SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 1996, OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 0-22025

AASTROM BIOSCIENCES, INC.

(Exact name of registrant as specified in its charter)

Michigan	94-3096597
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

24 Frank Lloyd Wright Dr. P.O. Box 376 Ann Arbor, Michigan	48106
(Address of principal executive offices)	(Zip code)

(313) 930-5555

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[_] - Yes [X] - No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

COMMON STOCK, NO PAR VALUE	13,001,565
(Class)	Outstanding at February 7, 1997

AASTROM BIOSCIENCES, INC.

Quarterly Report on Form 10-Q
December 31, 1996

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SIGNATURES

* No information is provided due to inapplicability of the item.

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

AASTROM BIOSCIENCES, INC.
(a development stage company)

CONDENSED BALANCE SHEETS

	June 30, 1996	December 31, 1996	Pro Forma Shareholders' Equity at December 31, 1996
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 10,967,000	$ 4,089,000	
Receivables	81,000	74,000	
Prepaid expenses	437,000	737,000	
Total current assets	11,485,000	4,900,000	
PROPERTY, NET	1,188,000	1,198,000	
Total assets	$ 12,673,000	$ 6,098,000	
LIABILITIES AND SHAREHOLDERS' EQUITY			

CURRENT LIABILITIES:			
Accounts payable and accrued expenses	$ 1,192,000	$ 978,000	
Accrued employee expenses	97,000	89,000	
Current portion of capital lease obligations	223,000	169,000	
Deferred revenue	122,000	-	
Total current liabilities	1,634,000	1,236,000	
CAPITAL LEASE OBLIGATIONS	189,000	102,000	
SHAREHOLDERS' EQUITY:			
Preferred Stock, no par value, shares authorized - 9,951,765 and 10,990,980, respectively, issued and outstanding - 9,451,766 and 9,657,648, respectively (none - pro forma)	34,218,000	37,718,000	$ -
Common Stock, no par value; shares authorized - 18,500,000 and 20,300,000, respectively; shares issued and outstanding - 1,886,479 and 1,894,915, respectively (9,993,337 - pro forma)	324,000	396,000	38,114,000
Deficit accumulated during the development stage	(27,025,000)	(33,187,000)	(33,187,000)
Shareholder notes receivable	(167,000)	(167,000)	(167,000)
Stock purchase rights	3,500,000	-	-
Total shareholders' equity	10,850,000	4,760,000	$ 4,760,000
Total liabilities and shareholders' equity	$ 12,673,000	$ 6,098,000	

The accompanying notes are an integral part of these financial statements.

AASTROM BIOSCIENCES, INC.
(a development stage company)

CONDENSED STATEMENTS OF OPERATIONS

	Three months ended December 31,		Six months ended December 31,		March 24, 1989 (Inception) to December 31,
	1995	1996	1995	1996	1996
REVENUES:					
Research and development agreements	$ 343,000	$ -	$ 515,000	$ 195,000	$ 1,982,000
Grants	92,000	29,000	131,000	58,000	2,053,000
Total revenues	435,000	29,000	646,000	253,000	4,035,000
COSTS AND EXPENSES:					
Research and development	1,787,000	2,550,000	2,982,000	5,710,000	30,785,000
General and administrative	418,000	439,000	864,000	891,000	7,980,000
Total costs and expenses	2,205,000	2,989,000	3,846,000	6,601,000	38,765,000
LOSS BEFORE OTHER INCOME AND EXPENSE	(1,770,000)	(2,960,000)	(3,200,000)	(6,348,000)	(34,730,000)
OTHER INCOME (EXPENSE):					
Interest income	150,000	79,000	299,000	205,000	1,781,000
Interest expense	(16,000)	(8,000)	(34,000)	(19,000)	(238,000)
Other income	134,000	71,000	265,000	186,000	1,543,000
NET LOSS	$(1,636,000)	$(2,889,000)	$(2,935,000)	$(6,162,000)	$(33,187,000)
PRO FORMA NET LOSS PER SHARE		$ (.29)		$ (.61)	
Pro forma weighted average number of common and common equivalent shares outstanding		10,109,000		10,108,000	

The accompanying notes are an integral part of these financial statements.

AASTROM BIOSCIENCES, INC.
(a development stage company)

CONDENSED STATEMENTS OF CASH FLOWS

	Six months ended December 31,		March 24, 1989 (Inception) to December 31,
	1995	1996	1996
OPERATING ACTIVITIES:			
Net loss	$(2,935,000)	$(6,162,000)	$(33,187,000)
Adjustments to reconcile net loss to net cash used for operating activities:			
Depreciation and amortization	184,000	274,000	1,541,000
Loss on property held for resale	-	-	110,000
Amortization of discounts and premiums on investments	(92,000)	-	(119,000)
Expense related to stock and stock options granted	-	66,000	76,000
Changes in assets and liabilities:			
Receivables	(15,000)	7,000	(74,000)
Prepaid expenses	51,000	(300,000)	(737,000)
Accounts payable and accrued expenses	177,000	(214,000)	978,000
Accrued employee expenses	(17,000)	(8,000)	89,000
Deferred revenue	(86,000)	(122,000)	-
Net cash used for operating activities	(2,733,000)	(6,459,000)	(31,323,000)
INVESTING ACTIVITIES:			
Organizational costs	-	-	(73,000)
Purchase of short-term investments	-	-	(11,948,000)
Maturities of short-term investments	5,000,000	-	12,067,000
Capital purchases	(137,000)	(284,000)	(2,002,000)
Proceeds from sale of property held for resale	-	-	400,000
Net cash provided by (used for) investing activities	4,863,000	(284,000)	(1,556,000)
FINANCING ACTIVITIES:			
Issuance of Preferred Stock	-	-	34,218,000
Issuance of Common Stock	53,000	6,000	122,000
Payments received for stock purchase rights	1,500,000	-	3,500,000
Payments received under shareholder notes	-	-	31,000
Principal payments under capital lease obligations	(133,000)	(141,000)	(903,000)
Net cash provided by (used for) financing activities	1,420,000	(135,000)	36,968,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS...	3,550,000	(6,878,000)	4,089,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,680,000	10,967,000	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 6,230,000	$ 4,089,000	$ 4,089,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest paid	$ 34,000	$ 19,000	$ 238,000
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Additions to capital lease obligations	$ -	$ -	$ 1,174,000

The accompanying notes are an integral part of these financial statements.

AASTROM BIOSCIENCES, INC.
(A development stage company)
NOTES TO CONDENSED FINANCIAL STATEMENTS

1. ORGANIZATION

Aastrom Biosciences, Inc. (the "Company") was incorporated in March 1989 ("Inception") under the name Ann Arbor Stromal, Inc. The Company changed its name in 1991 concurrent with the commencement of employee-based operations. The Company is in the development stage with its principal business activities being research and product development, conducted both on its own behalf and in connection with various collaborative research and development agreements with other companies, involving the development of processes and instrumentation for the ex-vivo production of human stem cells and their progeny, and hematopoietic and other tissues. Successful future operations are subject to several technical and business risks, including satisfactory product development and obtaining regulatory approval and market acceptance of its products.

2. BASIS OF PRESENTATION

The condensed financial statements included herein have been prepared by the Company without audit, according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The financial statements reflect, in the opinion of management, all adjustments (which consist solely of normal recurring adjustments) necessary to present fairly the financial position and results of operations as of and for the periods indicated. The results of operations for the three and six months ended December 31, 1996, are not necessarily indicative of the results to be expected for the full year or for any other period.

These financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company's prospectus dated February 4, 1997, ("Prospectus") as filed with the Securities and Exchange Commission.

3. INITIAL PUBLIC OFFERING

On February 7, 1997, the Company completed an underwritten initial public offering of 3,000,000 shares of its Common Stock at an offering price of $7.00 per share. On March 5, 1997, the underwriters elected to purchase an additional 250,000 shares of Common Stock pursuant to the underwriters' over-allotment option (the "Option") at a price of $7.00 per share. The Option, which has expired, granted the underwriters the right to purchase up to 450,000 shares of Common Stock at the initial public offering price. Proceeds from the offering, net of underwriters' commissions and expenses were approximately $20,000,000.

In connection with the IPO, the Company effected a two-for-three reverse stock split. Accordingly, all references in the accompanying financial statements to common share or per common share information has been restated to reflect the reverse stock split. Additionally, as a result of the IPO, all 9,657,648 shares of the Company's outstanding Preferred Stock automatically converted into 8,098,422 shares of Common Stock upon the completion of the IPO.

Expenses related to the IPO totaling $311,000 and $666,000 as of June 30, 1996 and December 31, 1996, respectively, are included in prepaid expenses in the accompanying financial statements. These amounts, in addition to expenses incurred after December 31, 1996, will be charged against the proceeds of the offering and reflected in shareholders' equity.

4. PRO FORMA INFORMATION

Pro forma net loss per share is computed using the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares are not included in the per share calculation where the effect of their inclusion would be anti-dilutive, except that common and

common equivalent shares issued during the 12 month period preceding the filing of the registration statement for the IPO at a price below the offering price are considered to be cheap stock and have been included in the calculation as if they were outstanding for all periods using the treasury stock method, as applicable, even though their inclusion is anti-dilutive. Due to the automatic conversion of Preferred Stock into Common Stock upon the IPO, all outstanding shares of Preferred Stock are assumed to have been converted into Common Stock at the time of issuance, except for those shares considered to be cheap stock which are treated as outstanding for all periods presented. The pro forma effect of these conversions has been reflected in the accompanying balance sheet assuming the conversion had occurred on December 31, 1996. Historical net loss per share information is not considered meaningful due to the significant changes in the Company's capital structure which occurred upon the closing of the IPO; accordingly, such per share data information is not presented.

5. RECENT PRONOUNCEMENTS

During October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation," which establishes a fair value based method of accounting for stock-based compensation and incentive plans and requires additional disclosures for those companies that elect not to adopt the new method of accounting. Adoption of this pronouncement is required for the Company beginning July 1, 1996, and the Company intends to provide the additional disclosures required by the pronouncement in its financial statements for the year ended June 30, 1997.

During March 1995, the Financial Accounting Standards Board issued Statement No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires the Company to review for

impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Management has studied the effect of implementing SFAS 121 and, based upon its evaluation, has determined that the impact on the Company's financial condition and results of operations is not significant for the periods ended December 31, 1996.

6. CHANGES IN CAPITAL STRUCTURE

In October and November 1997, respectively, the Company amended its Articles of Incorporation to provide for the issuance of 205,882 shares of Series E Preferred Stock to Rhone-Poulenc Rorer, Inc. ("RPR") in connection with the termination of the Company research collaboration with RPR and to authorize 833,333 shares of Series F Preferred Stock reserved for issuance in connection with the execution of a private financing commitment. Upon the completion of the IPO, this financing commitment expired unused. In connection with these amendments, the number of authorized shares of Common Stock was increased to 20,300,000 shares.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Since inception, the Company has been in the development stage and engaged in research and product development, conducted both on its own behalf and in connection with various collaborative research and development agreements with other entities. The Company expects that its revenue sources for at least the next several years will continue to be limited to grant revenues and research funding, milestone payments and licensing fees from potential future corporate collaborators. The timing and amount of such future cash payments and revenues, if any, will be subject to significant fluctuations, based in part on the success of the Company's research activities, the timing of the achievement of certain milestones and the extent to which associated costs are reimbursed under grant or other arrangements. Research and development expenses may fluctuate due to the timing of expenditures for the varying stages of the Company's

research and clinical development programs. Research and development expenses will increase as product development programs and applications of the Company's products progress through research and development stages. Under the Company's License Agreement with Immunex, annual renewal fees of $1,000,000 are payable in each of the next four years. Under the Company's Distribution Agreement with Cobe BCT, Inc. ("Cobe"), regulatory approval activities for the Company's products for stem cell therapies outside of the United States will be conducted, and paid for, by Cobe. As a result of these and others factors, the Company's results of operations have fluctuated and are expected to continue to fluctuate significantly from year to year and from quarter to quarter and therefore may not be comparable to or indicative of the results of operations for other periods.

Over the past several years, the Company's net loss has primarily increased, consistent with the growth in the Company's scope and size of operations. In the near term, the Company plans additional moderate growth in employee headcount necessary to address increasing requirements in the areas of product development, research, clinical and regulatory affairs and administration. Assuming capital is available to finance such growth, the Company's operating expenses will continue to increase as a result. At least until such time as the Company enters into arrangements providing research and development funding, the net loss will continue to increase as well. The Company has been unprofitable since its inception and does not anticipate having net income for at least the next several years. Through December 31, 1996, the Company has an accumulated deficit of $33,187,000. There can be no assurance that the Company will be able to achieve profitability on a sustained basis, if at all.

This report contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed under this caption, as well as those discussed under the caption "Certain Business Considerations" and in the Company's Prospectus.

Results of operations

Three and six months ended December 31, 1996 and 1995

Total revenues were $29,000 for the three months ended December 31, 1996, compared to $435,000 for the same period in 1995, and were $253,000 for the six months ended December 31, 1996, compared to $646,000 in 1995. These revenues for the six-month periods consist primarily of research and development revenue under the Company's research collaboration with RPR, which was terminated in September 1996. As such, the Company did not recognize any revenues under research and development agreements for the three months ended December 31, 1996. Grant revenues decreased in 1996 reflecting the timing of grant awards and related research activities, to the extent that such associated costs are reimbursed under the grants.

Total costs and expenses were $2,989,000 for the three months ended December 31, 1996, compared to $2,205,000 for the same period in 1995. The increase in costs and expenses in 1996 is primarily the result of an increase in research and development expenses to $2,550,000 in 1996 from $1,787,000 in 1995 and to a lesser degree by general and administrative expenses, which increased to $439,000 for the three months ended December 31, 1996 from $418,000 for the same period in 1995. Total costs and expenses were $6,601,000 for the six months ended December 31, 1996 compared to $3,846,000 for the same period in 1995. The increase in costs and expenses in 1996 is primarily the result of an increase in research and development expenses to $5,710,000 in 1996 from $2,982,000 in 1995 and to a lesser degree by general and administrative expenses, which increased to $891,000 for the six months ended December 31, 1996 from $864,000 for the same period in 1995. The increases in 1996 research and development expense reflect an increase in research, clinical development and product development activities over 1995 levels.

Interest income was $79,000 for the three months ended December 31, 1996, compared to $150,000 for the same period in 1995, and was $205,000 for the six months ended December 31, 1996, compared to $299,000 for the same period in 1995. These decreases primarily reflect a decrease in the levels of cash, cash equivalents and short-term investments in 1996.

The Company's net loss increased to $2,889,000 for the three months ended

December 31, 1996 from $1,636,000 for the same period in 1995 and increased to $6,162,000 for the six months ended December 31, 1996, compared to $2,935,000 for the same period in 1995. These increases are primarily the result of the increased costs and expenses in 1996 as described above.

Liquidity and capital resources

The Company has financed its operations since inception primarily through private placements of Preferred Stock and other equity investments, which from inception through December 31, 1996 have totaled approximately $37,871,000, and, to a lesser degree,

through grant funding, payments received under research agreements and collaborations, interest earned on cash, cash equivalents, and short-term investments, and funding under equipment leasing agreements. These financing sources have historically allowed the Company to maintain adequate levels of cash and other liquid investments.

The Company's combined cash and cash equivalents totaled $4,089,000 at December 31, 1996, a decrease of $6,878,000 from June 30, 1996. The primary uses of cash and cash equivalents during the six months ended December 31, 1996 included $6,459,000 to finance the Company's operations and working capital requirements, $284,000 in capital equipment additions and $141,000 in scheduled debt payments. On February 7, 1997, the Company completed an underwritten initial public offering of 3,000,000 shares of its Common Stock at an offering price of $7.00 per share. On March 5, 1997, the underwriters elected to purchase an additional 250,000 shares of Common Stock pursuant to the underwriters' over-allotment option (the "Option") at a price of $7.00 per share. The Option, which has expired, granted the underwriters the right to purchase up to 450,000 shares of Common Stock at the initial public offering price. Proceeds from the offering, net of underwriters' commissions and expenses were approximately $20,000,000. The Company plans to continue its policy of investing excess funds short-term, investment-grade, interest-bearing instruments.

The Company's future cash requirements will depend on many factors, including continued scientific progress in its research and development programs, the scope and results of clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in filing, prosecuting and enforcing patents, competing technological and market developments and the cost of product commercialization. The Company does not expect to generate a positive cash flow from operations for several years, if at all, due to the expected increase in spending for research and development programs and the expected cost of commercializing its product candidates. The Company may seek additional funding through research and development agreements with suitable corporate collaborators, grants and through public or private financing transactions. The Company expects that its primary sources of capital for the foreseeable future will be through collaborative arrangements and through the public or private sale of its debt or equity securities. There can be no assurance that such collaboration arrangements, or any public or private financing, will be available on acceptable terms, if at all, or can be sustained on a long-term basis. If adequate funds are not available, the Company may be required to delay, reduce the scope of, or eliminate one or more of its research and development programs, which may have a material adverse effect on the Company's business.

Certain business considerations

Commercialization of the Company's technology and product candidates, including its lead product candidate, the Aastrom Cell Production System ("Aastrom CPS"), will require substantial additional research and development by the Company as well as substantial clinical trials. There can be no assurance that the Company will successfully complete development of the Aastrom CPS or its other product candidates, or successfully market its technologies or product candidates, which lack of success would have a material adverse effect on the Company's business, financial condition and results of operations. The Company or its collaborators may encounter problems or delays relating to research and development, clinical trials, regulatory approval and intellectual property rights of the

Company's technologies and product candidates. The Company's product development

efforts are primarily directed toward obtaining regulatory approval to market the Aastrom CPS as an alternative to currently used stem cell collection methods. These existing stem cell collection methods have been widely practiced for a number of years, and there can be no assurance that any of the Company's technologies or product candidates will facilitate the ex vivo production of cells with the expected biological activities in humans or will be accepted by the marketplace as readily as these or other competing processes and methodologies, or at all.

The approval of the United States Food and Drug Administration ("FDA") will be required before any commercial sales of the Company's product candidates for stem cell therapy may commence in the United States, and approvals from foreign regulatory authorities will be required before international sales may commence. The Company is currently conducting a pre-pivotal clinical trial to demonstrate the safety and biological activity of patient-derived cells produced in the Aastrom CPS in a limited number of patients and if the results from this pre-pivotal trial are successful, the Company intends to seek clearance from the FDA to commence its pivotal clinical trial. The results of preclinical studies and early clinical trials of the Company's product candidates, however, may not necessarily be indicative of results that will be obtained from subsequent or more extensive clinical trials. Further, there can be no assurance that pre-pivotal or pivotal clinical trials of any of the Company's product candidates will demonstrate the safety, reliability and efficacy of such products, or of the cells produced in such products, to the extent necessary to obtain required regulatory approvals or market acceptance. There can be no assurance that, even after the expenditures of substantial time and financial resources, regulatory approval will be obtained for any products developed by the Company.

The Company currently arranges for the manufacture of its product candidates and their components, including certain cytokines, serum and media, with third parties, and expects to continue to do so in the foreseeable future. There can be no assurance that the Company's supply of such key cytokines, components and other materials will not become limited, be interrupted or become restricted to certain geographic regions. There can also be no assurance that the Company will be able to obtain alternative components and materials from other manufacturers of acceptable quality, or on terms or in quantities acceptable to the Company. Additionally, there can be no assurance that the Company will not require additional cytokines, components and other materials to manufacture, use or market its product candidates. In the event that any of the Company's key manufacturers or suppliers fail to perform their respective obligations or the Company's supply of such cytokines, components or other materials become limited or interrupted, the Company would not be able to market its product candidates on a timely and cost-competitive basis, if at all, which would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is a development stage company and there can be no assurance that its product applications for cell therapy will be successful. The Company has not yet completed the development and clinical trials of any of its product candidates and, accordingly, has not yet begun to generate revenues from the commercialization of any of

its product candidates. The Company expects to incur significant and increasing operating losses for at least the next several years, primarily owing to the expansion of its research and development programs, including preclinical studies and clinical trials. The development of the Company's products will require the Company to raise additional funds or to seek collaborative partners, or both, to finance related research and development activities. Because of the Company's potential long-term funding requirements, it may attempt to access the public or private equity markets if and whenever conditions are favorable, even if it does not have an immediate need for additional capital at that time. There can be no assurance that any such additional funding will be available to the Company on reasonable terms, or at all. If adequate funds are not available, the Company may be required to delay or terminate research and development programs, curtail capital expenditures, and reduce business development and other operating activities.

The Company has established a strategic alliance with Cobe BCT, Inc. for the worldwide distribution of the Aastrom CPS for stem cell therapy and related uses. Cobe has the right to terminate its Distribution Agreement with the Company upon twelve months' notice upon a change of control of the Company, other than to Cobe, or at any time after December 31, 1997, if Cobe determines

that commercialization of the Aastrom CPS for stem cell therapy on or prior to December 31, 1998 is unlikely. There can be no assurance that Cobe will pursue the marketing and distribution of the Company's products, continue to perform its obligations under its agreements with the Company or that the Company's strategic alliance with Cobe will result in the successful commercialization and distribution of the Company's technologies and product candidates. There can also be no assurance that Cobe will be successful in its efforts to market and distribute the Company's products for stem cell therapy.

These business considerations, and others, are discussed in more detail and should be read in conjunction with the Risk Factors discussed in the Company's Prospectus.

PART II - OTHER INFORMATION

Item 2. - Changes in Securities

(a) In connection with its initial public offering, the Company's has filed an amendment to its Articles of Incorporation to authorize 40,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock. All 9,657,648 shares of outstanding preferred stock converted to an aggregate of 8,098,422 shares of Common Stock upon the completion of the initial public offering.

(c)(1) Pursuant to a Governance Agreement between the Company and Rhone-Poulenc Rorer Inc. ("RPR"), dated September 15, 1995, RPR terminated its contractual relationship with the Company on September 6, 1996. As a result of such termination, the Company issued 205,882 shares of Series E Preferred Stock to RPR at a purchase price of $17.00 per share.

In October 1996, the Company issued warrants to Michigan to purchase 69,444 shares of Common Stock as consideration for the Convertible Loan Commitment and has agreed to issue additional warrants to purchase 8,333 shares of Common Stock for each $1,000,000 borrowed under the Convertible Loan Commitment, as adjusted to the level of borrowing.

(c)(2) During the three months ended December 31, 1996, the Company granted options to purchase a total of 25,000 shares of Common Stock at an exercise $3.20 per share to eleven employees. No consideration was paid to the Company by any recipient of any of the foregoing options for the grant of any such options. During the three months ended December 31, 1996, the Company issued a total of 7,603 shares of Common Stock to two employees upon exercise of stock options at exercise prices ranging from $.30 to $1.20 per share.

There were no underwriters employed in connection with any of the transactions set forth in Item 2.

The issuances described in Item 2(c)(1) were exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering. The issuances described in Item 2(c)(2) were exempt from registration under the Securities Act in reliance on Rule 701 promulgated thereunder as transactions pursuant to compensatory benefit plans and contracts relating to compensation. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and other instruments issued in such transactions.

Item 6. - Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Exhibit

3.1	Restated Articles of Incorporation of the Company.
3.2*	Bylaws of the Company.
4.1*	Amended and Restated Investors' Rights Agreement, dated April 7, 1992.
10.1*	Amended and Restated 1992 Incentive and Non-Qualified Stock Option Plan and forms of agreements thereunder.
10.2*	1996 Outside Directors Stock Option Plan and forms of agreements thereunder.
10.3*	1996 Employee Stock Purchase Plan and form of agreement thereunder.
10.4*	Stock Purchase Agreement by and between Cobe Laboratories, Inc. and the Company, dated October 22, 1993, as amended October 29, 1996.
10.5*+	Distribution Agreement by and between Cobe Laboratories, Inc. and the Company, dated October 22, 1993, as amended March 29, 1995, September 11, 1995 and October 29, 1996.
10.6*	Promissory Note by and between R. Douglas Armstrong and the Company, dated November 18, 1993, as amended October 30, 1996.
10.7*	Promissory Note by and between Stephen G. Emerson and the Company, dated October 20, 1993, as amended October 30, 1996.
10.8*	Letter Agreement by and between Cobe Laboratories, Inc. and the Company, dated November 11, 1996.
10.9*	Stock Purchase Agreement by and between Rhone-Poulenc Rorer Inc. and the Company, dated November 14, 1996.
10.10*	Termination Agreement by and between Rhone-Poulenc Rorer Inc. and the Company, dated November 14, 1996.
10.11*+	Collaborative Supply Agreement by and between Anchor Advanced Products, Inc., Mid-State Plastics Division, and the Company, dated December 16, 1996.

Exhibit No.	Exhibit
10.12*	Stock Purchase Commitment Agreement by and between Cobe Laboratories, Inc. and the Company, dated October 29, 1996.
10.13*	Convertible Loan Commitment Agreement by and between the State Treasurer of the State of Michigan and the Company, dated October 15, 1996.
11.1	Statement re computation of pro forma net loss per share.
27.1	Financial Data Schedule.

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* Incorporated by reference to the Company's Registration Statement on Form S-1 (No. 333-15415), declared effective on February 3, 1997.

\+ Confidential treatment has been granted with respect to part of this exhibit.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the period.

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 thereunto duly authorized.

AASTROM BIOSCIENCES, INC.

Date: March 7, 1997

/s/ R. DOUGLAS ARMSTRONG, Ph.D.

R. Douglas Armstrong, Ph.D.
President, Chief Executive Officer
(Principal Executive Officer)

Date: March 7, 1997

/s/ TODD E. SIMPSON

Todd E. Simpson
Vice President, Finance and
Administration, Chief Financial
Officer (Principal Financial and
Accounting Officer)

[SEAL OF THE STATE OF MICHIGAN]

This is to Certify that the Annexed copy has been compared by me with the record on file in this Department and that the same is a true copy thereof.

In testimony whereof, I have hereunto set my hand and affixed the Seal of the Department, in the City of Lansing, this 6th day of February, 1997.

/s/ CARL L. LYSON

Carl L. Lyson
Director
Corporation, Securities and Land
Development Bureau

MICHIGAN DEPARTMENT OF COMMERCE - CORPORATION AND SECURITIES BUREAU

DATE RECEIVED
FEB 06 1997

NAME
ATTN: CHERYL J. BIXBY
PHONE 517-663-2525 REF #70801

ADDRESS
MICHIGAN RUNNER SERVICE
PO BOX 266

CITY	STATE	ZIP CODE
EATON RAPIDS	MI	48827 0266

DOCUMENT WILL BE RETURNED TO THE NAME AND ADDRESS YOU ENTER ABOVE

(FOR BUREAU USE ONLY)

FILED
FEB 06 1997

Administrator
MI DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES
CORPORATION, SECURITIES & LAND DEVELOPMENT BUREAU

EFFECTIVE DATE: FEB. 7, 1997 @ 10:00 A.M.

RESTATED ARTICLES OF INCORPORATION
FOR USE BY DOMESTIC PROFIT CORPORATIONS
(Please read information and instructions on the last page)

Pursuant to the provisions of Act 284, Public Acts of 1972, the undersigned corporation executes the following Articles:

1. The present name of the corporation is:
   Aastrom Biosciences, Inc.

2. The identification number assigned by the Bureau is: 529-456

3. All former names of the corporation are:
   Ann Arbor Stromal, Inc.

4. The date of filing the original Articles of Incorporation was:
   March 24, 1989.

The following Restated Articles of Incorporation supersede the Articles of Incorporation as amended and shall be the Articles of Incorporation for the corporation:

ARTICLE I

The name of the corporation is:
Aastrom Biosciences, Inc.

ARTICLE II

The purpose or purposes for which the corporation is formed are:

To engage in any activity within the purpose for which corporations may be organized under the Michigan Business Corporation Act.

SEAL APPEARS ONLY ON ORIGINAL

ARTICLE III

The total authorized shares:

Common shares 40,000,000 Preferred shares 5,000,000

A statement of all or any of the relative rights, preferences and limitations of the shares of each class is as follow:

See Rider attached hereto and made a part hereof.

ARTICLE IV

1. The address of the current registered office is:

36th Floor, 100 Renaissance Center	Detroit, Michigan	48243
(Street Address)	(City)	(Zip Code)

2. The mailing address of the current registered office, if different than above:

	, Michigan	
(Street Address or P.O. Box)	(City)	(Zip Code)

3. The name of the current resident agent is: Michael B. Staebler

ARTICLE V

These Restated Articles of Incorporation shall be effective at 10:00 a.m. Eastern Standard Time on Friday, February 7, 1997.

ARTICLE VI (Optional. Delete if not applicable)

SEAL APPEARS ONLY ON ORIGINAL

Article VII (Additional provisions, if any, may be inserted here; attach additional pages if needed.)

See Rider attached hereto and made a part hereof.

5. COMPLETE SECTION (a) IF THE RESTATED ARTICLES WERE ADOPTED BY THE UNANIMOUS CONSENT OF THE INCORPORATOR(S) BEFORE THE FIRST MEETING OF THE BOARD OF DIRECTORS; OTHERWISE, COMPLETE SECTION(b). DO NOT COMPLETE BOTH.

   a. [_] These Restated Articles of Incorporation were duly adopted on the _____ day of _____, 19____, in accordance with the provisions of Section 642 of the Act by the unanimous consent of the incorporator(s) before the first meeting of the Board of

Directors.

Signed this_____ day of _____, 19_____.

_____ _____

_____ _____
(Signatures of Incorporators; Type or Print Name Under Each Signature)

b. [X] These Restated Articles of Incorporation were duly adopted on the 30th day of October, 1996 in accordance with the provisions of Section 642 of the Act and: (check one of the following)

[_] were duly adopted by the Board of Directors without a vote of the shareholders. These Restated Articles of Incorporation only restate and integrate and do not further amend the provisions of the Articles of Incorporation as heretofore amended and there is no material discrepancy between those provisions and the provisions of these Restated Articles.

[_] were duly adopted by the shareholders. The necessary number of shares as required by statute were voted in favor of these Restated Articles.

[X] were duly adopted by the written consent of the shareholders having not less than the minimum number of votes required by statute in accordance with Section 407(1) of the Act. Written notice to shareholders who have not consented in writing has been given. (Note: Written consent by less than all of the shareholders is permitted only if such provision appears in the Articles of Incorporation.)

[_] were duly adopted by the written consent of all the shareholders entitled to vote in accordance with section 407(2) of the Act.

Signed this 5th day of February, 1997

By /s/ R. DOUGLAS ARMSTRONG, Ph.D.

R. Douglas Armstrong, Ph.D., President
(Type or Print Name) (Type or Print Title)

SEAL APPEARS ONLY ON ORIGINAL

RIDER TO ARTICLE III

PART A: COMMON STOCK

Section 1. Voting Rights.

a. One Vote Per Share. The holders of shares of Common Stock shall be entitled to one vote for each share so held with respect to all matters voted on by the holders of shares of Common Stock of the Corporation.

b. Two-Thirds Consent. Consent of the holders of at least two-thirds (2/3) of the outstanding shares of Common Stock shall be required for (i) any action which results in a consolidation or merger which would be treated as a liquidation, dissolution or winding up of the Corporation under Section 2 of this Part A of this Article III, or which results in the liquidation, sale or assignment of all or substantially all of the assets of the Corporation; (ii) any amendment to these Articles of Incorporation; or (iii) any amendment by the shareholders of the Corporation of the Bylaws of the Corporation (the Board of Directors of the Corporation, as provided in Section 3 of Article VII, shall

have the authority to amend the Bylaws of the Corporation without the consent of the shareholders of the Corporation).

Section 2. Liquidation Rights. Subject to preferences applicable to any outstanding shares of Preferred Stock, all distributions made or funds paid to the holders of Common Stock upon the occurrence of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation shall be made on the basis of the number of shares of Common Stock held by each of them. A consolidation or merger of the Corporation with or into another corporation or entity shall be regarded as a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 2 unless such consolidation or merger is not intended to effect a change in the ownership or control of the Corporation or of its assets and is not intended to alter materially the business or assets of the Corporation, including, by way of example and without limiting the generality of the foregoing: (i) a consolidation or merger which merely changes the identity, form or place of organization of the Corporation, or which is between or among the Corporation and any of its direct or indirect subsidiaries, or (ii) following such merger or consolidation, shareholders of the Corporation immediately prior to such event own not less than 51% of the voting power of such corporation immediately after such merger or consolidation on a pro rata basis.

Section 3. Dividends. Dividends may be paid on the Common Stock as and when declared by the Board of Directors, subject to preferences applicable to any outstanding shares of Preferred Stock.

PART B: PREFERRED STOCK

The Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Corporation is hereby authorized, within the limitations and restrictions stated in these Restated Articles of Incorporation, to fix or alter the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, and the liquidation preferences of any wholly unissued series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them, and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

RIDER TO ARTICLE VII

ARTICLE VII

1. Director Liability. A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director. However, this provision does not eliminate or limit the liability of a director for any of the following:

(a) any breach of the director's duty of loyalty to the Corporation or its shareholders;

(b) any acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

(c) a violation of Section 551(1) of the Michigan Business Corporation Act, as amended (the "MBCA");

(d) a transaction from which the director derived an improper personal benefit; or

(e) an act or omission occurring before the date these Articles

of Incorporation became effective in accordance with the pertinent provisions of the MBCA.

Any repeal, amendment or other modification of this Article VII shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal, amendment or other modification.

If the MBCA is amended, after this Article becomes effective, to authorize corporate action further eliminating or limiting personal liability of directors, then the liability of directors shall be eliminated or limited to the fullest extent permitted by the MBCA as so amended.

2. Control Share Acquisitions. Chapter 7B of the MBCA, known as the "Stacey, Bennett, and Randall shareholder equity act," does not apply to control share acquisitions of shares of the Corporation.

3. Amendment of Bylaws. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to make, alter or repeal the Bylaws of the Corporation.

Exhibit 11.1

AASTROM BIOSCIENCES, INC.
(a development stage company)

STATEMENT RE COMPUTATION OF PRO FORMA NET LOSS PER SHARE

	Three months ended December 31, 1996	Six months ended December 31, 1996
Weighted average number of common shares outstanding	1,755,000	1,754,000
Issuance of Common Stock (1)	135,000	135,000
Assumed exercise of stock options to purchase Common Stock (1)	121,000	121,000
Issuance of Series E Preferred Stock (1)	1,078,000	1,078,000
Weighted average number of common shares representing assumed conversion of Series A, Series B, Series C, Series D Preferred Stock from the date of issuance	7,020,000	7,020,000
Pro forma weighted average number of common and common equivalent shares outstanding	10,109,000	10,108,000
Net loss	$ (2,889,000)	$ (6,162,000)
Pro forma net loss per share	$ (.29)	$ (.61)

- ----------

(1) Represents shares of common stock or common stock equivalents issued subsequent to October 1995 at a price per share less than the estimated initial public offering price. Such shares are considered to be cheap stock and, accordingly, reflected as outstanding since Inception.

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
COMPANY'S REGISTRATION STATEMENT ON FORM S1 AND IS QUALIFIED IN ITS ENTIRETY BY
REFERENCE TO SUCH FINANCIAL STATEMENTS.
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