
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):

January 16, 2006

Aastrom Biosciences, Inc.

(Exact name of registrant as specified in its charter)

Michigan

(State or other jurisdiction of
incorporation)

0-22025

(Commission File No.)

94-3096597

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

24 Frank Lloyd Wright Drive

P.O. Box 376

Ann Arbor, Michigan 48106

(Address of principal executive offices)

Registrant's telephone number, including area code:

(734) 930-5555

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

- 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 1.01 Entry into a Material Definitive Agreement

In connection with his appointment to the Board of Directors, Dr. Robert L. Zerbe received a grant of a stock option and the grant of shares of restricted stock, consistent with Aastrom's current compensation arrangements for nonemployee directors. The options and restricted stock were granted under the Aastrom Biosciences, Inc. 2004 Equity Incentive Plan (the "2004 Plan"). The stock option was for 18,400 shares of common stock (reflecting the prorated period of time until Dr. Zerbe is expected to be presented for election at an Annual Meeting of Shareholders) at an exercise price of \$2.17 per share, which was equal to the fair market value of a share of the company's stock on January 16, 2006 (the date of grant). The vesting and service requirements for this option are similar in all material respects to the grant of stock options to other nonemployee directors under the 2004 Plan. In particular, the stock option vests and becomes exercisable in increments over the remaining period of Dr. Zerbe's initial term as a director, and terminates on the tenth anniversary of the date of grant, unless earlier terminated as a result of termination of service. The restricted stock grant was for 7,200 shares, with all shares vesting one year after the date of grant.

Item 5.02 Departure of Directors or Principal Executive Officers; Election of Directors; Appointment of Principal Officers.

Effective as of January 16, 2006, the Board of Directors of Aastrom Biosciences, Inc. elected Dr. Robert L. Zerbe to the Board. Dr. Zerbe was added to the class of directors (Class I) whose terms expire at the 2007 Annual Meeting of Shareholders. The Board of Directors has not yet determined the committees on which Dr. Zerbe will serve. A press release announcing this election is attached hereto as Exhibit 99.1

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated January 17, 2006

SIGNATURES

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

Date: January 17, 2006

AASTROM BIOSCIENCES, INC.

By: /s/ Gerald D. Brennan, Jr.

Gerald D. Brennan, Jr.

Vice President, Administrative and Financial
Operations; Chief Financial Officer



Located at: Domino's Farms, Lobby L

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FOR IMMEDIATE RELEASE

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**ROBERT L. ZERBE, M.D., JOINS
AASTROM BIOSCIENCES' BOARD OF DIRECTORS**

Ann Arbor, Michigan, January 17, 2006 — Aastrom Biosciences, Inc. (Nasdaq: ASTM) announced today that Robert L. Zerbe, M.D. has been elected to the Company's Board of Directors. He will serve as a Class I Director whose initial term expires at the 2007 Annual Meeting of Shareholders.

Dr. Zerbe is currently the Chief Executive Officer of QUATRx Pharmaceutical, Inc., an Ann Arbor, MI-based, venture-backed drug development company co-founded by Dr. Zerbe in 2000. Prior to this, Dr. Zerbe held several senior executive management positions with major pharmaceutical companies including Eli Lilly and Pfizer (formerly Parke-Davis). During his tenure at Eli Lilly, Dr. Zerbe's clinical research and development positions included Managing Director, Lilly Research Center U.K., and Vice President of Clinical Investigation and Regulatory Affairs. He joined Pfizer in 1993, becoming Senior Vice President of Worldwide Clinical Research and Development. In this capacity he led the clinical development programs for a number of key products, including Lipitor® and Neurontin®.

"Dr. Zerbe brings a very important blend of clinical development and executive experience at both small and large pharmaceutical companies which will greatly enhance the Board's strategic planning and operational implementation capabilities," said R. Douglas Armstrong, Ph.D., Chief Executive Officer and Chairman of Aastrom. "His clinical expertise is an excellent complement to the skills and background of our other directors, and improves the professional balance of our Board."

Dr. Zerbe received his M.D. from the Indiana University School of Medicine, and has completed post-doctoral work in internal medicine, endocrinology and neuroendocrinology at Indiana University and the National Institutes of Health. He also serves on the boards of A.P. Pharma, Inc. and Corgentech, Inc.

Upon his election to Aastrom's Board, Dr. Zerbe commented, "Aastrom is at the forefront of translating cutting edge technology into viable and profitable products that help patients, and I am please to be part of that effort."

Lipitor® and Neurontin® are registered products of Pfizer, Inc.

About Aastrom Biosciences, Inc.

Aastrom Biosciences, Inc. (Nasdaq: ASTM) is developing patient-specific products for the repair or regeneration of human tissues, utilizing the Company's proprietary adult stem cell technology. Aastrom's proprietary Tissue Repair Cells (TRCs), a mix of bone marrow-derived adult stem and progenitor cells, are manufactured in the AastromReplicell® System, an industry-unique automated cell production system. Aastrom's TRC cell products are in clinical trials for the following therapeutic indications: severe bone fractures (U.S.: Phase I/II — multi-center; EU:

-more-

Phase I/II — multi-center), ischemic vascular disease (EU: Phase I/II), jaw bone reconstruction (EU: proof of concept) and spine fusion (U.S.: Phase I/II — single-center). The Company has recently reported positive clinical trial results for its TRCs demonstrating both the clinical safety and ability of TRCs to induce healthy new tissue growth.

For more information, visit Aastrom's website at www.aastrom.com.

*This document contains forward-looking statements, including without limitation, statements regarding product development objectives, and market development plans, which involve certain risks and uncertainties. The forward-looking statements are also identified through use of the words "plan," and other words of similar meaning. Actual results may differ significantly from the expectations contained in the forward-looking statements. Among the factors that may result in differences are the results obtained from clinical trial activities, regulatory approval requirements, and the availability of resources. **These and other significant factors are discussed in greater detail in Aastrom's Annual Report on Form 10-K and other filings with the Securities and Exchange Commission.***

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