

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE  
ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1998, 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)

(734) 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  - 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  
(Class)

13,602,927  
Outstanding at May 5, 1998

AASTROM BIOSCIENCES, INC.

Quarterly Report on Form 10-Q  
March 31, 1998

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

AASTROM BIOSCIENCES, INC.  
(a development stage company)

## CONDENSED BALANCE SHEETS

	June 30, 1997	March 31, 1998
	-----	-----
ASSETS		(Unaudited)
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,943,000	\$ 2,671,000
Short-term investments	15,064,000	12,763,000
Receivables	229,000	221,000
Prepaid expenses	126,000	190,000
	-----	-----
Total current assets	17,362,000	15,845,000
PROPERTY, NET	1,048,000	798,000
	-----	-----
Total assets	\$18,410,000	\$16,643,000
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,508,000	\$ 2,803,000
Accrued employee expenses	130,000	157,000
Current portion of capital lease obligations	124,000	72,000
	-----	-----
Total current liabilities	1,762,000	3,032,000
CAPITAL LEASE OBLIGATIONS	65,000	12,000
SHAREHOLDERS' EQUITY:		
Preferred Stock, no par value; shares authorized - 5,000,000; 2,200,000 issued and outstanding at March 31, 1998	-	9,930,000
Common Stock, no par value; shares authorized - 40,000,000; shares issued and outstanding - 13,275,208 and 13,367,908, respectively	58,073,000	58,243,000
Deficit accumulated during the development stage	(41,313,000)	(54,900,000)
Stock purchase warrants	-	322,000
Shareholder notes receivable	(167,000)	-
Unrealized gains (losses) on investments	(10,000)	4,000
	-----	-----
Total shareholders' equity	16,583,000	13,599,000
	-----	-----
Total liabilities and shareholders' equity	\$ 18,410,000	\$ 16,643,000
	=====	=====

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

AASTROM BIOSCIENCES, INC.  
(a development stage company)

CONDENSED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended March 31,		Nine months ended March 31,		March 24, 1989 (Inception) to March 31, 1998
	1997	1998	1997	1998	
<b>REVENUES:</b>					
Research and development agreements	\$ 9,000	\$ -	\$ 204,000	\$ 3,000	\$ 2,020,000
Grants	59,000	80,000	117,000	142,000	2,285,000
<b>Total revenues</b>	<b>68,000</b>	<b>80,000</b>	<b>321,000</b>	<b>145,000</b>	<b>4,305,000</b>
<b>COSTS AND EXPENSES:</b>					
Research and development	4,253,000	4,966,000	9,963,000	11,997,000	50,429,000
General and administrative	465,000	722,000	1,356,000	2,218,000	11,260,000
<b>Total costs and expenses</b>	<b>4,718,000</b>	<b>5,688,000</b>	<b>11,319,000</b>	<b>14,215,000</b>	<b>61,689,000</b>
<b>LOSS FROM OPERATIONS</b>	<b>(4,650,000)</b>	<b>(5,608,000)</b>	<b>(10,998,000)</b>	<b>(14,070,000)</b>	<b>(57,384,000)</b>
<b>OTHER INCOME (EXPENSE):</b>					
Interest income	191,000	256,000	396,000	692,000	2,944,000
Interest expense	(7,000)	(3,000)	(26,000)	(10,000)	(261,000)
Other income	184,000	253,000	370,000	682,000	2,683,000
<b>NET LOSS</b>	<b>\$ (4,466,000)</b>	<b>\$ (5,355,000)</b>	<b>\$ (10,628,000)</b>	<b>\$ (13,388,000)</b>	<b>\$ (54,701,000)</b>
<b>COMPUTATION OF NET LOSS APPLICABLE TO COMMON SHARES:</b>					
Net loss		\$ (4,466,000)	\$ (5,355,000)	\$ (10,628,000)	\$ (13,388,000)
Dividends on Preferred Stock		-	(152,000)	-	(199,000)
Charge related to issuance of Preferred Stock		-	-	-	(3,439,000)
<b>Net loss applicable to Common Shares</b>		<b>\$ (4,466,000)</b>	<b>\$ (5,507,000)</b>	<b>\$ (10,628,000)</b>	<b>\$ (17,026,000)</b>
<b>NET LOSS PER COMMON SHARE (Basic and Diluted)</b>		<b>\$ (.38)</b>	<b>\$ (.41)</b>	<b>\$ (1.01)</b>	<b>\$ (1.28)</b>
Weighted average number of common and common equivalent shares outstanding		11,804,000	13,306,000	10,549,000	13,284,000

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

AASTROM BIOSCIENCES, INC.  
(a development stage company)

CONDENSED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine months ended March 31,		March 24, 1989 (Inception) to March 31, 1998
	1997	1998	
<b>OPERATING ACTIVITIES:</b>			
Net loss	\$ (10,628,000)	\$ (13,388,000)	\$ (54,701,000)
Adjustments to reconcile net loss to net cash used for operating activities:			
Depreciation and amortization	417,000	434,000	2,265,000
Loss on property held for resale	-	-	110,000
Amortization of discounts and premiums on investments	(28,000)	(132,000)	(335,000)
Stock compensation expense	97,000	372,000	502,000
Changes in assets and liabilities:			
Receivables	(168,000)	(30,000)	(259,000)
Prepaid expenses	328,000	(64,000)	(190,000)
Accounts payable and accrued expenses	1,200,000	1,295,000	2,803,000
Accrued employee expenses	19,000	27,000	157,000
Deferred revenue	(118,000)	-	-
Net cash used for operating activities	(8,881,000)	(11,486,000)	(49,648,000)
<b>INVESTING ACTIVITIES:</b>			
Organizational costs	-	-	(73,000)
Purchase of short-term investments	(17,989,000)	(10,353,000)	(41,491,000)
Maturities of short-term investments	1,200,000	12,800,000	29,067,000
Capital purchases	(326,000)	(184,000)	(2,326,000)
Proceeds from sale of property held for resale	-	-	400,000
Net cash provided by (used for) investing activities	(17,115,000)	2,263,000	(14,423,000)
<b>FINANCING ACTIVITIES:</b>			
Issuance of Preferred Stock	-	9,930,000	44,148,000
Issuance of Common Stock	19,904,000	126,000	20,153,000
Payments received for stock purchase rights	-	-	3,500,000
Payments received under shareholder notes	-	-	31,000
Principal payments under capital lease obligations	(181,000)	(105,000)	(1,090,000)
Net cash provided by financing activities	19,723,000	9,951,000	66,742,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,273,000)	728,000	2,671,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,967,000	1,943,000	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 4,694,000	\$ 2,671,000	\$ 2,671,000
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>			
Interest paid	\$ 26,000	\$ 10,000	\$ 261,000
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  
(Unaudited)

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 principally on its own behalf, but also in connection with various collaborative research and development agreements with others, 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 nine months ended March 31, 1998, 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 Annual Report on Form 10-K, as amended and filed with the Securities and Exchange Commission.

3. SALE OF PREFERRED STOCK

On December 2, 1997, the Company completed a directed placement of 2,200,000 shares of its 5.5% Convertible Preferred Stock (Preferred Stock) at a price of \$5.00 per share. Proceeds from the offering, net of placement agent commissions and expenses, were approximately \$9,930,000. Each share of Preferred Stock is convertible into one share of Common Stock, subject to certain anti-dilution adjustments, and is convertible at the option of the holder at any time. The Preferred Stock will automatically convert into Common Stock if at any time after December 2, 1999, the price of the Company's Common Stock is greater than \$10 per share for 20 consecutive trading days, or upon the occurrence of certain other events. The Preferred

Stock accrues a dividend at an annual rate of 5.5%, which is declared and paid by the Company on a quarterly basis, and has a liquidation preference of \$5 per share, plus accrued but unpaid dividends. The Company has the option to pay dividends on the Preferred Stock in the form of a cash payment or by the issuance of shares of Common Stock. If the Company elects to pay the dividend in Common Stock, such shares are valued at an average daily trading price of the Common Stock prior to the quarterly record date. In March 1998, the Company elected to issue 28,947 shares of Common Stock valued at approximately \$152,000 in payment of the quarterly dividend payable as of March 31, 1998.

#### 4. NET LOSS PER COMMON SHARE

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. Due to the automatic conversion of all previously outstanding preferred stock into Common Stock upon the completion of the initial public offering, such preferred stock is assumed to have been converted into Common Stock at the time of issuance.

The computations of net loss per common share for the three-month and nine-month periods ended March 31, 1998 include an adjustment for dividends paid on the Preferred Stock. The computation of net loss per common share for the nine-month period ended March 31, 1998 also reflects a one-time charge of \$3,439,000 related to the sale of the Preferred Stock in December 1997. The one-time charge and dividends affect only the computation of net loss per common share and are not included in the computation of net loss for the periods.

During March 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"), which amended the standards for computing earnings per share previously set forth in Accounting Principles Board Opinion No. 15, "Earnings per Share" ("APB 15"). SFAS 128, which was adopted by the Company for all periods ending on or after December 31, 1997, did not have a material effect on the computation of the Company's historical net loss per common share amounts. In February 1998, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 98 ("SAB 98"), which modifies the methods used in computing net loss per common share as previously set forth in SFAS 128. As set forth in SAB 98, the Company has retroactively applied SAB 98 for all periods presented in the accompanying financial statements. Application of SAB 98 did not have a material effect on amounts as previously reported.

#### 5. RECENT PRONOUNCEMENT

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), which sets forth additional requirements for companies to report in the financial statements Comprehensive Income in addition to Net Income. Upon adoption of SFAS 130, the Company will present comprehensive income in its financial statements for earlier periods. The Company currently expects that adopting SFAS 130 for its previously issued financial statements will

primarily affect the treatment of dividends and the one-time charge associated with the sale of the Preferred Stock. The Company will adopt SFAS 130 during its fiscal year ending June 30, 1999, and has not yet determined the manner in which comprehensive income will be presented.

6. SUBSEQUENT EVENT

In April 1998, the Company and Immunex amended the License and Supply Agreement (the "Agreement"), entered into in March 1996, to provide for the issuance of \$1,100,000 in Common Stock by the Company as payment for the \$1,000,000 renewal fee due in March 1998 under the Agreement.



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

OVERVIEW

Since its inception in March 1989 ("Inception"), Aastrom Biosciences, Inc. (the "Company") has been in the development stage and engaged in research and product development, conducted principally on its own behalf, but also in connection with various collaborative research and development agreements with others. The Company does not expect to generate positive cash flows from operations until product sales commence, and until such time the Company expects that its revenue sources will continue to be limited to grant revenue, research funding and 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 receipt of necessary regulatory approvals, the timing of the achievement of certain other milestones and the extent to which associated costs are reimbursed under grant or other arrangements. Certain of the Company's revenues from product sales, if any, will be subject to the Company's obligation to make aggregate royalty payments of up to 5% to certain licensors of its technology. Further, under the Company's Distribution Agreement with Cobe BCT, Inc. (collectively with Cobe Laboratories, Inc., "Cobe"), Cobe is to perform marketing and distribution activities in exchange for approximately 38% to 42% of the Company's product sales in the area of stem cell therapy, subject to certain negotiated discounts and volume-based adjustments. 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 and the Company expects these expenses to continue to increase until these programs are completed. Under the Company's License and Supply Agreement entered into in March 1996 with Immunex (the "Agreement"), annual renewal fees of \$1,000,000 are payable in March of each of the next two years. In April 1998, the Company and Immunex amended the Agreement to provide for the issuance of \$1,100,000 in Common Stock by the Company as payment for the \$1,000,000 renewal fee due in March 1998 under the Agreement. Under the Company's Distribution Agreement with 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 other 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 any future 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, quality systems and administration. Assuming capital is available to finance such growth, the Company's operating expenses are expected to continue to increase as a result. At least until such time as the Company enters into arrangements providing research and development funding or initiates product sales, the

net loss is expected to continue to increase as well. The Company has never been profitable and does not anticipate having net income for at least the next several years. Through March 31, 1998, the Company had an accumulated deficit of \$54,900,000. 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 "Business Risks" in the Company's Annual Report on Form 10-K, as amended, and under the caption "Risk Factors" in the Company's Registration Statement on Form S-1 (File No. 333-37439) declared effective in November 1997.

#### RESULTS OF OPERATIONS

Three and nine months ended March 31, 1998 and 1997

Revenues for the quarter ended March 31, 1998, consisting of grant funding, increased to \$80,000 from \$68,000 for the same period in 1997. Revenues for the nine months ended March 31, 1998 decreased to \$145,000 compared to \$321,000 for the same period in 1997, reflecting the completion of a research collaboration in September 1996. Grant revenues increased for the periods ending in 1998, reflecting the timing of grant awards and related research activities, to the extent that such associated costs are reimbursed under the grants.

Costs and expenses increased to \$5,688,000 for the quarter ended March 31, 1998 from \$4,718,000 for the same period in 1997, and increased to \$14,215,000 for the nine months ended March 31, 1998 compared to \$11,319,000 for the same period ending in 1997. The increases in costs and expenses for the periods ending in 1998 were principally the result of an increase in research and development expense to \$4,966,000 and \$11,997,000 for the quarter and nine months ended March 31, 1998, respectively, from \$4,253,000 and \$9,963,000 for the same periods ending in 1997. These increases relate primarily to increased development activities for the Aastrom Cell Production System (CPS). General and administrative expenses increased to \$722,000 and \$2,218,000 for the quarter and nine months ended March 31, 1998, respectively, from \$465,000 and \$1,356,000 for the same periods ending in 1997, reflecting increased activities associated with the Company's efforts to develop additional business opportunities for the Aastrom/TM/ CPS in other emerging cell therapies and other administrative costs in support of the Company's increasing product development and research activities.

Interest income was \$256,000 for the quarter ended March 31, 1998, compared to \$191,000 for the same period in 1997, and was \$692,000 for the nine months ended March 31, 1998, compared to \$396,000 for the same period ending in 1997. These changes primarily reflect an overall increase in the levels of cash, cash equivalents and short-term investments during the periods.

The net loss for the quarter ended March 31, 1998 was \$5,355,000, or \$.41 per common share, compared to a net loss of \$4,466,000, or \$.38 per common share, for the same period in 1997. The

net loss for the nine months ended March 31, 1998 was \$13,388,000, or \$1.28 per common share compared, to \$10,628,000, or \$1.01 per common share, for the same period ending in 1997. The computations of net loss per common share for the periods ended March 31, 1998 include an adjustment for dividends paid on the Preferred Stock. In addition, the net loss per common share for the nine months ended March 31, 1998 reflects a one-time charge of \$3,439,000 related to the sale of the Preferred Stock. The one-time charge and dividends affect only the computation of net loss per common share and are not included in the net loss for the periods.

In February 1998, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 98 ("SAB 98"), which modifies the methods used in computing net loss per common share as previously set forth in Statement of Financial Accounting Standards No. 128 ("Earnings per Share"). As set forth in SAB 98, the Company has retroactively applied SAB 98 for all periods presented in the accompanying financial statements. Application of SAB 98 did not have a material effect on amounts as previously reported.

## Liquidity and capital resources

The Company has financed its operations since Inception primarily through public and private sales of its equity securities, which from Inception through March 31, 1998, have totaled approximately \$68,173,000 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, cash equivalents and short-term investments totaled \$15,434,000 at March 31, 1998, a decrease of \$1,573,000 from June 30, 1997. In December 1997, the Company completed the sale of 2,200,000 shares of 5.5% Convertible Preferred Stock that generated net proceeds to the Company of approximately \$9,930,000. The primary uses of cash, cash equivalents and short-term investments during the nine months ended March 31, 1998, included \$11,354,000 to finance the Company's operations and working capital requirements, \$184,000 in capital equipment additions and \$105,000 in scheduled debt payments. The Company plans to continue its policy of investing excess funds in 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 until commercialization of its products, due to the expected increase in spending for research and development programs and the expected cost of commercializing product candidates. The Company intends to 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 collaborative arrangements, or any public or private financing, will be available on acceptable terms, if at all, or can be sustained. Several factors will affect the Company's ability to raise additional funding, including, but not limited to, market volatility of the Company's stock and economic conditions affecting the public markets generally or some portion, or all, of the technology sector. 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, financial condition and results of operations.

## CERTAIN BUSINESS CONSIDERATIONS

Commercialization of the Company's technology and product candidates, including its lead product candidate, the 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, market development, clinical trials, regulatory approval and intellectual property rights of the Company's technologies and product candidates. The Company's initial 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 be accepted by the marketplace as readily as these or other competing processes and methodologies, or at all. The Company also plans to pursue through strategic relationships, clinical applications of the Aastrom CPS into emerging cell therapies being developed by others. There can be no assurance that such strategic relationships, if established, will successfully lead to commercial applications of the Aastrom/TM/ CPS.

The approval of the United States Food and Drug Administration (the "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 pre-pivotal clinical trials to demonstrate the safety and biological activity of patient-derived cells or umbilical cord blood cells produced in the Aastrom CPS in a limited number of patients. If the results from these pre-pivotal trials are successful, the Company intends to seek clearance from the FDA to commence one or more pivotal clinical trials. The patients enrolled in these pre-pivotal trials and future trials will have undergone extensive chemotherapy or radiation therapy treatments prior to infusion of cells produced in the Aastrom CPS. Such treatments will have substantially weakened these patients and may have irreparably damaged their hematopoietic systems. Due to these and other factors, it is possible that these patients may die or suffer severe complications during the course of the current pre-pivotal trials or future trials. For example, in the trials to date, patients who have been in the transplant recovery process have died from complications related to the patient's clinical condition that, according to the physicians involved, were unrelated to the Aastrom CPS procedure. The Company may experience delays in patient accruals in its current pre-pivotal clinical trials or in future clinical trials, which could result in increased costs associated with the clinical trials or delays in receiving regulatory approvals and commercialization, if any. The results of preclinical studies and early clinical trials of the Company's product candidates 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 for the foreseeable future. There can be no assurance that the Company's supply of such key cytokines, components, product candidates 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, if at all. 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, or that necessary key components will be available for use by the Company in the markets where it intends to sell its products. 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 becomes 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. Certain of the compounds used by the Company in its current stem cell expansion process involve the use of animal derived products. The availability of these compounds for clinical and commercial use may become limited by suppliers or restricted by regulatory authorities, which may impose a potential competitive disadvantage for the Company's products compared to competing products and procedures. There can be no assurance that the Company will not experience delays or disadvantages related to the future availability of such materials. In order for the Company to market its products in Europe, it must obtain a CE Mark from a Notified Body to certify that the Company and its operations comply with certain minimum quality standards and compliance procedures, or, alternatively, that its manufactured products meet a more limited set of requirements. Additionally, the Company may be required to comply with certain country-specific regulations in order to market its products. There can be no assurance that the Company and its suppliers will be able to meet these minimum requirements, or, if met, that the Company and its suppliers will be able to maintain such compliance, such inability to maintain these requirements 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 candidates 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 until commercialization of its product candidates, 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 substantial 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. Several factors will affect the Company's ability to raise necessary additional funding, including market volatility of the Company's stock and economic conditions affecting the public markets generally or some portion or all of the technology sector. 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 for the worldwide distribution of the Aastrom/TM/ CPS for stem cell therapy. Cobe has the right to terminate its Distribution Agreement with the Company upon twelve months' notice if Cobe determines that commercialization of the Aastrom/TM/ CPS for stem cell therapy on or prior to December 31, 1998 is unlikely, or upon a change of control of the Company, other than to Cobe. 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 Business Risks and Risk Factors discussed in the Company's Annual Report on Form 10-K, as amended, and in the Company's Registration Statement on Form S-1 (File No. 333-37439) declared effective in November 1997.

PART II - OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

- (c) On December 2, 1997, the Company issued 2,200,000 shares of its 5.5% Convertible Preferred Stock ("Preferred Stock") in a registered direct placement at a price of \$5.00 per share.

Dividends on the Preferred Stock are cumulative, accrue on a quarterly basis (on the last day of March, June, September and December of each year) at an annual rate of \$.275 per share and are payable within 30 days of each accrual date. The payment of such dividends is senior in priority to dividends on the Common Stock and must be on at least a pari passu basis with any other series of preferred stock of the Company. At the Company's option, the Company may pay dividends in either cash or shares of Common Stock, valued on the basis of the then current market price of such shares. In March 1998, the Company issued 28,947 shares of Common Stock valued at approximately \$152,000 in payment of the quarterly dividend declared as of March 31, 1998. Such shares were issued to the holders of the Preferred Stock pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof.

- (d) The Company completed its initial public offering of securities pursuant to a registration statement (File No. 333-15415) that was declared effective on February 3, 1997. The net offering proceeds have been applied in the following approximate amounts to the following categories.

	Amount of direct or indirect payments to directors, officers, general partners or ten percent shareholders or affiliates	Amount of payments to others
	-----	-----
Construction of plant, buildings and facilities	\$ -	\$ -
Purchase and installation of machinery and equipment	-	-
Purchase of real estate	-	-
Acquisition of other business(es)	-	-
Repayment of indebtedness	-	173,000
Working capital and general corporate uses	113,000	2,907,000
Temporary investment	-	-
Product/clinical development	-	11,921,000
Research and development	-	4,771,000
	-----	-----
Total	\$113,000	\$19,772,000
	=====	=====



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

(a) Exhibits  
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See Exhibit Index.

(b) Reports on Form 8-K  
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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: May 6, 1998

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

Date: May 6, 1998

/s/ Todd E. Simpson  
-----

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

EXHIBIT INDEX

Exhibit No.	Description of Document
3.1*	Restated Articles of Incorporation of the Company.
3.2	Bylaws of the Company.
3.3***	Certificate of Designation of 5.5% Convertible Preferred Stock.
4.1**	Amended and Restated Investors' Rights Agreement dated April 7, 1992.
4.2***	Amendment to Amended and Restated Investors' Rights Agreement, dated April 22, 1997.
27.1	Financial Data Schedule.

\* Incorporated by reference to the Company's Report on Form 10-Q for the quarter ended December 31, 1996, as filed on March 7, 1997.

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

\*\*\* Incorporated by reference to the Company's Registration Statement on Form S-1 (File No. 333-37439), declared effective on November 25, 1997.

BYLAWS  
OF  
AASTROM BIOSCIENCES, INC.

ARTICLE I GENERAL  
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Section I.1 The name, location of principal office, and purposes of the Corporation shall be as set forth in the Articles of Incorporation. The powers of the Corporation and of its directors and shareholders, and all matters concerning the conduct and regulation of the business of the Corporation, shall be subject to such provisions in regard thereto, if any, as are set forth in said Articles of Incorporation.

Section I.2 All references in these Bylaws to the Articles of Incorporation shall be construed to mean the Articles of Incorporation of the Corporation as amended from time to time.

Section I.3 The registered office of the Corporation may be the same as the principal office of the Corporation, but in any event must be located in the State of Michigan, and must be the business office of the registered agent, as required by the Michigan Business Corporation Act (the "MBCA"). The Corporation may have business offices at such other places, either within or without the State of Michigan, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

ARTICLE II SHAREHOLDERS  
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Section II.1 Annual Meeting. The annual meeting of the shareholders of the  
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Corporation shall be held at the principal office of the Corporation, or at such other place as may be set forth in the notice thereof, in August or September of each year, at a date and time as designated by the Board of Directors, for the purpose of election of Directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting. The Board of Directors, for good and sufficient reasons, may schedule the annual meeting at any other time, and notice shall be given or waived as provided in Section 2.4 hereof.

Section II.2 Special Meetings. Special Meetings of the shareholders (or of  
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any specific class thereof), for any purpose or purposes, unless otherwise prescribed by statute or by the Articles of Incorporation, may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of a shareholder or shareholders owning at least ten percent (10%) of the number of shares of stock (or, with respect to meetings of a specific class, the number of shares of such specific class thereof) of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting. Upon the closing of the first sale of the Corporation's common stock pursuant to a firmly underwritten registered public offering (the "IPO"), special meetings of the shareholders may be called only by the President and shall be called by the President at the request in writing of a majority of the Directors then in office, and shall be held at such place, on such date, and at such time as the President or shall fix.

Business transacted at special meetings shall be confined to the purpose or purposes stated in the notice.

Section II.3 List of Shareholders. The officer who has charge of the stock

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ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of shareholders, a complete list of the shareholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each shareholder and the number of shares registered in the name of each shareholder. Such list shall be open to the examination of any shareholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any shareholder who is present.

Section II.4 Notice of Meetings. Written notice of the time, place and

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purposes of the meeting of shareholders shall be given not less than 10 nor more than 60 days before the date fixed for such meeting to each shareholder of record entitled to vote at the meeting. Notice shall be deemed duly served when the same has been personally delivered or deposited in the United States Mail, with postage fully prepaid, addressed to the shareholder at such shareholder's address as it appears on the records of the Corporation. Written notice may also be given by facsimile or telegram, and such notice shall be deemed to be given when the recipient receives the notice personally, or when confirmation of transmission of the notice to the shareholder's address as it appears on the books and records of the Corporation has been delivered to the Corporation or to the equipment transmitting such notice. Such notice shall be given by or under the direction of the Secretary of the Corporation, and in the absence or refusal of the Secretary to give such notice, notice shall be given by or under the direction of any other officer of the Corporation. No notice need be given of an adjourned meeting of the shareholders provided the time and place to which such meeting is adjourned is announced at the meeting at which the adjournment is taken and at the adjourned meeting only such business is transacted as might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting. A waiver of such notice in writing, signed by a person entitled to said notice, whether before or after the time of the meeting, shall be deemed equivalent to said notice. Attendance of a person at a meeting of shareholders, in person or by proxy, shall constitute a waiver of such notice, except when the attendance is for the express and sole purpose of objecting to the transaction of any business, clearly stated at the commencement of the meeting, by reason of a claim that a meeting was not lawfully called or convened.

Section II.5 Transaction of Business. At an annual or special meeting of the

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shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before a meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Secretary or other officer of the Corporation, (b) properly brought before the meeting by or at the direction of the Board of Directors, (c) properly brought before an annual meeting by a shareholder, or (d) properly

brought before a special meeting by a shareholder, but if, and only if, the notice of a special meeting provides for business to be brought before the meeting by shareholders. For business to be properly brought before a meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder proposal to be presented at an annual meeting shall be received at the Corporation's principal executive offices not less than 120 calendar days in advance of the date that the Corporation's (or the Corporation's predecessor's) proxy statement was released to shareholders in connection with the previous year's annual meeting of shareholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 calendar days from the date contemplated at the time of the previous year's proxy statement, or in the event of a special meeting, notice by the shareholder to be timely must be received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual or special meeting (a) a brief description of the business desired to be brought before the annual or special meeting and the reasons for conducting such business at the special meeting, (b) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the shareholder, and (d) any material interest of the shareholder in such business.

Section II.6 Quorum. The holders of a majority of the stock issued and

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outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the shareholders (or any specific class thereof) for the transaction of business except as otherwise provided by statute or by the Articles of Incorporation. If, however, such quorum shall not be present or represented by any meeting of the shareholders, the chairman of the meeting or the holders of a majority of shares of stock entitled to vote thereat who are present, in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented.

Section II.7 Voting and Record Date. In order that the Corporation may

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determine the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be (i) more than sixty (60) nor less than ten (10) days before the date of such meeting, nor (ii) more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors for action by shareholder consent in writing without a meeting, nor (iii) more than sixty (60) days prior to any other action. If a record date is not fixed (a) the record date for determination of shareholders entitled to vote at a meeting of shareholders shall be the close of business on the day next preceding the day on which notice of such meeting is given, and (b) the record date for determining shareholders for any purpose other than that specified in subdivision (a) shall be the close of business on the day on which the resolution of the Board relating thereto is adopted. When a determination of

shareholders of record entitled to vote at a meeting of shareholders has been made as provided in this Section, the determination applies to any adjournment of the meeting, unless the Board fixes a new record date under this Section for the adjourned meeting.

Section II.8 Proxies. A proxy, given by a shareholder to another person,  
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authorizing such other person to vote the shares of such shareholder, shall be in writing and signed by the shareholder or his authorized agent or representative. A proxy shall not be valid after the expiration of three (3) years from its date unless otherwise provided therein. All proxies shall be filed with the Secretary at or before the meeting at which they are intended to be used. A proxy shall be deemed sufficient if it appears on its face to confer the requisite authority and is signed by the owner of the stock to be voted. No witnesses to the execution of any proxy shall be required.

Section II.9 Inspectors. The Board of Directors, in advance of a  
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shareholders meeting, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a shareholders meeting may, and on request of a shareholder entitled to vote thereat shall, appoint one or more inspectors. In case a person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the person presiding thereat. The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine challenges and questions arising in connection with the right to vote, count and tabulate votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or a shareholder entitled to vote thereat, the inspectors shall make and execute a written report to the person presiding at the meeting of any of the facts found by them and matters determined by them. The report shall be prima facie evidence of the facts stated and of the vote as certified.

Section II.10 Action by Written Consent. The shareholders of the  
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Corporation shall have the ability to take action without a meeting only as provided in the Articles of Incorporation.

Section II.11 Voting of Shares by Certain Holders.  
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(a) Voting by Trustee or Fiduciary. Shares standing in the name of  
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any person as trustee or other fiduciary may be voted and all rights incident thereto may be exercised only by the trustee or other fiduciary, in person or by proxy, and without proof of authority.

(b) Voting of Pledged Stock. Unless the Corporation has specific  
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written instructions to the contrary, from the pledgee and pledgor, pledged stock may be voted by the pledgor only.

(c) Voting by Guardian of Incompetent. Shares standing in the name  
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of a person adjudged incompetent may be voted and all rights incident thereto may be exercised only by his guardian, in person or by proxy.

(d) Voting by Executor or Administrator. Shares standing in the

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name of a deceased person may be voted and all rights incident thereto may be exercised only by his executor or administrator, in person or by proxy.

(e) Voting by Guardian of Minor. Shares standing in the name of a

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minor may be voted and all rights incident thereto may be exercised by his guardian, in person or by proxy, or in the absence of such representation by his guardian, by the minor, in person or by proxy, whether or not the Corporation has notice, actual or constructive, of the nonage or the appointment of a guardian, and whether or not a guardian has been in fact appointed.

(f) Voting of Shares in Name of Corporation. Shares standing in

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the name of a corporation, domestic or foreign, may be voted or represented and all rights incident thereto may be exercised on behalf of that corporation by the persons described in any of the following subdivisions:

(1) Any officer of the Corporation authorized so to do by the Bylaws of that Corporation.

(2) Any person authorized so to do by resolution of the Board of Directors or a duly authorized committee of the Board of Directors of that Corporation.

(3) Any person authorized so to do by proxy or power of attorney duly executed by the President or Vice President and Secretary or Assistant Secretary of that Corporation.

However, such shares may be voted or represented by the persons described in any subdivision only in the absence of vote or representation by the persons described in a preceding subdivision of this subparagraph.

(g) Voting Shares in Names of Two or More Persons. Shares standing

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in the names of two or more persons shall be voted or represented in accordance with the vote or consent of the majority of the persons in whose names the shares stand. If only one such person is present in person or by proxy, he may vote all the shares, and all the shares standing in the names of such persons are represented for the purpose of determining a quorum. This applies to the voting of shares by two or more administrators, executors, trustees, or other fiduciaries, unless the instrument or order of court appointing them otherwise directs.

ARTICLE III BOARD OF DIRECTORS  
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Section III.1 General Powers. The property, affairs and business of the Corporation shall be managed by the Board of Directors.

Section III.2 Number, Qualification and Term of Office. Unless otherwise provided in the Articles of Incorporation, the Board of Directors shall be divided into three classes, as nearly equal in numbers as the then total number of directors constituting the entire Board of Directors



permits, with the term of office of one class expiring each year. The term of office of directors in the first class shall expire at the first annual meeting of shareholders after their election, the term of office of directors in the second class shall expire at the second annual meeting of shareholders after their election, and the term of office of directors in the third class shall expire at the third annual meeting of shareholders after their election. The directors elected at the 1994 Annual Shareholders Meeting will be classified into terms of one, two or three years, by resolution of the Board of Directors. At each annual meeting of shareholders after such classification of the Board of Directors, a number of directors equal to the number of the class whose term expires at the meeting shall be elected to hold office until the third succeeding annual meeting. Directors shall hold office until the next election of the class for which such directors shall have been chosen and until their successors are elected and qualified, except in the case of the death, resignation or removal of any Director. Directors need not be shareholders of the Corporation. The size of the Board of Directors shall be within the range of five to nine directors, with the exact size to be fixed from time to time by resolution of the Board of Directors.

Section III.3 Vacancies. The shareholders may, at any meeting called for  
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such purpose, by a vote of a majority of the capital stock issued and outstanding and entitled to vote thereon, remove any Director from office, with or without cause. Any Director may resign by written notice to the President, such resignation to be effective upon its receipt by the President or at such subsequent time as may be specified in the notice of resignation. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of Directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification or other cause may be filled only by a majority vote of the directors then in office, though less than a quorum, and Directors so chosen shall hold office for a term expiring at the next annual meeting of shareholders at which the term of office of the class to which they have been elected expires, except in the case of death, resignation or removal of any Director. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director. Acceptance of resignation shall not be necessary for it to be effective.

Section III.4 Meetings of the Board of Directors. The Board of Directors  
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shall hold an annual meeting immediately following the annual shareholders meeting, for the purpose of electing officers and for the transaction of such other business as may properly come before the meeting. No notice of such annual meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present, unless said meeting is held, by a consent of a majority of the Directors of such new Board, at a time and place other than at the place of holding and immediately following the annual meeting of shareholders. Special meetings of the Board of Directors may be held at any place either within or without the State of Michigan at any time pursuant to resolution adopted by the Board of Directors or upon call of the President or any two (2) officers.

Section III.5 Notice of Meetings. Notice of meetings of Directors shall  
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be given or waived in the same manner as notice of meetings of shareholders, as provided in Section 2.4, except that notice of Directors meetings shall be given not later than two (2) nor more than ten (10) days prior to such meetings.

Section III.6 Quorum and Required Vote of Board. A majority of the total

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number of Directors shall constitute a quorum for the transaction of business, and the act of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. Amendment of these Bylaws by the Board requires the vote of not less than a majority of the members of the Board then in office.

Section III.7 Telephonic Meetings. A member of the Board or of a

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committee designated by the Board may participate in a meeting by means of conference telephone or similar communications equipment by which all persons participating in the discussion can hear each other. Participation in a meeting pursuant to this provision constitutes presence in person at the meeting.

Section III.8 Board Action Without Meeting. If all of the Directors then

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constituting the Board of Directors of the Corporation or of any committee of the Board of Directors shall severally and/or collectively consent in writing to any action to be taken, such action shall have the same effect as though it had been authorized at a duly called and properly held meeting of the Board of Directors or such committee. Such written consent shall be filed with the minutes of the proceedings of the Board.

Section III.9 Committees. The Board of Directors may, by resolution or

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resolutions, passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of one (1) or more of the Directors of the Corporation, which, to the extent provided in said resolution or resolutions or in other provisions of these Bylaws, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may have the power to authorize the seal of the Corporation to be affixed to all papers which may require it.

Section III.10 Compensation. By resolution of the Board of Directors, the

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Directors may be paid their expenses, if any, of attendance at each meeting of the Board, and may be paid a fixed sum for attendance. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor. Members of the committees shall be allowed similar compensation for attending committee meetings.

Section III.11 Presumption of Assent. A Director of the Corporation who

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is present at a meeting of the Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as Secretary of the meeting before the adjournment thereof, or by registered mail to such Secretary immediately after the adjournment thereof. This shall not apply to a Director who voted in favor of such action.

ARTICLE IV OFFICERS AND AGENTS

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Section IV.1 General. The Corporation shall have a President, a

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Secretary, and a Treasurer, and, if desired, a Chairman of the Board and one or more Vice Presidents, Assistant Secretaries and Assistant Treasurers. All officers of the Corporation shall be elected by the Directors and shall hold office until their successors are elected and qualified. The Corporation

may also have such other officers, agents and factors as may be deemed necessary for the transaction of the business of the Corporation, who shall be chosen in such manner and hold their offices for such terms and have such authority and duties as may be determined by the Board of Directors. The Board of Directors may secure the fidelity of any and/or all of such officers by bond or otherwise and may also provide for the qualification of any or all of such officers before any person authorized by law to administer an oath. The Board of Directors, by resolution, may require any or all of the officers of the Corporation to give bonds, in favor of the Corporation, with sufficient surety or sureties, and in such amounts as the Board of Directors may fix, conditioned on the faithful performance of the duties of their respective offices. The President shall be chosen from among the Directors. Any two offices except those of President and Vice President may be held by the same person but no officer shall execute, acknowledge or verify any instrument in more than one capacity. Subject to these Bylaws, each officer shall have in addition to the duties and powers herein set forth, such duties and powers as are commonly incident to his office, and such duties and powers as the Board of Directors shall from time to time designate. In all cases where the duties of any officer, agent or employee are not specifically prescribed by the Bylaws or by the Board of Directors, such officer, agent or employee shall obey the orders and instructions of the President. Compensation of the officers shall be as authorized by the Board of Directors.

Section IV.2 Duties of the President. The President shall, subject to the

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direction and under the supervision of the Board of Directors, be the chief executive officer of the Corporation and shall have general and active control of its affairs and business and general supervision over its officers, agents and employees. The President shall also appoint and discharge all subordinate agents and employees and fix their salaries, subject to review by the Board of Directors, and shall designate their duties. He shall preside at all meetings of the shareholders and, unless a Chairman of the Board has been elected, at all meetings of the Board of Directors, at which he is present. The President shall have custody of the Treasurer's bond, if any.

Section IV.3 Duties of the Chairman of the Board. The Board of Directors

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may elect or appoint a Chairman of the Board. The Chairman of the Board shall, if present, preside at all meetings of the Board of Directors and shall exercise and perform such other powers and duties as may be assigned to him from time to time by the Board of Directors or prescribed by these Bylaws.

Section IV.4 Duties of the Vice President. The Board of Directors may

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elect or appoint one or more Vice Presidents. The Vice Presidents, if such be elected, shall, subject to the direction and under the supervision of the President, be the assistant chief executive officer of the Corporation and shall assist the President in the general and active control of its affairs in business. The Vice Presidents shall perform all the duties of the President in case of the absence or disqualification of the President. Any of such Vice Presidents shall preside at all meetings of the shareholders in the absence or unavailability of the President.

Section IV.5 Duties of the Secretary. The Secretary shall: (a) keep the

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minutes of the proceedings of the shareholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the

Corporation and ensure that the seal of the Corporation is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized; (d) keep a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; and (e) perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors. The Secretary also shall have charge of the stock ledger (which may, however, be kept by any transfer agent or agents of the Corporation under the direction of the Secretary), the original or duplicate of which shall, at all times, during the usual hours for business, be open to the examination of every shareholder at the principal office or place of business of the Corporation in Michigan. In the absence of the Secretary from any meeting, a temporary Secretary shall be chosen, who shall be sworn to the faithful discharge of his duty and shall record the proceedings of such meeting in the aforesaid books.

Section IV.6 Duties of the Treasurer. The Treasurer shall, subject to the

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direction and under the supervision of the Board of Directors, the President and the Vice President, have the care and custody of the funds and valuable papers of the Corporation, except his own bond, and he shall have power to endorse for deposit or collection all notes, checks, drafts and other obligations for the payment of money to the Corporation or its order. He shall keep, or cause to be kept, at the principal office of the Corporation accurate books of account, which shall be the property of the Corporation. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and Directors, when they so direct, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

Section IV.7 Assistant Secretaries and Assistant Treasurers. The

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Assistant Secretary or Assistant Secretaries, in the absence or disability of the Secretary, shall perform the duties and exercise the powers of the Secretary. The Assistant Treasurer or Assistant Treasurers, in the absence or disability of the Treasurer, shall perform the duties and exercise the powers of the Treasurer. Any Assistant Treasurer, if required by the Board, shall keep in force a bond as provided in Section 4.1. The Assistant Secretaries and Assistant Treasurers, in general, shall exercise and perform such other powers and duties as shall be assigned to them by the Secretary or by the Treasurer, respectively, or by the Board of Directors or the President.

Section IV.8 Vacancies. The Board of Directors may, at any meeting called

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for the purpose, by vote of a majority of their number, remove from office any officer of the Corporation, with or without cause. Any officer may resign by written notice to the President, which resignation may be effective upon its receipt by the President or at such subsequent time as may be specified in the notice of resignation, PROVIDED, HOWEVER, that the resignation of the President shall be submitted to the Board of Directors. The Board of Directors may, at any meeting, accept the resignation of any officer or remove or accept the resignation of any agent or member of a committee, and may fill such vacancy for the unexpired term and until the successor thereof shall be duly elected and qualified. Acceptance of resignation shall not be necessary for it to be effective.

ARTICLE V CAPITAL STOCK

Section V.1 Issuance. The shares of capital stock of the Corporation

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shall be issued by the Board of Directors in such amounts, at such times, for such consideration, and on such terms and conditions as the Board shall deem advisable, subject to the provisions of the Articles of Incorporation of the Corporation and the further provisions of these Bylaws.

Section V.2 Stock Certificates. The shares of the capital stock of the

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Corporation shall be represented by certificates signed and sealed in accordance with the provisions of the laws of the State of Michigan. Certificates shall have a form and content complying with the laws of the State of Michigan and approved by the Board of Directors of the Corporation. Certificates of stock shall bear the signature of the President, and shall be signed by the Secretary, Assistant Secretary, or any other officer appointed by the Board of Directors for the purpose, to be known as an Authorized Officer. The signatures of the officers may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee. In case an officer who has signed or whose facsimile signature has been placed upon a certificate ceases to be such officer before the certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of issue. Each certificate shall recite on its face the stock represented thereby is transferable only upon the books of the Corporation properly endorsed. A certificate representing shares issued by a corporation which is authorized to issue shares of more than one class shall set forth on its face or back or state that the Corporation will furnish to a shareholder upon request and without charge a full statement of the designation, relative rights, preferences and limitations of the shares of each class authorized to be issued, and if the Corporation is authorized to issue any class of shares in series, the designation, relative rights, preferences and limitations of each series so far as the same have been prescribed and the authority of the Board to designate and prescribe the relative rights, preferences and limitations of other series.

Section V.3 Transfers. Upon surrender to the Corporation or the transfer

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agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section V.4 Ownership. The Corporation shall be entitled to treat the

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person in whose name any share of stock is registered as the owner thereof for purposes of dividends and other distributions in the course of business, or in the case of recapitalization, consolidation, merger, reorganization, sale of assets, liquidation or otherwise and for the purpose of votes, approvals and consents by shareholders, and for the purpose of notice to shareholders, and for all other purposes whatever, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not the Corporation shall have notice thereof, save as expressly required by the laws of the State of Michigan.

Section V.5 Replacement of Certificates. Upon the presentation to the

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Corporation of a proper affidavit attesting the loss, destruction or mutilation of any certificate for shares of stock of the Corporation, the Board of Directors may direct the issuance of a new certificate in lieu of and to replace the certificate so alleged to be lost, destroyed and mutilated. The Board of Directors may require as a condition precedent to the issuance of a new certificate any or all of

the following, to wit: (a) Additional evidence of the loss, destruction or mutilation claimed; (b) Advertisement of the loss in such manner as the Board of Directors may direct or approve; (c) A bond or agreement of indemnity, in such form and amount and with such surety (or without surety) as the Board of Directors may direct or approve; or (d) The order or approval of a court.

Section V.6 Transfer Agent and Registrar. The Board of Directors may  
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appoint a transfer agent and a registrar for the registration of transfers of its securities.

Section V.7 Regulations. The Board of Directors shall have power and  
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authority to make all such rules and regulations as the Board shall deem expedient regulating the issue, transfer and registration of certificates for shares of this Corporation.

Section V.8 Dividends. The Board of Directors, in its discretion from  
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time to time, may declare dividends upon the capital stock from the surplus of the Corporation as permitted by the MBCA, subject to the Articles of Incorporation.

Section V.9 Reserves. Before payment of any dividend, there may be set  
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aside out of any funds of the Corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Directors shall think conducive to the interest of the Corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE VI INDEMNIFICATION OF OFFICERS, DIRECTORS,  
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EMPLOYEES AND AGENTS  
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Section VI.1 Indemnification of Directors and Officers: Claims by Third  
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Parties. The Corporation shall, to the fullest extent authorized or permitted  
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by the MBCA or other applicable law, as the same presently exists or may hereafter be amended, indemnify a director or officer (the "Indemnitee") who was or is a party or is threatened to be made a party to a threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, other than an action by or in the right of the Corporation, by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit, or proceeding, if the 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 Corporation or its shareholders, and with respect to a criminal action or proceeding, if the Indemnitee had no reasonable cause to believe his or her conduct was unlawful. The termination of an action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the 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 Corporation or its shareholders, and, with respect to a criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section VI.2 Indemnification of Directors and Officers: Claims Brought By

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or In the Right of the Corporation. The Corporation shall, to the fullest

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extent authorized or permitted by the MBCA or other applicable law, as the same presently exists or may hereafter be amended, indemnify a director or officer (the "Indemnitee") who was or is a party to or is threatened to be made a party to a threatened, pending, or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against expenses, including actual and reasonable attorneys' fees, and amounts paid in settlement incurred by the person in connection with the action or suit, if the Indemnitee acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation or its shareholders. However, indemnification under this Section shall not be made for a claim, issue, or matter in which the Indemnitee has been found liable to the Corporation unless and only to the extent that the court in which the action or suit was brought has determined upon application that, despite the adjudication of liability but in view of all circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnification for the expenses which the court considers proper.

Section VI.3 Actions by the Indemnitee. Notwithstanding the provisions of

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Sections 6.1 and 6.2, the Corporation shall not indemnify an Indemnitee in connection with any action, suit, proceeding or claim (or part thereof) brought or made by such Indemnitee; unless such action, suit, proceeding or claim (or part thereof) (i) was authorized by the Board of Directors of the Corporation, or (ii) was brought or made to enforce this Article and such Indemnitee has been successful in such action, suit, proceeding or claim (or part thereof).

Section VI.4 Approval of Indemnification. An indemnification under

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Sections 6.1 or 6.2 hereof, unless ordered by a court, shall be made by the Corporation only as authorized in the specific case upon its determination that indemnification of the Indemnitee is proper in the circumstances because such Indemnitee has met the applicable standard of conduct set forth in Sections 6.1 and 6.2. This determination shall be made in any of the following ways:

(a) By a majority vote of a quorum of the Board consisting of Directors who were not parties to the action, suit, or proceeding.

(b) If the quorum described in subdivision (a) is not obtainable, then by a majority vote of its committee of Directors who are not parties to the action. The committee shall consist of not less than two (2) disinterested Directors.

(c) By independent legal counsel in a written opinion.

(d) By the shareholders.

Section VI.5 Advancement of Expenses. Expenses incurred in defending a

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civil or criminal action, suit, or proceeding described in Section 6.1 or 6.2 above shall be paid by the Corporation in advance of the final disposition of the action, suit, or proceeding upon receipt of an undertaking by or on behalf of the Indemnitee to repay the expenses if it is ultimately determined that the Indemnitee is not entitled to be indemnified by the Corporation. The undertaking shall be by unlimited general obligation of the person on whose behalf advances are made but need not be secured.

Section VI.6 Partial Indemnification. If an Indemnitee is entitled to

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indemnification under Section 6.1 or 6.2 for a portion of expenses including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement, but not for the total amount thereof, the Corporation shall indemnify the Indemnitee for the portion of the expenses, judgments, penalties, fines, or amounts paid in settlement for which the Indemnitee is entitled to be indemnified.

Section VI.7 Indemnification of Employees and Agents. Any person who is

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not covered by the foregoing provisions of this Article and who is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, may be indemnified to the fullest extent authorized or permitted by the MBCA or other applicable law, as the same exists or may hereafter be amended, but in the case of any such amendment, only to the extent such amendment permits the Corporation to provide broader indemnification rights than before such amendment, but in any event only to the extent authorized at any time or from time to time by the Board of Directors.

Section VI.8 Other Rights of Indemnification. The indemnification or

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advancement of expenses provided under Sections 6.1 to 6.7 is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under the Articles of Incorporation, Bylaws, or a contractual agreement. However, the total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking indemnification or advancement of expenses. The indemnification provided for in Sections 6.1 to 6.7 continues as to a person who ceases to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of the person.

Section VI.9 Definitions. "Other enterprises" shall include employee

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benefit plans; "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and "serving at the request of the corporation" shall include any service as a director, officer, employee, or agent of the corporation which imposes duties on, or involves services by, the director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be considered to have acted in a manner "not opposed to the best interests of the corporation or its shareholders" as referred to in Sections 6.1 and 6.2.

Section VI.10 Application to a Resulting or Surviving Corporation or

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Constituent Corporation. The definition for "corporation" found in Section 569  
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of the MBCA, as the same



exists or may hereafter be amended, is and shall be, specifically excluded from application to this Article. The indemnification and other obligations of the Corporation set forth in this Article shall be binding upon any resulting or surviving corporation after any merger or consolidation of the Corporation. Notwithstanding anything to the contrary contained herein or in Section 569 of the MBCA, no person shall be entitled to the indemnification and other rights set forth in this Article for acting as a director or officer of another corporation prior to such other corporation entering into a merger or consolidation with the Corporation.

Section VI.11 Contract With the Corporation. The right to indemnification

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conferred in this Article VI shall be deemed to be a contract between the Corporation and each director or officer who serves in any such capacity at any time while this Article VI is in effect, and any repeal or modification of any such law or of this Article VI shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts. In the event this Article is repealed or modified, the Corporation shall give written notice thereof to the directors and officers and any such repeal or modification shall not be effective for a period of sixty (60) days after such notice is delivered.

Section VI.12 Liability Insurance. The Corporation shall have the power

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to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against and incurred by such person in any such capacity or arising out of such person's status as such, regardless of whether the Corporation would have the power to indemnify such person against such liability under the provisions of the MBCA.

Section VI.13 Severability. Each and every paragraph, sentence, term and

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provision of this Article VI shall be considered severable in that, in the event a court finds any paragraph, sentence, term or provision to be invalid or unenforceable, the validity and enforceability, operation, or effect of the remaining paragraphs, sentences, terms, or provisions shall not be affected, and this Article VI shall be construed in all respects as if the invalid or unenforceable matter had been omitted.

Section VI.14 Enforcement. If a claim under this Article is not paid in

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full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the MBCA for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, a committee thereof, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that

indemnification of the claimant is proper in the circumstances because such claimant has met the applicable standard of conduct set forth in the MBCA nor an actual determination by the Corporation (including its Board of Directors, a committee thereof, independent legal counsel, or its shareholders) that the claimant has not met applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

#### ARTICLE VII EXECUTION OF PAPERS

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The officers of the Corporation may sell any or all of its holdings of stock, bonds, or securities of other corporations, or government securities; sign all deeds, mortgages, assignments of mortgages, discharges of mortgages, bills of sale, leases and other conveyances and transactions of any interest in property, real, personal or mixed, to the extent that the Board of Directors of the Corporation may from time to time specify in resolutions approved by the Board. The Board may in any instance designate the officers and agents who shall have authority to execute any contract, conveyance or other instrument on behalf of the Corporation, and may also ratify and affirm such execution. Any such instrument or document shall be binding on the Corporation if executed by the President or a Vice President. In addition, any such instrument or document shall be binding on the Corporation if signed by any other officer designated by the Board on behalf of the Corporation.

#### ARTICLE VIII BANKING

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Section VIII.1 Bank Accounts. The Board of Directors shall by resolution designate the bank or banks in which the funds of the Corporation shall be deposited, and such funds shall be deposited in the name of the Corporation and shall be subject to checks drawn as authorized by resolution of the Board of Directors.

Section VIII.2 Borrowing. To the extent authorized by law, the Corporation may, wherever its general interests and corporate purpose require the same, borrow money and issue its promissory notes, debentures or bonds for the repayment thereof with interest, and may in like case mortgage, pledge or encumber its property as security for its debts or other lawful engagements.

#### ARTICLE IX VOTING STOCK IN OTHER CORPORATIONS

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Unless otherwise ordered by the Board of Directors, the President shall have full power and authority on behalf of the Corporation to attend and to act and to vote at any meetings of shareholders of any corporation in which this Corporation may hold stock, and at any such meeting shall possess and may exercise any and all of the rights and powers incident to the ownership of such stock, PROVIDED, HOWEVER, that such rights shall be exercised in the best interests of this Corporation. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons, but the same shall not be effective unless actually received by such other corporation prior to the meeting of shareholders in which such other person is to act. The President, or in his absence or disability, a Vice President of the Corporation, may authorize from time to time the signature and issuance of proxies to vote such

stock of other corporations owned by this Corporation, and all such proxies shall be signed in the name of this Corporation by the President or Vice President and the Secretary or Assistant Secretary, or by any two officers authorized by the Board of Directors.

ARTICLE X SUBSIDIARIES  
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The Board of Directors may establish, reorganize and/or dissolve wholly- or partly-owned subsidiaries of the Corporation. The Articles of Incorporation and Bylaws of any such subsidiary shall not, without approval of the shareholders of this Corporation, substantially differ from the Articles of Incorporation and Bylaws, respectively, of this Corporation.

ARTICLE XI FISCAL YEAR  
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Except as from time to time otherwise provided by the Board of Directors, the fiscal year of the Corporation shall end on the last day of June.

ARTICLE XII CORPORATE BOOKS AND RECORDS  
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The Corporation shall keep books and records of account and minutes of the proceedings of its shareholders, Board of Directors and executive committees, if any. The books, records and minutes may be kept outside this state. The Corporation shall keep at its registered office, or at the office of its transfer agent within or without this state, records containing the names and addresses of all shareholders, the number, class and series of shares held by each and the dates when they respectively became holders of record thereof. Any of such books, records or minutes may be in written form or in any other form capable of being converted into written form within a reasonable time. The Corporation shall convert into written form without charge any such record not in such form, upon written request of a person entitled to inspect them.

ARTICLE XIII AMENDMENTS  
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Except as otherwise expressly provided in the Articles of Incorporation or in these Bylaws, these Bylaws may be altered, amended or repealed by any duly adopted resolution of the Board of Directors or at any annual or special meeting of the shareholders. The Board of Directors, however, shall not adopt or alter any Bylaws fixing the number, qualifications, classifications or term of office of Directors. If the amendment is to be adopted at a special meeting of the shareholders, the notice thereof shall specify the subject matter of the proposed alteration, amendment or repeal and the Articles of these Bylaws to be affected thereby. Bylaws adopted by the Directors may be altered or repealed by the Directors or shareholders. Provided, further, that neither the time nor the place for the election of Directors shall be changed within sixty (60) days next preceding the day on which any election of Directors is to be held, and provided further that a notice of any such change shall be given to each shareholder at least twenty (20) days before the next election is held, in person or by letter mailed to his last known post office address.



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

9-MOS		
	JUN-30-1997	
	JUL-01-1997	
	MAR-31-1998	
		2,671,000
		12,763,000
		0
		0
		0
	15,845,000	
		2,947,000
		2,149,000
		16,643,000
	3,032,000	
		0
	0	
		9,930,000
		58,243,000
		(54,574,000)
16,643,000		
		0
	145,000	
		0
	14,215,000	
		0
		0
	10,000	
	(13,388,000)	
		0
(13,388,000)		
		0
		0
		0
	(13,388,000)	
		(1.28)
		(1.28)