
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):

August 25, 2010

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.

(b) On August 25, 2010, George W. Dunbar, the Non-Executive Chairman of the Board of Directors of Aastrom Biosciences, Inc. ("Aastrom" or the "Company"), provided written notice (the "Notice") to Aastrom's President that he is declining to stand for re-election to the Board of Directors at the Company's 2010 Annual Meeting of Shareholders (the "Annual Meeting") currently scheduled for October 21, 2010. Mr. Dunbar indicated in the Notice that he intends to serve out the remainder of his current term of office, which is set to expire at the Annual Meeting.

(e) On August 25, 2010 the Board of Directors of the Company approved a form of indemnification agreement (the "Agreement") to be entered into between the Company and each of its directors, including Timothy M. Mayleben, a director and the Company's President and Chief Executive Officer.

The Agreement provides that the Company will indemnify each director to the fullest extent permitted by law for claims arising in his capacity as a director of the Company, provided that such director acted in good faith and in a manner that he reasonably believed to be in, or not opposed to, the Company's best interests and, with respect to any criminal proceeding, had no reasonable cause to believe that his conduct was unlawful. In the event that the Company does not assume the defense of a claim against a director, the Company is required to advance such director's expenses in connection with his defense, provided that the director undertakes to repay all amounts advanced if it is ultimately determined that he is not entitled to be indemnified by the Company.

A copy of the form of Agreement is attached hereto as Exhibit 10.1, and is incorporated herein by reference. The foregoing summary of the Agreement is qualified in its entirety by reference to the form of Agreement filed herewith.

Item 5.05 Amendments to the Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics.

(a) On August 25, 2010 the Board of Directors of the Company approved an amended Code of Business Conduct and Ethics (the "Code"). The primary purpose of the amendment was to add provisions expressly relating to processes for reporting violations of the Code, Company policies and other matters. Company will post the Code on its web site, www.aastrom.com. A copy of the Code, as amended, is filed with this report as Exhibit 14.1.

Item 9.01 Financial Statements and Exhibits.

(d) 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.

August 31, 2010

By: */s/ Timothy Mayleben*

Name: Timothy Mayleben

Title: Chief Executive Officer and President

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
10.1	Form of Indemnification Agreement.
14.1	Code of Business Conduct and Ethics.

AASTROM BIOSCIENCES, INC.

This Indemnification Agreement (“Agreement”) is made as of ___ by and between Aastrom Biosciences, Inc., a Michigan corporation (the “Company”), and ___ (“Indemnitee”).

RECITALS

WHEREAS, the Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company;

WHEREAS, in order to induce Indemnitee to continue to provide services to the Company, the Company wishes to provide for the indemnification of, and advancement of expenses to, Indemnitee to the maximum extent permitted by law;

WHEREAS, the Bylaws of the Company (the “Bylaws”) require indemnification of the officers and directors of the Company, and Indemnitee may also be entitled to indemnification pursuant to the Michigan Business Corporation Act, as amended (the “MBCA”);

WHEREAS, the Bylaws and the MBCA expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and its Representatives with respect to indemnification;

WHEREAS, the Company and Indemnitee recognize the continued difficulty in obtaining liability insurance for the Company’s Representatives, the significant and continual increases in the cost of such insurance and the general trend of insurance companies to reduce the scope of coverage of such insurance;

WHEREAS, the Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting its Representatives to expensive litigation risks at the same time as the availability and scope of coverage of liability insurance provide increasing challenges for the Company;

WHEREAS, Indemnitee does not regard the protection currently provided by applicable law, the Company’s governing documents and available insurance as adequate under the present circumstances, and Indemnitee may not be willing to continue to serve in such capacity without additional protection;

WHEREAS, the Board of Directors of the Company (the “Board”) has determined that the increased difficulty in attracting and retaining highly qualified persons such as Indemnitee is detrimental to the best interests of the Company’s shareholders and that the Company should act to assure Indemnitee that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law, regardless of any amendment or revocation of the Company’s Restated Articles of Incorporation (the “Charter”) or Bylaws, so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified; and

WHEREAS, this Agreement is a supplement to and in furtherance of the indemnification provided in the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve as a director of the Company. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as a director of the Company.

Section 2. Definitions. As used in this Agreement:

(a) “Change in Control” shall be deemed to have occurred if (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “beneficial owner” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of the total voting power represented by the Company’s then outstanding Voting Securities, or (ii) during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a

merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company's assets.

(b) "Corporate Status" describes the status of a person as a current or former Representative of the Company or of any other Enterprise which such person is or was serving at the request of the Company.

(c) "Enforcement Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with an action to enforce indemnification or advancement rights, or an appeal from such action, including without limitation the premium, security for, and other costs relating to any cost bond, supersedes bond, or other appeal bond or its equivalent.

(d) "Enterprise" shall mean any domestic or foreign, for-profit or not-for-profit, corporation (other than the Company), partnership, joint venture, trust, employee benefit plan or other legal entity of which Indemnitee is or was serving as a Representative at the request of the Company.

(e) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding or an appeal resulting from a Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedes bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(f) "Independent Counsel" shall mean a law firm, or a partner (or, if applicable, member) of such a law firm, that is experienced in matters of Michigan corporation law and neither presently is, nor in the past five (5) years has been, retained to represent: (i) the Company, any Enterprise or Indemnitee in any matter material to any such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(g) "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director of the Company or is or was serving at the request of the Company as Representative of any Enterprise or by reason of any action taken by him or her or of any action taken on his or her part while acting as director of the Company or while serving at the request of the Company as a Representative of any Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement or advancement of expenses can be provided under this Agreement; provided, however, that the term "Proceeding" shall not include any action, suit or arbitration, or part thereof, initiated by Indemnitee to enforce Indemnitee's rights under this Agreement as provided for in Section 13(e) of this Agreement.

(h) "Representative" shall mean a person occupying the position or discharging the functions of a director, officer, employee, fiduciary, trustee or agent thereof, regardless of the name or title by which the person may be designated. The term does not imply that a director, as such, is an agent of a corporation.

(i) "Voting Securities" shall mean any securities of the Company which vote generally in the election of directors.

Section 3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee or on his or her behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful; provided, however, that the Company has no obligation to indemnify the Indemnitee for amounts paid in settlement without the Company's prior written consent.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection with such

Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that the court of common pleas of the judicial district embracing the county in which the registered office of the Company is located or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification for such expenses as the court of common pleas or other court deems proper.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement and except as provided in Section 8, to the extent that Indemnitee is a party to or a participant in and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or her in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his or her Corporate Status, a witness in any Proceeding to which Indemnitee is not a party and is not threatened to be made a party, he or she shall be indemnified against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

Section 7. Additional Indemnification.

(a) Except as provided in Section 8, notwithstanding any limitation in Section 3, Section 4 or Section 5, the Company shall indemnify Indemnitee to the fullest extent permitted by law if Indemnitee is a party to or is threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(b) For purposes of Section 7(a), the meaning of the phrase “to the fullest extent permitted by law” shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the MBCA that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the MBCA or such provision thereof; and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the MBCA adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its Representatives.

Section 8. Exclusions. Notwithstanding any provision in this Agreement to the contrary, the Company shall not be obligated under this Agreement:

(a) to make any indemnity for amounts otherwise indemnifiable hereunder (or for which advancement is provided hereunder) if and to the extent that Indemnitee has otherwise actually received such amounts under any insurance policy, contract, agreement or otherwise;

(b) to make any indemnity for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of state statutory law or common law;

(c) to make any indemnity or advancement that is prohibited by applicable law; or

(d) to make any indemnity or advancement in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law or (iii) such Proceeding (or any part of any Proceeding) is initiated after a Change in Control has occurred after the date of this Agreement.

Section 9. Advances of Expenses. The Company shall advance, to the extent not prohibited by law, the Expenses incurred by Indemnitee in connection with any Proceeding, and such advancement shall be made within twenty (20) days after the receipt by the Company of a statement or statements requesting such advances (which shall include invoices received by Indemnitee in connection with such Expenses but, in the case of invoices in connection with legal services, any references to legal work performed or to expenditures made that would cause Indemnitee to waive any privilege accorded by applicable law shall not be included with the invoice) from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee’s ability to repay the expenses and without regard to Indemnitee’s ultimate entitlement to indemnification under the other provisions of this Agreement. Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement which shall constitute an undertaking

providing that Indemnitee undertakes to the fullest extent required by law to repay the advance if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to appeal, that Indemnitee is not entitled to be indemnified by the Company. The right to advances under this paragraph shall in all events continue until final disposition of any Proceeding, including any appeal therein. Nothing in this Section 9 shall limit Indemnitee's right to advancement pursuant to Section 13(e) of this Agreement.

Section 10. Procedure for Notification and Defense of Claim.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request therefor and, if Indemnitee so chooses pursuant to Section 11 of this Agreement, such written request shall also include a request for Indemnitee to have the right to indemnification determined by Independent Counsel.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

Section 11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 10(a), a determination, if such determination is required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) by Independent Counsel in a written opinion to the Board if Indemnitee so requests in such written request for indemnification pursuant to Section 10(a), or (ii) by the Company in accordance with applicable law if Indemnitee does not so request such determination be made by Independent Counsel. In the case that such determination is made by Independent Counsel, a copy of Independent Counsel's written opinion shall be delivered to Indemnitee and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the Independent Counsel or the Company, as applicable, making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such counsel or the Company, upon reasonable advance request, any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the Independent Counsel or the Company shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) In the event that Indemnitee exercises his or her right to have his or her entitlement to indemnification determined by Independent Counsel pursuant to clause (i) of Section 11(a), the Independent Counsel shall be selected by Indemnitee. The Company may, within ten (10) days after written notice of such selection, deliver to Indemnitee a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within twenty (20) days after the later of (i) submission by Indemnitee of a written request for indemnification and Independent Counsel pursuant to Section 10(a) and Section 11(a)(i) hereof, respectively, and (ii) the final disposition of the Proceeding, including any appeal therein, no Independent Counsel shall have been selected without objection, Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company to the selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate. The person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, it shall be presumed that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making of any determination contrary to that presumption. Neither (i) the failure of the Company or of Independent Counsel to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor (ii) an actual determination by the Company or by Independent Counsel that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of guilty, nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his or her conduct was unlawful.

(c) The knowledge and/or actions, or failure to act, of any Representative of the Company or any Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 13. Remedies of Indemnitee.

(a) Subject to Section 13(f), in the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within sixty (60) days after receipt by the Company of the request for indemnification that does not include a request for Independent Counsel, (iv) payment of indemnification is not made pursuant to Section 5 or Section 6 or the last sentence of Section 11(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor or (v) payment of indemnification pursuant to Section 3, Section 4 or Section 7 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by a court of his or her entitlement to such indemnification or advancement. Alternatively, Indemnitee, at his or her option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within one hundred and eighty (180) days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 13(a); provided, however, that the foregoing time limitation shall not apply in respect of a proceeding brought by Indemnitee to enforce his or her rights under Section 5 of this Agreement. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 13, the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement, as the case may be.

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(e) The Company shall indemnify Indemnitee against any and all Enforcement Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such Enforcement Expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advancement from the Company under this Agreement or under any liability insurance policies maintained by the Company for coverage of its Representatives, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement or insurance recovery, as the case may be, in the suit for which indemnification or advancement is being sought.

(f) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding, including any appeal therein.

Section 14. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Charter, the Bylaws, any agreement, a vote of shareholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his or her Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Michigan law, whether by statute or judicial decision, permits greater indemnification or advancement than would be afforded currently under the Charter, Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for Representatives of the Company or of any other Enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such Representative under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has liability insurance in effect covering its Representatives, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company's obligation to provide indemnification or advancement hereunder to Indemnitee who is or was serving at the request of the Company as a Representative of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement from such other Enterprise.

Section 15. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a Representative of the Company or (b) one (1) year after the final termination of any Proceeding, including any appeal, then pending in respect of which Indemnitee is granted rights of indemnification or advancement hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and his or her heirs, executors and administrators. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation, division or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

Section 16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 17. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Charter, the Bylaws and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 18. Modification and Waiver. No supplement, modification or amendment, or waiver of any provision, of this Agreement shall be binding unless executed in writing by the parties thereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 19. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement as provided hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise.

Section 20. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed or (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received:

(a) If to Indemnitee, at such address as Indemnitee shall provide to the Company.

(b) If to the Company to:

Aastrom Biosciences, Inc.
Domino's Farms, Lobby K
24 Frank Lloyd Wright Drive
Ann Arbor, MI 48105
Attn: Scott Durbin
Fax: (734) [665-0485]

or to any other address as may have been furnished to Indemnitee by the Company.

Section 21. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any Proceeding in such proportion as is deemed fair and reasonable in light of all of the circumstances in order to reflect (i) the relative benefits received by the Company and Indemnitee in connection with the event(s) and/or transaction(s) giving rise to such Proceeding; and/or (ii) the relative fault of the Company (and its Representatives) and Indemnitee in connection with such event(s) and/or transactions.

Section 22. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Michigan, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 13(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in a court of competent jurisdiction in the State of Michigan (a "Michigan Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Michigan Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) consent to service of process at the address set forth in Section 20 of this Agreement with the same legal force and validity as if served upon such party personally within the State of Michigan, (iv) waive any objection to the laying of venue of any such action or proceeding in the Michigan Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Michigan Court has been brought in an improper or inconvenient forum.

Section 23. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 24. Miscellaneous. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

AASTROM BIOSCIENCES, INC.

By:

Name: Office:

Indemnitee

—

Name (please print)



Code of Business Conduct and Ethics

1. Who is responsible for Aastrom's reputation and business ethics?

ALL of us are responsible for Aastrom's reputation. One single employee's act can have a very damaging effect on our reputation.

Aastrom's reputation is based on our individual business conduct. Every interaction, both inside and outside the Company, is an opportunity for us to demonstrate our integrity. Ethical business conduct is a part of everyone's job. We do not change our standards because competitors, suppliers, or customers behave differently, or in order to meet financial goals.

Each employee, officer, and director is responsible for the integrity of his or her own work. This Code of Conduct outlines Aastrom's expected behaviors and practices. If we fail to comply with the Code, we risk being disciplined or terminated, and if we have broken a law, we may also be personally liable for that violation.

Initially, all employees, officers, and directors will be provided a copy of the Code of Conduct, and will be asked to confirm that they have read and understand it. Subsequently, all new employees, officers and directors will be required to do the same. Following the initial provision and understanding of the Code, all employees, officers, and directors will be provided with all revisions to the Code and will be required to affirm their compliance with the code annually. This affirmation will be obtained from a simple form such as the one provided along with the code.

Each manager is responsible for ensuring that their employees understand and comply with the Code, for discussing business practice situations with their employees, and for responding promptly to concerns raised by any employee. Managers and supervisors are responsible for their employees' actions, and are subject to discipline or dismissal if they participate in, direct, or approve an employee's improper actions, or are or become aware of such actions and do not act appropriately to correct them.

We all are also individually responsible for reporting wrongdoing. If a Standard or law has been broken, report it promptly to your supervisor or manager, or another appropriate Company representative as described below.

2. What should you do if you have a concern about business practices and the Code?

All employees, officers or directors should report any violation or suspected violation of this Code to the appropriate Aastrom personnel.

The Company's efforts to ensure observance of, and adherence to, the goals and policies outlined in this Code mandate that employees, officers, and directors bring any instance, occurrence or practice that they, in good faith, believe is inconsistent with or in violation of this Code to the attention of their supervisors, managers, or other appropriate personnel. The following is an approach to dealing with potential problem situations. At all times maintain a professional demeanor when dealing with such situations.

- In the event you believe a violation of the Code has occurred, or you have observed or become aware of conduct which appears to be contrary to the Code, immediately discuss the situation with your supervisor or department vice president. If it would be inappropriate to discuss the issue with this individual, you should contact the Chief Financial Officer, the President, or the Chairman of the Audit Committee of the Board of Directors. These resources will promptly listen to your concerns and assess the situation.
- Every employee and manager is expected to become familiar with and to understand the requirements of the Code. If you become aware of a suspected violation, don't try to investigate it or resolve it on your own. Prompt disclosure to the appropriate parties is vital to ensuring a thorough and timely investigation and resolution. A violation of the Code is a serious matter and could have legal implications. Allegations of such behavior are not taken lightly and should not be made to embarrass someone or put him or her in a false light. Reports of suspected violations should always be made in good faith.
- No one will be punished for asking about or reporting questionable conduct. In cases in which an employee reports a suspected violation and is not engaged in the questionable conduct, the Company will attempt to keep its discussions and actions confidential to the greatest extent possible. In the course of its investigation, the Company may find it necessary to share information with others on a "need to know" basis. No retaliation shall be taken against employees for reporting questionable conduct or suspected violations of the Code.

3. Compliance with Laws, Rules and Regulations

The Company seeks to comply with both the letter and spirit of all applicable laws and regulations in all countries in which it operates.

The Company is committed to full compliance with the laws of the cities, states and countries in which it operates. This includes, for example, those relating to antitrust and promoting fair competition, preventing bribery, illicit payments and corruption, insider trading, and labor practices, among others. When faced with situations that require some knowledge of the law, employees should seek advice from supervisors, managers, or other appropriate personnel.

4. Corporate Opportunities

Employees, officers, and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

Examples of prohibited conduct by employees with respect to corporate opportunities include, but are not limited to:

- taking for themselves opportunities that are discovered through the use of corporate property, information or position;
- Using corporate property, information, or position for personal gain;
- Competing with the Company.

If an employee has any doubt concerning his or her obligations with respect to any opportunity that presents itself to the employee, the employee should seek advice from supervisors, managers or other appropriate personnel.

5. Fair Dealing

Our goal is to be regarded as a company that does business with integrity.

Each employee, officer, and director should endeavor to deal fairly with the Company's customers, suppliers, competitors, and employees. Under federal and state laws, the Company is prohibited from engaging in unfair methods of competition, and unfair or deceptive acts and practices. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of confidential information, misrepresentation of material facts, or any other unfair-dealing practice.

Examples of prohibited conduct include, but are not limited to:

- Bribery or payments: - -To induce business or breaches of contracts by others; - -To influence judgment or conduct or ensure a desired outcome or action; - -To win or retain business or influence any act or decision of a government official - - To gain improper advantage
- Business being conducted with a family member or relative;
- Acquiring a competitor's trade secrets through bribery or theft;
- Making false, deceptive or disparaging claims or comparisons about competitors or their products or services;
- Mislabeling products or services; or
- Making affirmative claims about the Company's products and services without having a reasonable basis for doing so.

In addition, any public statements by or on behalf of the Company should always be accurate and have a reasonable basis in fact. Public statements may include such things as advertising, promotional activities and sales presentations.

6. Compliance with Accounting and Disclosure Control Policy

Our goal is to maintain accurate financial reports, and to keep our investors informed about the Company.

All employees and officers shall abide by all Accounting and Disclosure Controls set forth in the policy.¹ This policy is formulated to ensure that all financial data is properly gathered, tabulated and reported in the Company's records and that information from all areas of the Company that might be of interest to investors is forwarded to management for consideration for inclusion in public disclosure. A standing Disclosure Committee is established, consisting of officers and department heads, to review the Company's proposed disclosure, and make any additions or modifications that each member deems to be of such potential interest. The members also certify their submissions.

7. Insider Trading

Employees, officers, and directors should never trade securities on the basis of confidential information acquired through their employment relationship.

Federal law and Company policy prohibit employees, officers, and directors, directly or indirectly, from purchasing or selling Company stock through the use of confidential information concerning the Company. All non-public information about the Company should be considered confidential information. No employee, officer, or director should buy or sell "options" in Aastrom stock.

This same prohibition applies to trading in the stock of other publicly held companies, such as existing or potential customers or suppliers, on the basis of confidential information. The “tipping” of others who might make an investment decision on the basis of this information is also illegal.

If you have a question concerning appropriateness or legality of a particular securities transaction, it is imperative that you consult with the Company’s Chief Financial Officer.²

8. Conflicts of Interest

An employee, officer, or director should avoid any situation in which his or her personal interests conflict or might appear to conflict with the Company’s interests.

Employees, officers, and directors should avoid entering into situations in which their personal, family or financial interests may conflict with those of the Company, unless the potential conflict situation is reviewed and expressly approved in writing, in advance, by the Board of Directors. The following are examples of potential conflicts:

- Business is done with a family member or relative.
- An employee, officer, or director, or a member of his or her family, receives personal benefits as a result of his or her position in the Company including receiving valuable gifts from those seeking to or doing business with the Company;
- An employee, officer, or director takes actions or has interests that make it difficult to perform his or her Company work objectively and effectively;
- An employee or officer is employed simultaneously by a competitor, customer, or supplier;
- An employee or officer has a financial interest in a customer, supplier, or competitor that is significant enough to influence the individual’s business conduct. Except for an open market investment in publicly traded mutual funds or security equal to less than 5% of the individual’s net worth, all financial interests in a customer, supplier, or competitor, must be disclosed to the Chief Executive Officer, upon adoption of this Code, or before becoming an employee and at all times thereafter. The Chief Executive Officer must approve subsequent proposed financial interests in a customer, supplier, or competitor greater than that amount, in advance.
- An employee, officer, or director acquires an interest in property (such as real estate, patent rights or securities) where the Company has, or might have, an interest;
- An employee, officer, or director divulges or uses the Company’s confidential information — such as clinical data, technical data or specifications, component designs, financial data, customer information, and computer programs — for his or her own personal or business purposes.

Directors shall disclose to the Compliance Officer and the Chairman of the Audit Committee any business relationship with any competitor, customer, or supplier of the company, or any other potential conflict of interest.

Conflicts are not always clear-cut. If an employee, officer, or director becomes aware of a conflict, potential conflict, or has a question as to a potential conflict, the employee, officer, or director should consult with higher levels of management or the Company’s Chief Financial Officer and/or follows the procedures described in Section 17 of the Code. If an employee becomes involved in a situation that gives rise to an actual conflict, the employee must inform higher levels of management and the Company’s Chief Financial Officer of the conflict.

9. Confidentiality

All confidential information concerning Aastrom obtained by employees, officers, and directors is the property of Aastrom and must be protected.

Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company, its customers, or its suppliers, if disclosed. Employees, officers, and directors must maintain the confidentiality of such information entrusted to them by the Company, its customers and its suppliers, except when the Company authorizes disclosure or when required by law. The obligation to keep this information confidential applies even to communications with family members.

Examples of confidential information include, but are not limited to: the Company’s trade secrets; business trends and projections; information about financial performance; new product or marketing plans; research and development ideas or information; manufacturing processes; information about potential acquisitions, divestitures and investments; stock splits, public or private securities offerings or changes in dividend policies or amounts; and existing or potential major contracts, orders, suppliers, customers or finance sources or the loss thereof.

The obligations of employees, officers and directors with respect to confidential information of the Company continue even after their employment relationship with the Company terminates.

10. Protection and Proper Use of Company Assets

All employees, officers, and directors should protect Aastrom's assets and ensure their proper use.

Company assets are to be used only for legitimate business purposes of the Company and only by authorized employees or their designees. This includes both tangible and intangible assets. Intangible assets include, but are not limited to: intellectual property such as trade secrets, patents, trademarks and copyrights; business, marketing and service plans; engineering and manufacturing ideas; designs; databases; Company records; salary information; and any unpublished financial data and reports. Unauthorized alteration, destruction, use, disclosure or distribution of these assets violates Company policy and this Code. Any such action, as well as theft or waste of, or carelessness in using these assets have a direct adverse impact on the Company's operations and profitability and will not be tolerated.

The Company provides computers, voice mail, electronic mail (e-mail), and Internet access to certain employees for the purpose of achieving the Company's business objectives. As a result, the Company has the right to access, reprint, publish, or retain any information created, sent or contained in any of the Company's computers or e-mail systems of any Company machine. Employees may not use e-mail, the Internet or voice mail for any illegal purpose or in any manner that is contrary to the Company's policies or the standards embodied in this Code.

No employee, officer, or director should make copies of, or resell or transfer (externally or internally), copyrighted publication, including software, manuals, articles, books, and databases being used in the Company that were created by another entity and licensed to the Company unless he or she is authorized to do so under the applicable license agreement or by the "fair use" doctrine, such as for "backup" purposes. If you should have any question as to what is permitted in this regard, please consult with the Company's Information Systems Manager, or in his absence, the Chief Financial Officer.

11. Gifts and Gratuities

No employee, officer, or director may solicit a gratuity or gift from an associate or supplier in conjunction with negotiating business on behalf of the Company. Honorariums given as a part of a scientific award or presentation are allowed. If a gift is received, unsolicited, use the following as a guide:

1. If the value of the gift is \$100.00 or less, the gift may be kept by the recipient, and the recipient should acknowledge the gift with a letter of thanks, with a copy of the letter to the Chief Executive Officer and Chief Financial Officer.
2. If the value of the gift is more than \$100.00 (or appears that it could be more than \$100.00), the recipient should immediately notify the Chief Financial Officer, and deliver the gift to the company for appropriate disposition.

Expenses for meals and entertainment as part of a seminar, convention, or business relationship meeting are not within the definition of gifts for purposes of this policy.

Gifts to government employees are strictly forbidden by both federal and state governments. All other Company gifts require the prior approval of the Chief Executive Officer or the Chief Financial Officer.

12. Employment Practices

A. Drug/Alcohol-Free Workplace

Drugs

Aastrom is committed to being a drug-free, healthful, and safe workplace. You are required to come to work in a mental and physical condition that will allow you to perform your job satisfactorily.

Aastrom employees may not use, manufacture, possess, distribute, dispense, sell, transfer, be under the influence of or have their ability affected by controlled substances while on Aastrom premises or while conducting any business-related activity away from Aastrom premises. You may use legally prescribed drugs on the job only if they do not impair your ability to perform the essential functions of your job effectively and safely without endangering yourself or others.

If you violate this policy, it may lead to disciplinary action, up to and including immediate termination of your employment. We may also require that you participate in a substance abuse rehabilitation or treatment program. If you violate this policy, there could also be legal consequences.

Under the Drug-Free Workplace Act, if you perform work for a government contract or grant, you must notify Aastrom if you have a criminal conviction for drug-related activity that happened at work. You must make the report within five days of the conviction. Within 30 days of receiving notification that an employee has been convicted of violating any drug statute for a violation occurring in the workplace, Aastrom shall take appropriate personnel action against the convicted employee up to and including termination, and/or require the employee to satisfactorily participate in a drug abuse assistance or rehabilitation program.

The Company respects the privacy of its employees and does not randomly select employees for drug tests. However, employees may be directed to undergo such testing if the Company obtains evidence or has reasonable suspicion of the use of drugs in the workplace, or if the employee is involved in an accident at work, in a company vehicle, or while engaged in the company's business off-site. Refusal to undergo such testing will constitute grounds for disciplinary action, up to and including termination. Reasonable suspicion may include, but is not limited to:

- the employee appears confused or exhibits erratic behavior
- the employee has difficulty getting along with other employees
- the employee exhibits paranoia, slurred speech or irrational behavior
- the employee has had a single or a series of safety related incidents which raise questions about his/her physical and emotional state
- other information about or behavior by the employee which raises a suspicion of drug use and/or abuse

If you have questions about this policy or issues related to drug use that may impact your work, you can raise your concerns with your supervisor or the Human Resources Department without fear of reprisal.

Alcohol

While alcohol is a legal substance, it is recognized that the use of alcohol can have the same affect as drugs. It is for this reason that Aastrom will treat the misuse of alcohol as a drug under this policy and will deal with the misuse of alcohol in the same manner as it deals with the unauthorized use of controlled substances, including testing.

Employees are prohibited from working or reporting to work when their ability to work is affected by the consumption of alcohol.

Except when attending company-sponsored functions, or when conducting business-related activities on behalf of Aastrom, no employee is to consume or possess open containers of alcoholic beverages (a) on the premises of Aastrom, (b) in any Aastrom vehicle, or (c) during working hours regardless of location.

When alcohol consumption is permitted under the policy, employees are expected to conduct themselves in a responsible and professional manner at all times.

B. Equality of Opportunity

Aastrom is committed to providing equal employment opportunity throughout the Company without regard to race, color, age, religion, sex, national origin, disability status height, weight, marital status, familial status, or any other characteristic protected by federal, state or local law.

Our Equal Employment Opportunity policy covers all employment practices, including selection, job assignment, compensation, discipline, termination, and access to benefits and training. This policy addresses the issue of disability accommodation in more detail.

If you have a question or concern about, or believe you have been subjected to any type of discrimination at work, talk with your immediate supervisor, the Human Resources Department or any other member of management. You will not be punished or retaliated against for asking questions or for bringing forward concerns or complaints about possible discrimination. Anyone engaging in illegal discrimination will be subject to disciplinary action, up to and including termination of employment.

C. Disability Accommodation

Aastrom is committed to complying with all applicable provisions of the Americans with Disabilities Act (“ADA”) as well as similar state and local laws. It is the Company’s policy not to discriminate against any qualified employee or applicant with regard to any terms or conditions of employment because of such individual’s disability or perceived disability so long as the employee can perform the essential functions of the job with or without reasonable accommodation. Consistent with this policy, the Company will provide reasonable accommodations to qualified individuals with a disability, who has made the Company aware of his or her disability, provided that such accommodation does not constitute an undue hardship on the Company.

Any individual who has a disability and believes that he or she needs a reasonable accommodation to perform the essential functions of his or her job should contact Human Resources and request such an accommodation in writing within 182 days of the date the individual knew or reasonably should have known that an accommodation was needed. Upon receipt of an accommodation request, a member of management will meet with you to discuss and identify the limitations resulting from the disability and the potential accommodation that Aastrom might make to help you perform the essential functions of your position.

Aastrom will determine the feasibility of the requested accommodation considering various factors as required by law and a member of management will inform you of the Company’s decision as soon as possible. In some situations, the specific request may not be granted but the Company may suggest alternative accommodations or may not provide an accommodation if such accommodation would constitute an undue hardship. Aastrom is under no obligation to provide personal use items to employees such as eyeglasses, hearing aids, or wheelchairs.

An employee who has questions regarding this policy or believes that he or she has been discriminated against or not reasonably accommodated based on a disability or perceived disability should notify Human Resources. If reporting to Human Resources would be inappropriate, the employee should notify the Chief Financial Officer. All such inquiries or complaints will be treated confidentially to the extent consistent with conducting an adequate investigation and taking appropriate corrective action.

D. Sexual and Other Unlawful Harassment

Aastrom is committed to providing a work environment that is free from all forms of discrimination and conduct that can be considered harassing, coercive, or disruptive, including sexual harassment. Aastrom will not tolerate any actions, words, jokes, or comments based on a person's sex, gender, race, color, national origin, age, religion, disability, sexual orientation, or any other legally protected characteristic. Aastrom provides ongoing harassment training to ensure you the opportunity to work in an environment free of sexual and other unlawful harassment.

Harassment is defined as unwanted sexual advances, or visual, verbal, or physical conduct of a sexual nature. This definition includes many forms of offensive behavior and includes gender-based harassment of a person of the same sex as the harasser. The following is a partial list of sexual harassment examples:

- Unwanted sexual advances.
- Offering employment benefits in exchange for sexual favors.
- Making or threatening reprisals after a negative response to sexual advances.
- Visual conduct that includes leering, making sexual gestures, or displaying of sexually suggestive objects or pictures, cartoons or posters.
- Verbal conduct that includes making or using derogatory comments, epithets, slurs, or jokes.
- Verbal sexual advances or propositions.
- Verbal abuse of a sexual nature, graphic verbal commentaries about an individual's body, sexually degrading words used to describe an individual, or suggestive or obscene letters, notes, or invitations.
- Physical conduct that includes touching, assaulting, or impeding or blocking movements.

Unwelcome sexual advances (either verbal or physical), requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when: (1) submission to such conduct is made either explicitly or implicitly a term or condition of employment; (2) submission or rejection of the conduct is used as a basis for making employment decisions; or, (3) the conduct has the purpose or effect of interfering with work performance or creating an intimidating, hostile, or offensive work environment.

Complaint Procedure

If you experience or witness sexual or other unlawful harassment or discrimination at work, report it immediately to your supervisor. If your supervisor is unavailable or you believe it would be inappropriate to discuss it with your supervisor, you should immediately contact the Human Resources Department or any other member of management.

All allegations of sexual harassment will be investigated. To the extent possible, your confidentiality and the confidentiality of any witnesses and the alleged harasser will be protected against unnecessary disclosure. When the investigation is completed, you will be informed of the outcome of the investigation.

Retaliation is Prohibited

Aastrom prohibits retaliation against any individual who reports discrimination or harassment or participates in an investigation of such reports. Retaliation against an individual for reporting harassment or discrimination or for participating in an investigation of a claim of harassment or discrimination is a serious violation of this policy and, like harassment or discrimination itself, will be subject to disciplinary action, including but not limited to immediate termination.

Any supervisor or manager who becomes aware of possible sexual or other unlawful harassment must immediately advise the Human Resources Department or any member of management so it can be investigated in a timely and confidential manner. Any employee who engages in sexual or other unlawful harassment or discrimination will be subject to disciplinary action, up to and including termination of employment.

13. Quality and Regulatory Compliance

Aastrom is subject to numerous international, federal and state laws concerning the design, clinical development, manufacture, distribution and promotion of its products. The Federal Food, Drug, and Cosmetic Act ("FDC Act") is the primary regulatory statute governing Aastrom's activities. The FDC Act is implemented by the Food and Drug Administration ("FDA") through the promulgation of regulations and by the issuance of guidelines and other informal notices regarding compliance requirements. FDA regulations applicable to medical devices, biologics and pharmaceuticals encompass a wide variety of activities including: product clearance; labeling, advertising, and promotion; reporting requirements; establishment registration and product listing; current good manufacturing practices; preclinical studies, and clinical studies. Other federal agencies also have applicable laws, regulations and guidelines, as do individual state governments. Aastrom has established policies and procedures to ensure that our activities are conducted in compliance with the federal and state laws and regulations pertaining to FDA-regulated products.³

In addition to legal compliance, the Company is committed to maintaining the highest ethical and scientific standards in researching and developing its products. The Company will be scrupulously accurate in data submitted to FDA, publications, or any other party. Aastrom will adhere to all standards and procedures necessary to ensure rigorous scientific inquiry and will interact with federal and state agencies in a forthright manner designed to ensure the safe and effective use of its products. Additionally, it is the Company's objective to manufacture its products in a manner designed to ensure their safety, integrity, and suitability for patients, and to market and sell its products in an honest and balanced manner that provides health professionals with the information necessary to use its products appropriately. Clinical studies will be conducted in such a fashion as to safeguard the welfare of subjects and ensure the scientific integrity of the research.

Compliance with FDA regulations requires that we maintain accurate and complete records of all data related to FDA-regulated products. This work includes research and development, preclinical and clinical studies, manufacturing, marketing, quality control and quality assurance, regulatory and other activities as determined by our Quality Systems and Regulatory Affairs department. As part of Aastrom's quality system, maintenance of reliable documentation is expected and will be monitored. Each employee is responsible for the complete and accurate preparation of documents related to compliance with FDA regulations and the filing of those documents in accordance with Company policies and procedures. The accuracy of data in our records, including full disclosure, lack of material omission, and integrity of the data is a priority of every employee of Aastrom.

Any employee who alters or falsifies data, destroys or fails to maintain product related data, or omits data from records that are needed to provide full information regarding a commercial or development stage product is acting in violation of this Code of Ethics. Any employee aware of or who suspects a violation of data integrity in the accuracy and completeness of records should report this concern. No adverse action shall be taken or permitted against anyone for communicating legitimate concerns through the reporting process specified in Section 17, Compliance Procedures. If you have questions related to quality and regulatory compliance, you should consult with your supervisor, or the Vice-President of Regulatory Affairs and Quality Systems.

14. Sales and Marketing Practices

We must preserve the Company's reputation as a responsible supplier whose products and services are desired for their features, innovation, quality and value and whose people are respected for performance and integrity. Our long-term success depends on building trusting relationships with our customers. We must conduct our business responsibly, fairly, honestly, and in accordance with applicable laws and regulations.

Advertising, Sales, and Labeling

We must honestly describe Aastrom's products and service features. All advertising, labeling, literature, and public statements must be true. We must not misstate facts or create misleading impressions. We must not unfairly criticize a competitor's products or services. Some countries prohibit all comments about competitors as well as their products and services. If unsure about a particular instance, consult the Chief Financial Officer to learn about any applicable laws, before making comments.

We must not promote a product before it is approved or for a use other than that specified in official product literature. When describing products or services, consider the message's total impression. Omitting important facts or wrongly emphasizing material may be misleading.

Clinical Consultants, Grants, Honoraria, and Sponsored Trips

Marketing increases knowledge of products, services or facilities, and enhances the level of medical practice. Marketing practices may include:

- Engaging clinical consultants
- Awarding grants
- Paying honoraria or speaker fees
- Sponsoring medical seminars
- Sponsoring trips to medical meetings or Aastrom's facilities for professionals or customers

Clinical Consultants

Clinical consultants are used to help customers and business partners effectively use our products. Clinical consultants also assist Aastrom in understanding the marketplace and the current state of medical and scientific research. Sometimes the consultants help Aastrom understand how our customers and patients use our products.

Many countries have laws restricting payments to medical practitioners, including payments through consulting arrangements. Before establishing any relationship with a Clinical consultant, you must confer with the Chief Financial Officer to ensure that the relationship complies with all applicable laws, regulations and rules and is properly documented.

If you have a question related to sales and marketing procedures, you should consult with the Chief Financial Officer.

Giving Grants or Honoraria or Sponsoring Trips

Giving grants or honoraria or sponsoring trips are marketing activities that can be used to build awareness of Aastrom and its products and services if all of the following conditions are met:

- The activity's primary purpose is educational. It must relate to products, services or medical procedures, or other information concerning Aastrom's business.
- Any payment must be reasonable in amount and nature. Payments must be made according to Aastrom's policies and procedures.
- Activities and payments must be accurately documented and pre-approved by the Chief Financial Officer
- No payments are made for a travel companion's expenses.

Accepting Speaking Invitations, Consulting Engagements, Honoraria, or Sponsored Trips

Participation in sponsored events helps our company build positive working relationships. It also enhances Aastrom's reputation. Employees may accept invitations to speak at meeting or seminars, consulting engagements, honoraria, or sponsored trips if all of the following conditions are met:

- The activity's primary purpose is educational. It must relate to products, services or medical procedures, or other information concerning Aastrom's business.
- Activities and payments are evaluated in advance with the Chief Financial Officer to determine whether they are legal and ethical.
- Any reasonable payment should be evaluated using the guidelines in Section 11.
- Costs related to these events are business expenses that either Aastrom or the sponsoring agency will pay. If Aastrom pays for the expenses, all appropriate Aastrom policies must be followed.

15. Publication of the Code of Business Conduct and Ethics

A copy of the most current version of the Company's Code of Business Conduct and Ethics will be maintained on the Company's website. From time to time, the Company will sponsor employee-training programs in which the Code and other Company policies and procedures will be discussed.

16. Waivers of the Code of Business Conduct and Ethics

Any waiver of this Code may be made only by the Board and will be promptly disclosed to shareholders.

17. Compliance, Reporting and Complaint Procedures

The Company has established this Code of Business Conduct and Ethics as part of its overall policies and procedures. The Code applies to all Company employees in all locations, and to all officers and directors. The Code is based on the Company's core values, good business practices and applicable law. The existence of a Code, however, does not ensure that directors, officers and employees will comply with it or act in a legal and ethical manner. To achieve optimal legal and ethical behavior, the individuals subject to the Code must know and understand the Code as it applies to them and as it applies to others. All employees must champion the Code and assist others in knowing and understanding it.

- The Corporate Compliance Officer is the Chief Financial Officer. The Compliance Officer is responsible for communicating, training and monitoring and overall compliance with the Code. The Compliance Officer will, with the assistance and cooperation of the Company's executives and managers, foster an atmosphere where employees are comfortable in communicating and/or reporting concerns and possible Code violations.
- If any employee, officer, or Director believes that a violation of the Code has occurred, has observed or become aware of conduct which appears contrary to the Code, the employee, officer or director shall immediately discuss the situation with a supervisor, officer, the Compliance Officer, the Chief Executive Officer, the Chairman of the Audit Committee, or report to the Code of Conduct Voice Mail Box at extension 5522.
- Any concerns or questions regarding potential violations of the Code, any other Company policy or procedure or applicable law, rules or regulations involving accounting, internal accounting controls or auditing matters should be directed to the Audit Committee or a designee of the Audit Committee, in writing to Nelson M. Sims at our corporate headquarters: 24 Frank Lloyd Wright Drive, Ann Arbor, MI 48105 or by reporting to the Code of Conduct Voice Mail Box at extension 5522.
- When an alleged violation of the Code is reported, the Company shall take prompt and appropriate action in accordance with the law and good business practices. If the suspected violation appears to involve either a potentially criminal act or an issue of significant corporate interest, then the manager or investigator should immediately notify his or her Vice President (or other senior person) and any other relevant corporate officer, who, in turn, shall notify the Compliance Officer. If a suspected violation involves any executive officer or any Senior Financial Officer as defined in the Code for Senior

Financial Officers, or if the suspected violation concerns any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal controls, the manager or investigator should immediately report the alleged violation to the Chief Executive Officer, the Chief Financial Officer or the Chairman of the Audit Committee. The Chief Executive Officer, the Chief Financial Officer or Chairman of the Audit Committee, as applicable, shall assess the situation and determine the appropriate course of investigation. Investigations shall be documented, as appropriate.

- **Disciplinary Actions** — A manager, after consultation with the Officer responsible for Human Resources, shall be responsible for implementing the appropriate disciplinary action in accordance with the Company's policies and procedures for any employee who is found to have violated the Code. If a violation has been reported to the Audit Committee, that Committee shall be responsible for determining appropriate disciplinary action, also in accordance with the Company's policies and procedures. Such disciplinary action may include the termination of the employee's employment. Disciplinary action shall be documented, as appropriate.
- **Required Government Reporting** — Whenever conduct occurs that requires a report to the government, the Chief Financial Officer shall be responsible for complying with such reporting requirements.
- **Corrective Actions** — In the event of a breach of the Code, the manager and the Chief Financial Officer should assess the situation to determine whether the breach is a problem that can be resolved by corrective action. If a violation has been reported to the Audit Committee, that Committee shall be responsible for determining appropriate corrective actions. Such corrective action shall be documented, as appropriate. The Code of Business Conduct and Ethics does not alter your status as an at-will employee. At-will employment means that either you or Aastrom can terminate the employment relationship at any time, with or without cause or notice.

This Code of Business Conduct and Ethics is intended for internal use only. The Code does not grant or confer any rights to any third party.

The Code of Business Conduct and Ethics does not alter your status as an at-will employee. At-will employment means that either you or Aastrom can terminate the employment relationship at any time, with or without cause or notice.

- 1 A complete description of the Company's Accounting and Disclosure policy can be obtained from the Company's Controller.
- 2 A more complete description of the Company's insider trading compliance policy can be obtained from the Company's Chief Financial Officer.
- 3 A complete set of these policies and procedures can be obtained from the Vice President – Clinical and Regulatory Affairs