

AASTROM BIOSCIENCES INC

FORM 8-K (Unscheduled Material Events)

Filed 10/27/1999 For Period Ending 10/5/1999

Address	24 FRANKL LLOYD WRIGHT DR PO BOX 376 ANN ARBOR, Michigan 48106
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CIK	0000887359
Industry	Biotechnology & Drugs
Sector	Healthcare
Fiscal Year	06/30

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) October 5, 1999

Aastrom Biosciences, Inc.

(Exact name of registrant as specified in charter)

Michigan	0-22025	94-3096597
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(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS 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)

Item 5. Other Events.

Aastrom has announced its retention of Salomon Smith Barney to assist it with corporate strategic alternatives, including a possible merger or acquisition. Concurrently, Aastrom announces reductions in its operations to align its resources with the merger and acquisition process. See press releases attached hereto as Exhibits 99.1 and 99.2.

Item 7. Exhibits.

(a) Financial statements of business acquired.

Not applicable.

(b) Pro forma financial information.

Not applicable.

(c) Exhibits.

Exhibit No. -----	Description -----
99.1	Press Release dated October 5, 1999
99.2	Press Release dated October 21, 1999

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.

By: /s/ Todd E. Simpson

Vice President, Finance and Administration
and Chief Financial Officer (Principal
Financial and Accounting Officer)

Date: October 25, 1999

EXHIBIT INDEX

Exhibit No. -----	Description -----
99.1	Press Release dated October 5, 1999
99.2	Press Release dated October 21, 1999

Exhibit 99.1

For Immediate Release

**AASTROM BIOSCIENCES RETAINS SALOMON SMITH BARNEY FOR
MERGER AND ACQUISITION SERVICES**

-- Company Plans to Streamline Operations to Facilitate Merger and Acquisition Activities --

Ann Arbor, Michigan, October 5, 1999 -- Aastrom Biosciences, Inc. (Nasdaq: ASTM) announced today the retention of Salomon Smith Barney to assist the Company with corporate strategic alternatives, including possible merger or acquisition. Concurrent with this action, Aastrom plans to reduce operations to align the use of its current resources with the Company's increased focus on the merger and acquisition process.

"The purpose of these expanded acquisition activities is to seek broader market opportunities for the AastromReplicell(TM) System product line and to develop new product areas for Aastrom's technology," stated R. Douglas Armstrong, Ph.D., President and CEO of Aastrom Biosciences. Dr. Armstrong continued, "Given the current financing alternatives available to the Company in the capital markets in both the U.S. and Europe, we believe that a business combination can best achieve these objectives. Salomon Smith Barney will provide us with significant expertise in this process."

Aastrom has developed technology to enable the production of primary human cells outside of the body and the AastromReplicell(TM) System to make living cells accessible to care providers and patients for therapeutic procedures. This patented technology has been shown to enable the production of human stem cells, and allows other human cells such as T-cells, dendritic cells, and the cells that give rise to bone and cartilage, to be grown with superior biological characteristics compared to standard cell culture processes.

Aastrom is currently selling the AastromReplicell(TM) System in Europe for stem cell and cord blood transplants, and has conducted clinical trials in the U.S. for similar applications, including a Phase III-type trial in breast cancer patients which is currently in process. The plan to reduce operations towards a new strategic alliance will cause a suspension of further European marketing of the AastromReplicell(TM) System and also deferral of Aastrom's U.S. clinical trial programs. This action will allow the Company to reduce headcount to bring down overall operating expenses. Aastrom intends to continue grant-funded research activities, as well as preparatory activities for clinical trials in adult cord blood transplantation and in the treatment of severe osteoporosis, while merger and acquisition efforts are underway.

The Company also recently established a wholly-owned German subsidiary, Zellera AG (Zellera), in Berlin, to pursue the development of non-stem cell therapy applications of the Company's technologies. Private equity and German government-subsidized funding is being pursued. This funding, if obtained, will be used to support Zellera's own operations, but is not expected to directly support Aastrom.

Aastrom Biosciences, Inc. is pioneering the development of proprietary clinical systems including the AastromReplicell(TM) System, a first of its kind product, to enable physicians and

patients greater accessibility to cells used for therapy. Aastrom has received patents covering methods and devices for the ex vivo production of human stem and other types of cells, as well as for the genetic modification of stem cells. The AastromReplicell(TM) System is under development, and is not available for sale at this time in the U.S., except for research and investigational use.

This document contains forward-looking statements, including without limitation, statements concerning potential strategic alliances, product development objectives, clinical trial results, commercial introduction, and potential advantages of the AastromReplicell(TM) System, which involve certain risks and uncertainties. The forward-looking statements are also identified through use of the words "anticipates," "believes," "intends," "expects," "plans," and other words of similar meaning. Actual results may differ significantly from the expectations contained in the forward-looking statements. Among the factors that may result in differences are the availability of resources, evaluations by potential strategic collaborators or acquirers, the results obtained from clinical trial and development activities, regulatory approval requirements, market demand in areas where the Company's products have been launched and the degree to which the Company's products achieve market acceptance. These and other significant factors are discussed in greater detail in Aastrom's Annual Report on Form-10K and other filings with the Securities and Exchange Commission.

Contact: Todd E. Simpson
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Investor & Media
Contacts: Francesca T. DeVellis
 Feinstein Kean Partners Inc.

 phone: 617-577-8110

For Immediate Release

**AASTROM BIOSCIENCES REPORTS FINANCIAL RESULTS
FOR ITS FIRST FISCAL QUARTER**

-- Company Also Initiates Planned Operational Changes to Support Business Combination Strategy --

Ann Arbor, Michigan, October 21, 1999 - Aastrom Biosciences, Inc. (Nasdaq: ASTM) announced today financial results for its first fiscal quarter. The Company also announced the initiation of planned reductions in operations designed to decrease operating expenses and to align the Company's resources with its current focus on pursuing corporate strategic alternatives, including a possible merger or acquisition. Aastrom has retained Salomon Smith Barney to assist with this process.

For the first quarter ended September 30, 1999, the Company reported a net loss of \$3,535,000, or \$.21 per common share, compared to a net loss of \$3,362,000, or \$.27 per common share for the same period last year. Revenues were \$385,000 for the quarter ended September 30, 1999 compared to \$163,000 in 1998. The revenues for the first quarter of fiscal year 2000 include product sales of \$114,000 for AastromReplicell (TM) System therapy kits and equipment rentals, up from \$34,000 last quarter. They also reflect repeat sales of therapy kits from the fourth quarter of the last fiscal year. There were no sales or rental revenues in the quarter ended September 30, 1998.

"The Company has now successfully brought its first product, the AastromReplicell(TM) System, to the European marketplace for stem cell and cord blood therapies, and we are pleased to report increased product revenues. However, given the current financing alternatives available to the Company in the U.S. and European capital markets, we believe that a business combination can best achieve the objective of leveraging the product line into broader market opportunities," stated R. Douglas Armstrong, Ph.D., President and CEO of Aastrom. Dr. Armstrong continued, "The previously planned operational changes that we are now implementing are intended to use our existing resources to best support the corporate partnering direction."

Costs and expenses for the quarter ended September 30, 1999 were \$4,001,000, compared to \$3,744,000 in 1998. Management noted that cost and expenses for the quarter ended September 30, 1999 include cost of product sales of \$1,230,000, consisting principally of AastromReplicell (TM) System inventory that was written down as a result of the operational changes being announced today. Otherwise, 1999 expenses reflect a decline in research and development expense for the AastromReplicell(TM) System from \$3,093,000 in 1998 to \$1,610,000 in 1999 as the product line reached the European marketplace. Selling, general and administrative expense increased from \$651,000 in 1998 to \$1,161,000 in 1999, relating to increased European marketing costs for the AastromReplicell(TM) System and other European activities.

The operational changes are expected to reduce recurring operating expenses by an estimated 30%. Staff and operations that are required for product support, technology transfer and key management to support the merger and acquisition process have been retained. Grant-funded research activities will also continue, as well as preparatory activities for clinical trials in adult

cord blood transplantation and in the treatment of severe osteoporosis. The Company has suspended further European marketing of the AastromReplicell(TM) System and has deferred its U.S. clinical trial programs while strategic partnering is pursued. Further reductions in expenses may become necessary to bring the partnering process to completion.

Aastrom reported cash reserves of \$5,015,000 at September 30, 1999 and expects to report severance and other costs related to the operational changes announced today in its results for the quarter ended December 31, 1999.

Aastrom Biosciences, Inc. is pioneering the development of proprietary clinical systems including the AastromReplicell(TM) System, a first of its kind product, to enable physicians and patients greater accessibility to cells used for therapy. Aastrom has received patents covering methods and devices for the ex vivo production of human stem and other types of cells, as well as for the genetic modification of stem cells. The AastromReplicell(TM) System is under development, and is not available for sale at this time in the U.S., except for research and investigational use.

This document contains forward-looking statements, including without limitation, statements concerning potential strategic alliances, possible merger and acquisition activities, product development objectives, clinical trial results, commercial introduction, and potential advantages and applications of the AastromReplicell(TM) System, which involve certain risks and uncertainties. The forward-looking statements are also identified through use of the words "anticipates," "believes," "intends," "expects," "plans," and other words of similar meaning. Actual results may differ significantly from the expectations contained in the forward-looking statements. Among the factors that may result in differences are the availability of resources, evaluations and decisions made by potential strategic collaborators or acquirers, the results obtained from clinical trial and development activities, regulatory approval requirements, market demand in areas where the Company's products have been launched and the degree to which the Company's products achieve market acceptance. These and other significant factors are discussed in greater detail in Aastrom's Annual Report on Form-10K and other filings with the Securities and Exchange Commission.

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- Financial Table Follows -

AASTROM BIOSCIENCES, INC.

CONSOLIDATED STATEMENT OF OPERATIONS DATA:

	Quarter ended September 30,	
	1998	1999
	(Unaudited)	
REVENUES:		
Product sales and rentals.....	\$ -	\$ 114,000
Grants and other.....	163,000	271,000
	163,000	385,000
COSTS AND EXPENSES:		
Cost of product sales and rentals.....	-	1,230,000
Research and development.....	3,093,000	1,610,000
Selling, general and administrative.....	651,000	1,161,000
	3,744,000	4,001,000
OTHER INCOME.....	219,000	81,000
NET LOSS.....	\$(3,362,000)	\$(3,535,000)
	=====	=====
COMPUTATION OF NET LOSS APPLICABLE TO COMMON SHARES:		
Net loss.....	\$(3,362,000)	\$(3,535,000)
Dividends and yields on Preferred Stock.....	(220,000)	(96,000)
	\$(3,582,000)	\$(3,631,000)
	=====	=====
NET LOSS PER COMMON SHARE (Basic and Diluted).....	\$ (.27)	\$ (.21)
	-----	-----
Weighted average number of common shares outstanding...	13,384,000	16,985,000
	=====	=====
CONSOLIDATED BALANCE SHEET DATA:		
	September 30,	
	1999	
ASSETS		
Cash, cash equivalents and short-term investments.....	\$ 5,015,000	
Other current assets.....	791,000	
Property, net.....	448,000	
	\$ 6,254,000	
	=====	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities.....	\$ 1,254,000	
Shareholders' equity.....	5,000,000	
	\$ 6,254,000	
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