Charter of the Governance and Nominating Committee of the Board of Directors

I. STATEMENT OF POLICY

This Charter specifies the scope of the responsibilities of the Governance and Nominating Committee of the Board of Directors (the "Board") of Aastrom Biosciences, Inc. (the "Company") and the manner in which those responsibilities shall be performed, including its structure, processes and membership requirements.

The primary responsibilities of the Committee are to (i) identify, review and evaluate individuals qualified to become Board members; (ii) recommend nominees to the Board and to each committee of the Board; (iii) develop and recommend to the Board criteria for selecting qualified director candidates (including an assessment of any minimum qualifications a nominee for the Board should possess and any specific qualities or skills the Committee believes are necessary for one or more directors to possess); (iv) recommend corporate governance principles, codes of conduct and compliance mechanisms applicable to the Company, and monitor compliance with them, and (v) assist the Board in its annual reviews of the performance of the Board, and each committee.

II. ORGANIZATION AND MEMBERSHIP REQUIREMENTS

The Committee shall be comprised of three or more directors, each of whom shall meet the independence requirements established by the requirements established by the Securities and Exchange Commission ("SEC") and the Nasdaq listing standards.

The members of the Committee shall be appointed, and may be removed or replaced, by the Board. Unless the Board elects a chairperson, the members of the Committee may designate a chairperson by majority vote of the full Committee membership. The Committee may delegate duties or responsibilities to subcommittees or to one member of the Committee. A majority of the members shall represent a quorum of the Committee, and any action approved by at least a majority of the members shall represent the valid action of the Committee.

The Committee shall have the authority to obtain such advice or assistance as it deems necessary, including from consultants, legal counsel, accounting or other advisors as needed to perform its duties hereunder, and to determine the terms, costs and fees for such engagements. Without limitation, the Committee shall have sole authority to retain or terminate any search firm to be used to identify director candidates and to determine and approve the terms, costs and fees for such engagements. The fees and costs of any consultant or advisor engaged by the Committee to perform its duties hereunder shall be borne by the Company.

III. MEETINGS

The Committee shall meet from time to time, as it deems necessary to fulfill its responsibilities hereunder, and may meet with management and directors at any time it deems appropriate to discuss any matters before the Committee. A majority of the members of the Committee shall constitute a quorum for purposes of holding a meeting and the Committee may act by a vote of a majority of members present at such meeting. In lieu of a meeting, the Committee may act by unanimous written consent. The Committee shall record minutes of the proceedings of all meetings.

IV. COMMITTEE AUTHORITY AND RESPONSIBILITIES

To fulfill its responsibilities and duties hereunder, the Nominating and Corporate Governance Committee shall:

Nominating Functions - Board of Directors

1. Evaluate the current composition, organization, and governance of the Board of Directors and its Committees, determine the requirements for Directors. Director Candidates, Committees, Committee Chairpersons, and Chairman and make recommendations to the Committees, or the Board, as appropriate, for approval.
2. Recommend to the Board criteria for Board and committee membership, which shall include a description of any specific, minimum qualifications that the Committee believes must be met by a Committee-recommended nominee, and a description of any specific qualities or skills that the Committee believes are necessary for one or more of the Company's directors to possess, and annually reassess the adequacy of such criteria and submit any proposed changes to the Board for approval.
3. Evaluate and propose nominations for election to the Board.
4. Consider any nominations or recommendations of director candidates validly made by shareholders.
5. Establish a policy with regard to the consideration of director candidates recommended by shareholders.
6. Establish procedures to be followed by shareholders in submitting recommendations for director candidates to the Committee.
7. Establish a process for identifying and evaluating nominees for the Board, including nominees recommended by shareholders.
8. Review and make recommendations to the Board concerning director succession planning, director tenure, rotation, and retirement policies.

Nominating Functions - Officers and Key Employees

1. Review proposed officers of the Company, and make recommendations to the Board for approval.
2. Review the Company's succession planning for key corporate positions, including the potential for advancement of the Senior Management of the Company.

Corporate Governance

1. Develop, review, and recommend for Board approval, any proposed changes to the corporate governance principles applicable to the Company. Such principles shall cover, at a minimum, director qualification standards, director responsibilities, committee responsibilities, director access to management and independent advisors, director orientation and continuing education, management succession and annual performance evaluation of the Board and committees.
2. Review, at least annually, the Company's compliance with the Nasdaq corporate governance listing requirements, and report to the Board regarding the same.
3. Assist the Board in its self-evaluation, on an annual basis, to determine whether it is functioning effectively.
4. Review and evaluate the Committee's own performance on an annual basis and report to the Board on the results of such evaluation.
5. Review and reassess the adequacy of this Charter as appropriate and recommend any proposed changes to the Board for approval.
6. Assist in the orientation of new directors and outline corporate governance-related continuing education for all Board members.
7. Review and recommend to the Board, for approval, changes to the Company's Bylaws as needed.
8. Perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate. experts to assist the Committee.
9. Make regular reports to the Board concerning areas of the Committee's responsibility.