Code Section 409A. In the event that any payments are delayed as a result of this Section 10.17.2, Aastrom shall pay Executive a lump sum amount equal to the cumulative amounts that would otherwise have been previously paid to him during such Delay Period, such lump sum amount to be paid on the first day following the end of the Delay Period. For purposes of this Section 10.17.2, “**Delay Period**” means the period beginning on the date of termination of employment and ending on the earlier of (a) the date that is six (6) months after the date of termination of Executive’s employment, or (b) the date of Executive’s death.

10.17.3 *ERISA.* The severance compensation provided by Section 6.2 of this Agreement constitutes an unfunded compensation arrangement for a member of a select group of the Aastrom’s management and any exemptions under ERISA, as applicable to such an arrangement, shall be applicable to this Agreement.

10.18 **Reporting and Disclosure.** Aastrom, from time to time, shall provide government agencies with such reports concerning this Agreement as may be required by law, and Aastrom shall provide the Executive with such disclosure concerning this Agreement as may be required by law or as Aastrom may deem appropriate.

10.19 **No Liability.** Liability for payment of any severance hereunder, as set forth in Sections 6.2 and 6.3 is the liability of Aastrom, and no director, officer or shareholder of Aastrom shall have any personal liability for the payment of any such amounts to Executive.

10.20 **Counterparts; Electronic Signature.** This Agreement may be executed in one more counterparts and by any form of electronic imaging, all of which shall constitute originals, and all of which together shall constitute one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

The parties have executed this Agreement as of the date set forth above.

AASTROM:

AASTROM BIOSCIENCES, INC.

By: /s/ Alan L. Rubino—

Name: Alan L. Rubino
Title: Chair of the Compensation Committee of the
Board of Directors

EXECUTIVE:

/s/ Timothy M. Mayleben—

TIMOTHY M. MAYLEBEN

EXHIBIT A
OUTSIDE ACTIVITIES
(SECTION 3.3)

Notwithstanding anything in this Agreement to the contrary, Aastrom approves Executive serving on the boards of directors and related committees of each of Intelliject Corporation (Richmond, Virginia); and Lycera Corporation (Ann Arbor, Michigan); subject to the following:

- (1) Actual time devoted to such board-related activities must not materially impair Executive's full and complete performance of his obligations under this Agreement;
- (2) Such service would not result in a violation of Executive's obligations under Section 7.1 hereof.
- (3) Areas of business and technology must not be competitive with Aastrom.

EXHIBIT B

INCENTIVE BONUS COMPENSATION
(SECTION 4.2)

1. **Target Cash Bonus.** Participation in Aastrom's cash performance bonus program, as determined by Aastrom's Board, for up to 45% of Executive's Base Salary, based on achievement of goals for Executive and Aastrom set by the Compensation Committee of the Board and agreed to by Executive prior to the calendar year to which such bonus and goals shall apply; provided, however, that the goals for the calendar year 2010 shall be set and agreed upon as soon as practicable after the execution of this Agreement, but might not be determined until after the beginning of the 2010 calendar year. The Board shall act reasonably in determining whether such goals have been achieved.

2. **Stock Options.**

2.1 **Initial Grant.** Initial stock options to purchase 3,000,000 shares of Aastrom common stock (determined prior to the effect of any reverse stock split, but as adjusted for any later stock dividend, stock split, combination of shares, reverse stock split, reorganization, recapitalization, or other reclassification affecting the Company's equity securities, "**As Adjusted**") (the "**Options**"), having an exercise price equal to public stock price at date of grant. Aastrom shall grant Executive the Options on the Commencement Date, immediately following the Annual Meeting, provided that the new equity incentive plan has been approved at the Annual Shareholders' Meeting. In the event that the new equity plan is not so approved, then Executive shall be granted the maximum number of time-vested options, as described in Section 2.2 below, permitted under the equity incentive plan as then in effect. All Options shall be non-statutory stock options with a 10-year term.

2.2 **Vesting of Options.** One hundred percent (100%) of the Options (As Adjusted) shall vest in forty-eight equal monthly installments commencing on the first day of the calendar month first following the Annual Meeting. Other provisions to which such Options shall be subject and which shall be included in the option award agreement are as follows:

2.3 **General Provisions.** General provisions applicable to Options:

2.3.1 Vested Options shall be exercisable for a period of 90 days following termination of employment for any reason other than Cause, death or disability. In the event that Executive is subject to a Section 16 insider trading blackout after termination, then the termination of the exercise period for vested Options shall be extended for an additional 45 days. In the case of death or disability, Options shall remain exercisable for a period of 12 months following such event.

2.3.2 Notwithstanding the foregoing Section 2.3.1, in the event that upon termination of employment, Executive continues to serve as a non-employee director of Aastrom, then those Options vested as of the date of his termination of employment shall remain exercisable and upon his later separation from Board service, he shall be entitled to exercise his vested Options through the period ending on the earlier of 18-months from the date of separation or the original term of the Option.

2.3.3 All unexercised Options are immediately forfeited upon termination for Cause.

2.4 *Accelerated Vesting Upon Change in Control.* Upon Executive's termination for (a) reasons other than Cause, (b) his death or Disability, or (c) Good Reason that that in any of such cases occurs within 12 months following a Change in Control, all of the Options shall immediately and automatically vest.

2.5 *Release of Claims.* Acceleration of vesting of options hereunder upon any termination of Executive's employment shall be conditioned upon Executive's execution and delivery of the Release and the same becoming irrevocable.

EXHIBIT C

FORM OF RELEASE (SECTION 6.4)

RELEASE AGREEMENT

THIS AGREEMENT (this "**Release Agreement**") is made by and between Timothy M. Mayleben ("**Executive**") and Aastrom Biosciences, Inc. ("**Aastrom**"; together with Executive, the "**Parties**").

RECITALS

A. Executive has terminated employment as an executive officer of Aastrom, effective __, __.

B. Executive has been given the opportunity to review this Release Agreement, to consult with legal counsel, and to ascertain his rights and remedies.

C. Executive and Aastrom, without any admission of liability, desire to settle with finality, compromise, dispose of, and release any and all claims and demands asserted or which could be asserted arising out of Executive's employment at and separation from Aastrom.

D. Capitalized terms used in this Release Agreement and not otherwise defined shall have the meanings assigned to them in that certain Executive Employment Release Agreement, dated as of __, 2009 (the "**Employment Release Agreement**") between Executive and Aastrom.

In consideration of the foregoing and of the promises and mutual covenants contained herein, it is hereby agreed between Executive and Aastrom as follows:

AGREEMENT

1. In exchange for the good and valuable consideration set forth in the Employment Agreement, Executive hereby releases, waives and discharges any and all manner of action, causes of action, claims, rights, charges, suits, damages, debts, demands, obligations, attorneys fees, and any and all other liabilities or claims of whatsoever nature, whether in law or in equity, known or unknown, including, but not limited to, age discrimination under the Age Discrimination In Employment Act of 1967 (as amended), employment discrimination prohibited by other federal, state or local laws, and any other claims, which Executive has claimed or may claim or could claim in any local, state or federal or other forum, against Aastrom, its directors, officers, Executives, agents, attorneys, successors and assigns as a result of or relating to Executive's employment at and separation from Aastrom and as an officer of Aastrom as a result of any acts or omissions by Aastrom or any of its directors, officers, Executives, agents, attorneys, successors or assigns (collectively "**Covered Acts or Omissions**") that occurred prior to the date of this Release Agreement; excluding only (i) those to compel the payment of amounts due to Executive as provided in the Employment Release Agreement, (ii) enforcement of any rights of Executive under any other agreements with Aastrom, or (iii) those for indemnification under Aastrom's articles of incorporation, bylaws or applicable law by reason of his service as an officer or director of Aastrom, under any separate indemnification agreement between Aastrom and Executive, or under any policy of insurance purchased for Executive by Aastrom (collectively, the "**Other Agreements**").

2. Executive agrees to immediately return to Aastrom all property, assets, manuals, materials, information, notes, reports, agreements, memoranda, customer lists, formulae, data, know-how, inventions, trade secrets, processes, techniques, and all other assets, materials and information of any kind or nature, belonging or pertaining to Aastrom (collectively "**Aastrom Information and Property**"), including, but not limited to, computer programs and diskettes or other media for electronic storage of information containing Aastrom Information and Property, in Executive's possession, and Executive shall not retain copies of any such Aastrom Information and Property. Executive further agrees that from and after the date hereof he will not remove from Aastrom's offices any Aastrom Information and Property, nor retain possession or copies of any Aastrom Information and Property.

3. For a period of five (5) years after the date of this Release Agreement, the Parties covenant and agree that neither of them shall not publicly make or cause to be made any statements, observations, opinions or communicate any information (whether in written or oral form) that disparages, defames, slanders or is likely in any way to harm the reputation of the other or, in the case of

Aastrom, any of its subsidiaries, affiliates, directors, officers, members, employees or agents (each a “**Protected Person**”) or tortiously interfere with any of their respective business relationships; provided, however, such statements may be made by Executive to members of the Board of Directors of the Company or by members of the Board of Directors to Executive in private. The Parties acknowledge and agree that any violation of the covenant contained in this Section 3 will result in irreparable damage to the affected Protected Person and that such Protected Person shall be entitled to injunctive and other equitable relief. In addition, the Parties agree that should it become necessary for a Protected Person to enforce any of the covenants contained in this Section 3 through any legal, administrative or alternative dispute resolution proceeding, the violator of this Section 3 shall reimburse such Protected Person for any and all reasonable fees and expenses (legal and otherwise) incurred by such Protected Person in enforcing such covenants and/or prosecuting any such proceeding or appeal therefrom to a successful conclusion for the Protected Person. Notwithstanding the foregoing, nothing contained in this Section 3 shall be interpreted to prevent either Party or any Protected Person from making truthful statements in any legal or other proceeding that would subject them to penalty for perjury, even if such statements are otherwise in conflict with this Section 3.

4. The Parties agree that from and after the date hereof neither of them shall make reference to the other or use the name or goodwill of the other in connection with any enterprise that either of them is currently or shall in the future undertake on their own behalf or that of any third party. Accordingly, neither of the Parties shall use the other’s name in any promotional materials, publicity materials including press releases, on a website or otherwise with respect to third parties without the express prior written consent of the other. Notwithstanding the foregoing, (i) the Parties may indicate to any third party, in promotional materials, publicity materials including press releases, on a website or otherwise that Mayleben is a former Aastrom director and President and CEO without the need for any such consent, and (ii) either Party may make any truthful statement which would otherwise be in conflict with this Section 4, if and as required by law, so long as the same does not violate the foregoing Section 3.

5. Executive covenants and agrees that he shall never commence or prosecute, or knowingly encourage, promote, assist or participate in any way, except as required by law, in the commencement or prosecution, of any claim, demand, action, cause of action or suit of any nature whatsoever against Aastrom or any officer, director, Executive or agent of Aastrom (“**Covered Litigation**”) that is based upon any claim, demand, action, cause of action or suit released pursuant to this Release Agreement or involving or based upon the Covered Acts and Omissions.

6. Executive further agrees that he has read this Release Agreement carefully and understands all of its terms.

7. Executive understands and agrees that he was advised to consult with an attorney and did so prior to executing this Release Agreement.

8. Executive understands and agrees that he has been given twenty-one (21) days within which to consider this Release Agreement.

9. Executive understands and agrees that he may revoke this Release Agreement for a period of seven (7) calendar days following the execution of this Release Agreement (the “**Revocation Period**”). This Release Agreement is not effective until this revocation period has expired. Executive understands that any revocation, to be effective, must be in writing and either (a) postmarked within seven (7) days of execution of this Release Agreement and addressed to Aastrom Biosciences, Inc., 24 Frank Lloyd Drive, Ann Arbor, Michigan 48105 or (b) hand delivered within seven (7) days of execution of this Release Agreement to Aastrom Biosciences, Inc., 24 Frank Lloyd Drive, Ann Arbor, Michigan 48105. Executive understands that if revocation is made by mail, mailing by certified mail, return receipt requested, is recommended to show proof of mailing.

10. In agreeing to sign this Release Agreement and separate from Aastrom, Executive is doing so completely voluntarily and of his own free-will and without any encouragement or pressure from Aastrom and agrees that in doing so he has not relied on any oral statements or explanations made by Aastrom or its representatives.

11. Both parties agree not to disclose the terms of this Release Agreement to any third party, except as is required by law, or as is necessary for purposes of securing counsel from either parties’ attorneys or accountants.

12. This Release Agreement shall not be construed as an admission of wrongdoing by Aastrom or Executive.

13. This Release Agreement and the Other Agreements contains the entire agreement between Executive and Aastrom regarding the matters set forth herein. Any modification of this Release Agreement must be made in writing and signed by Executive and each of the entities constituting Aastrom.

14. This Release Agreement shall be governed by and construed in accordance with the domestic laws of the State of Michigan, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Michigan or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Michigan.

15. In the event any provision of this Release Agreement or portion thereof is found to be wholly or partially invalid, illegal or unenforceable in any judicial proceeding, then such provision shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Release Agreement, as the case may require, and this Release Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision had been originally incorporated herein as so modified or restricted, or as if such provision had not been originally incorporated herein, as the case may be.

16. If there is a breach or threatened breach of the provisions of this Release Agreement, either Party may, in addition to other available rights and remedies, apply to any court of competent jurisdiction for specific performance and/or injunctive relief in order to enforce, or prevent any violation of, any of the provisions of this Release Agreement.

17. In the event that Executive violates the terms of this Release Agreement, in addition to other available rights and remedies, Aastrom shall be released of all of its remaining obligations to make severance payments to Executive.

The parties hereto have entered into this Release Agreement as of this ____ day of ____, 20____.

AASTROM:

AASTROM BIOSCIENCES, INC.

By: ____

Name:

Title:

EXECUTIVE:

TIMOTHY M. MAYLEBEN