

Budget by the book

Granholm turns to authors' ideas to end deficits

BY AMY LANE

CAPITOL CORRESPONDENT

LANSING — As Gov. Jennifer Granholm attempts to tame the state's deficit, she's using the advice of a book that's the rage among good-government wonks.

The book, *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis*, won't be competing with John Grisham for recreational reading. But its authors, David Osborne and Peter Hutchinson, lay out a plan for rebuilding governmental budgets — and governmental priorities — that has already been used successfully in Washington state.

"We are using those concepts in developing the 2006 budget," said Liz Boyd,

Granholm's press secretary. "Whether you're flush, or whether we're dealing with tight economic times, smart budgeting is smart budgeting. And this is really a new way of going about how we identify priorities, and how we fund them."

Faced with large budget deficits since she took office, Granholm decided the old way of budgeting wouldn't work. That involved taking the previous budget and asking departments to find savings.

The state is facing a projected \$350 million to \$400 million budget deficit this year and a \$750 million shortfall entering the budget process for 2006.

Granholm has created six work groups around what she sees as the primary concerns of the state: education, the economy, better government, the environment, health and human services, and hometown security, which can include activities in the Departments of Corrections, State Police, and Military and Veterans Affairs.

For the new budgeting process, to work, the book says that each work group must receive a spending limit. Teams must rank programs from highest to lowest priorities and assign a percentage of the total spending to the highest-ranked priorities. To add a program, the team must cut spending to make it fit.

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Aastrom gets \$22M financing boost

Stem-cell trials pique Wall Street's interest

BY ANDREW DIETDERICH
CRAIN'S DETROIT BUSINESS

Armed with a \$22 million capital infusion and a deal to conduct clinical stem-cell trial tests at William Beaumont Hospital, Aastrom Biosciences Inc. is intent on obtaining U.S. Food and Drug Administration approval of stem-cell-based products for general medical use.



Armstrong

And Wall Street has taken notice.

The \$22 million includes a purchase by Chicago-based Fusion Capital Fund II L.L.C. of 4.8 million shares of stock on Jan. 10 for \$12 million. That's in addition to a separate \$10 million private placement announced Oct. 27.

At about \$3 a share, Ann Arbor-based Aastrom (Nasdaq: ASTM) is trading at five-year highs, up from about 65 cents a share in August.



COMPANY PROFILE

Name: Aastrom Biosciences Inc.
Location: Ann Arbor.
No. employees: About 45.
Revenue: \$187,000 for first-quarter ended Sept. 30.

R. Douglas Armstrong, president and CEO, said the company has enough funding to survive another three years; time the company needs to complete the FDA approval process.

"We're extremely excited and gratified about where we are today," Armstrong said.

Aastrom is a research and devel-

opment company testing its methods and equipment for regenerating human cells through the use of adult stem cells taken from bone marrow.

First, stem cells are extracted from bone marrow. Aastrom's equipment then takes the cells and can regenerate as much as 150 times the original number in 12 days.

The new stem cells are used to grow new bone tissue, useful in treating ailments such as bone fractures.

Aastrom is in phase two of the clinical trial process, which determines if the treatment is safe for humans and actually works. Armstrong said early results are proving successful.

Aastrom announced Jan. 5 that Beaumont would be its third U.S.-based clinical trial site. The other two, announced last year, are the University of Michigan Health System and Lutheran General Hospital in Park Ridge, Ill.

Also, Aastrom is conducting clinical trials at locations in Germany and Spain.

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Composing a conference

Motor City music festival racing to find paying sponsors

BY BRENT SNAVELY
CRAIN'S DETROIT BUSINESS

So far, the Motor City Music Conference Inc., or MC2, has in-kind sponsorship support from local media and radio stations, cooperation from a dozen clubs and concert



COMING SOON

For details about the conference, venues and events, see Page 33.

venues and speaking commitments from a number of out-of-town music-industry executives. But what organizers

haven't nailed down for their April 20-24 industry event is substantial monetary commitments from sponsors.

On Friday Troy-based Evigna Inc. signed on as the official merchandiser for the event and was the

first sponsor to provide cash in addition to in-kind donations. Evigna is a promotional product and brand management company that will create merchandise for MC2 and has entered an agreement to share sales proceeds with MC2, said Carlos Carmona, account manager of new business development for Evigna.

Carmona declined to say what the revenue-sharing percentage is or how much money Evigna is giving to MC2.

Metro Detroit nightclub owner and concert promoter Amir Daiza, best known for having owned St. Andrew's Hall and Clutch Cargos, said last week he is in contract talks with a potential-national beer sponsor.

Another organizer, Dana Forrester, co-owner of Royal Oak-based Aural Pleasure Music Inc., said she and Daiza have a meeting set up this week with a national beverage company that expressed interest.

Despite the lack of financial sponsors, many Detroit music industry veterans say the organizers

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EMIN

Amir Daiza is confident the Motor City Music Conference will take place despite the lack of funding.

Music: Conference, trade show packs four-day event

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have what it takes to pull off the event, which is modeled after a similar industry event in Austin, Texas, called **South by Southwest**, or SXSW.

"They're the cream of the crop — these are the legit folks," said Scott Guy, general manager of **Web Entertainment Inc.** in Ferndale, a record label that released Eminem's first national album. "These aren't just some people trying to put this together to try to make money."

To be successful, organizers believe they need to raise more than \$500,000. Forrester also said that the number of in-kind sponsorships they are getting from radio stations such as **89X FM**, and **WRIF 101.1 FM**, and publications such as **Metro Times Inc.** and **Real Detroit Weekly L.L.C.** will help to reduce the money spent on advertising.

Promotional assistance also is coming from the **Detroit Metro Convention & Visitors Bureau**, and a broad range of local and national music industry veterans have agreed to participate in panel discussions.

The bureau planned to launch an online registration site for the conference on Saturday and may negotiate discounted hotel rates for out-of-town attendees for MC2.

Brad Van Dommelen, the bureau's senior vice president of business development, said the bureau also plans to promote the event when it provides material about Detroit to the national media.

Dommelen said he attended SXSW last year and thought a similar event was needed in Detroit.

"And right after that, I met with Dana and I felt this was really a natural fit for the city," he said.

Forrester said if the sponsorship effort falls short, MC2 could turn to private investors. Several potential private investors have contacted MC2, but Forrester said she and Daiza would rather fund the event entirely through sponsorships.

"Investors have to be paid back," Forrester said.

For now, Daiza plans to re-incorporate **MC2 L.L.C.** with four partners: himself, Forrester, Erica Koltonow — who is Forrester's partner in Aural Pleasure Music — and Michael Whittaker, President and CEO of **Retailer's Security and Investigation Group Inc.**, a Southfield-based security firm.

MOTOR CITY MUSIC CONFERENCE

What it is

A four-day music industry conference, trade show and music festival. Organizers plan to showcase as many as 400 local and national bands at more than 40 venues. So far, about 300 bands have applied.

When: April 20-24 at Cobo Center and music venues throughout Detroit.

Who attends? Band members and musicians, concert promoters, record-label representatives and the general public.

Cost: \$30 to \$150.

What's been done so far

■ 12 confirmed venues: Hard Rock Café, The Majestic, St. Andrew's Hall, The Shelter, Hockeytown, Fifth Avenue Billiards, 313 Jac, Alvin's, Small's, The Belmont, Lager House and CPOP Gallery.

■ More than 100 trade show booths are booked.



Daiza



Forrester



Koltonow



Whittaker

Who's in charge

A for-profit partnership called **Motor City Music Conference Inc.**, will soon reincorporate as **MC2 L.L.C.** The partners are:

■ **Amir Daiza**, a concert promoter best known as the former owner of Clutch Cargos and St. Andrew's Hall.

■ **Dana Forrester**, co-owner of **Aural Pleasure Music Inc.**, Royal Oak

■ **Erica Koltonow**, Forrester's partner in Aural Pleasure Music

■ **Michael Whittaker**, president and CEO of **Retailer's Security and Investigation Group Inc.**, Southfield.

Sponsors that Forrester and Daiza are targeting range from the domestic automakers to **Compuware Corp.** to **Billboard** magazine and hip-hop magazine **The Source** to **Starbucks Corp.** and **Jones Soda Co.**

Additional revenue is to come from a \$25 application fee for bands who want to play at the festival, merchandise sales and attendance fees, which vary from \$30 to \$150 depending on time of registration and on how much of the event visitors want to attend.

The goal of the festival is to show undiscovered local and national bands to record-label agents and to shine a spotlight on Detroit's music scene, which has enjoyed a rebirth in recent years.

"We're going to focus the national and international music industry and media and press on the Detroit music scene," said Forrester, who began working on the event last March. "We're going to boost Detroit's image, tourism and economy."

MC2's model, South by Southwest, shows that the event could be an economic boon for the city.

SXSW, which began in 1987, has also evolved into a film and interactive-technology conference and is Austin's largest annual convention. In 2004 the event generated an economic impact of \$29.3 million, according to the **Austin Convention & Visitors Bureau**. The event features nearly 1,300 bands and musicians performing in 60 venues. More than 8,000 people participate and 1,500 members of the music media are on hand. More than 12,000 room nights are booked in local hotels.

Daiza said he doesn't have attendance projections yet for MC2, but said that he is hoping that it will grow into an event with a comparable tourism impact.

Marketing and promotion for MC2 ranges from a Web site at www.motorcitymusic.com to promotional fliers and postcards at local stores to the distribution of literature at trade shows.

Forrester said she and Koltonow decided to tackle MC2 about nine or 10 months ago after the editor of a music magazine told her that Detroit should have an annual trade show.

From the beginning Forrester said she wanted the event to feature a broad range of genres rang-

ing from rock, alternative and garage rock, rap and hip-hop, to techno and electronic music, blues and gospel because that's the only way to capture Detroit's musical heritage.

Daiza also said that by showcasing different types of music MC2 will set itself apart from a variety of other music-industry events which emphasize fewer genres.

"We are doing a combination of all of that music, and the reason we are doing that is because of what is happening in Detroit," Daiza said.

Web Entertainment's Guy said that balancing the booking of bands from all of the different types of music may be one of MC2's biggest challenges.

Guy, who is among MC2's volunteer consultants, said that Daiza has the contacts and Forrester has the creativity to make it work.

"You have experience coming from Amir's side, and you have youth from Dana and her enthusiasm," Guy said. "And I think you need a little bit of both whenever you are putting something like this together."

Greg Baise, director of marketing and promotions for **The Majestic Theater Center** said Daiza's contacts in the music industry extend far beyond Detroit.

"He at one point or another was part of almost every great club in Detroit," Baise said. "I think he certainly brings a lot of credibility to the event. He's very good at keeping organized and focused on his goal."

Daiza got his start in the 1980s booking events and bands at **St. Andrew's Hall**. Daiza and a partner eventually bought St. Andrew's in 1992 and later established **Clutch Cargos**, a nightclub in Pontiac. Daiza also founded **Ritual Productions L.L.C.** and **Prism Productions Inc.** — both concert promotion companies — in the 1990s.

Daiza sold St. Andrews, Clutch Cargos and the two promotion companies to **Clear Channel Communications Inc.** about five years ago and then opened a music venue called **Small's** in Hamtramck, which he said he is now in the process of selling.

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Aastrom: Stem-cell trials draw investor interest

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Armstrong said the company hopes to treat a total of 20 patients as part of the phase two trials, which he expects to be completed by the end of 2005. Phase three, final FDA approval, is expected to commence in 2006, he said.

The trials are crucial to Aastrom's success, he said, adding that another site will speed up the trial process.

"They demonstrate that the technology you have does something important for patients," Armstrong said. "The trials we're completing right now are the most important step toward the larger trials that the FDA will require to

be completed so this product can be approved for general medical use."

Medical centers like taking part in the trials because they are on the leading edge of new treatments.

"Being a part of these clinical trials allows us to continue working towards finding better treatment options for our patients today and in the future," said Harry Herkowitz, chair of the department of orthopedic surgery at Beaumont.

Aastrom is one of only three publicly traded companies currently conducting human stem-cell clinical trials and at least one

analyst said Aastrom has made the most progress.

"On a risk-reward basis, Aastrom has the best upside," said Stephen Dunn, director of life sciences at Boca Raton, Fla.-based investment firm **Dawson James Securities**.

Aastrom stock jumped 22 percent Jan. 7, a day after the company announced the addition of Beaumont to its list of three clinical trial sites in the United States. Shares rose an additional 18 percent last Monday.

Between Aastrom's founding in 1989 and Sept. 30, 2004, the company lost \$115.4 million.

For the first quarter ending Sept. 30, Aastrom reported a net loss of \$2.6 million or 3 cents a share on revenue of \$187,000. That compares with \$2.8 million or 4 cents a share on revenue of \$300,000 for the same period in 2003.

But Dunn, who rates Aastrom a "buy," said he isn't concerned about Aastrom's past financial performance.

"Investors in this area recognize the cash issue for companies like this and Aastrom is well-situated to handle it," he said.

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