FORM 8-K/A

Current report filing [amend]

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FILER

ISCO INC

CIK:**773730**| IRS No.: **470461807** | State of Incorp.:**NE** | Fiscal Year End: **0731**
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SIC: **3823** Industrial instruments for measurement, display, and control

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

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

Date of Report (Date of earliest event reported) August 21, 1996

Isco, Inc.
(Exact name of registrant as specified in its charter)

Nebraska	0-14429	47-0461807
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

4700 Superior Street, Lincoln, NE	68504
(Address of principal executive offices)	(Zip Code)

(402) 464-0231
Registrant's telephone number, including area code

Item 7. Financial Statements and Exhibit

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 hereto duly authorized.

ISCO, INC.,

By:/s/Philip M. Wittig

Philip M. Wittig
Chief Financial Officer
and Treasurer

Dated: December 26, 1996

Report of Independent Auditors

The Board of Directors and Stockholders
Suprex Corporation

We have audited the accompanying consolidated balance sheets of Suprex Corporation as of December 31, 1995 and 1994, and the related consolidated statements of operations, stockholders' deficiency and redeemable preferred stock, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Suprex Corporation at December 31, 1995 and 1994, and the consolidated results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that Suprex Corporation will continue as a going concern. As discussed in Note 9 to the consolidated financial statements, the Company's operating losses, cash absorbed by operations, required future debt payments and net capital deficiency raise substantial doubt about its ability to continue as a going concern. The 1995 consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

BY /s/Ernst & Young LLP

Pittsburgh, Pennsylvania
March 29, 1996, except Note 10 as to
which the date is August 21, 1996

SUPREX CORPORATION
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	Dec 31 1995	Dec 31 1994
ASSETS		
Current assets:		
Cash and cash equivalents	$ 273,196	$ 88,728
Accounts receivable (less allowance of $32,571 in 1995 and $20,322 in 1994)	1,409,330	1,500,902
Inventory:		
Materials and subassemblies	519,511	543,707
Finished goods	327,990	146,787
	847,501	690,494
Other current assets	42,400	57,722
Total current assets	2,572,427	2,337,846
Property and equipment:		
Laboratory equipment	732,377	807,869
Office furniture and equipment	342,188	332,321
Demonstration and evaluation equipment	33,869	81,805
	1,108,434	1,221,995
Less accumulated depreciation and amortization	895,568	853,671
	212,866	368,324
Receivable--officers	47,153	47,153
Other assets	39,924	12,211
Total assets	$ 2,872,370	$ 2,765,534
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Line of credit	$ 600,000	$ 50,000
Note payable--bank	803,173	--
Accounts payable	321,392	487,414
Accrued liabilities	167,653	313,400
Customer deposits	12,365	170,694
Current maturities of long-term debt	616,048	87,326
Total current liabilities	2,520,631	1,108,834
Long-term debt	--	585,131
Deferred compensation	47,153	47,153
Redeemable preferred stock	11,015,946	11,015,946
Common stockholders' deficiency:		
Common stock	1,281	1,257
Paid-in capital	255,499	255,283
Warrants	169,428	95,236
Accumulated deficiency	(11,137,568)	(10,343,306)
Common stockholders' deficiency	(10,711,360)	(9,991,530)
Total liabilities and stockholders' deficiency	$ 2,872,370	$ 2,765,534

</TABLE>
See accompanying notes.

SUPREX CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

Year Ended

<S>

	Dec 31 1995	Dec 31 1994
Net sales	$4,279,328	$6,151,096
Cost of goods sold	2,069,095	3,055,206
Gross profit	2,210,233	3,095,890
Operating expenses:		
Marketing and applications	577,289	642,588
Research and development	534,175	538,246
General and administrative	826,160	921,188
Selling	936,210	864,391
	2,876,834	2,966,413
Operating (loss)income	(666,601)	129,477
Other income(expense):		
Interest income	7,125	11,468
Grant income	66,324	80,004
Interest expense	(199,514)	(107,831)
Other	(9,608)	8,800
	(135,673)	(7,559)
(Loss)income before extraordinary item	(802,274)	121,918
Extraordinary item:		
Loss on early extinguishment of debt	--	(33,898)
Net(loss)income	$ (802,274)	$ 88,020

</TABLE>
See accompanying notes.

<TABLE>
<CAPTION>

SUPREX CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY AND REDEEMABLE PREFERRED STOCK
Years ended December 31, 1995 and 1994

	Number of Common Shares	Par Value of Common Stock	Paid-in Capital	Warrants	Accumulated Deficit	Total	Redeemable Preferred Stock Number of Shares	Redeemable Preferred Stock Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>		
Balance, January 1, 1994	1,252,411	$1,252	$254,798	$ 95,236	$(10,431,608)	$(10,080,322)	19,002,236	$11,015,946
Employee stock options exercised	4,900	5	485	--	--	490	--	--
Foreign currency translation	--	--	--	--	282	282	--	--
Net income	--	--	--	--	88,020	88,020	--	--
Balance, December 31, 1994	1,257,311	1,257	255,283	95,236	(10,343,306)	(9,991,530)	19,002,236	11,015,946
Employee stock options exercised	2,400	24	216	--	--	240	--	--
Foreign currency translation	--	--	--	--	8,012	8,012	--	--
Warrants granted	--	--	--	74,192	--	74,192	--	--
Net loss	--	--	--	--	(802,274)	(802,274)	--	--
Balance, December 31, 1995	1,259,711	$1,281	$255,499	$169,428	$(11,137,568)	$(10,711,360)	19,002,236	$11,015,946

</TABLE>

See accompanying notes.

SUPREX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents

	Year Ended Dec 31 1995	Year Ended Dec 31 1994
Cash flows from operating activities:		
Net(loss) income	$ (802,274)	$ 88,020
Foreign currency translation	8,012	282
Adjustments to reconcile net(loss) income to net cash used in operating activities:		
Depreciation and amortization	114,862	115,290
Imputed interest on notes payable	12,365	19,324
Loss on sale of fixed assets	52,644	--
Loss on early extinguishment of debt	--	33,898
Change in assets and liabilities:		
Accounts receivable	91,572	26,783
Receivable--officers	--	--
Inventory	(153,823)	(119,888)
Other current assets	15,322	27,165
Other assets	(27,713)	(3,216)
Accounts payable	(166,022)	116,116
Accrued liabilities	(145,747)	58,473
Customer deposits	(158,329)	(1,042,336)
Net cash used in operating activities	(1,159,131)	(680,089)
Cash flows from investing activities:		
Purchase of property and equipment	(15,232)	(82,256)
Net cash used in investing activities	(15,232)	(82,256)
Cash flows from financing activities:		
Net borrowings under line of credit	550,000	50,000
Principal repayments under long-term debt	(56,409)	(777,543)
Issuance of debt	865,000	700,000
Issuance of common stock	240	490
Net cash provided by (used in) financing activities	1,358,831	(27,053)
Increase(decrease) in cash and cash equivalents	184,468	(789,398)
Cash and cash equivalents, beginning of year	88,728	878,126
Cash and cash equivalents, end of year	$ 273,196	$ 88,728
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 199,514	$ 136,132
Transfer of inventory to property and equipment	$ 48,769	$ 88,459
Transfer of property and equipment to inventory	$ 49,098	$ 16,524

See accompanying notes.

SUPREX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

Suprex Corporation (the "Company") is engaged in the business of developing and selling chromatographic and extraction instruments and all other activities incidental to such business. The Company supplies these instruments to a variety of industries both domestically and internationally. The consolidated financial statements include Suprex GMBH, a wholly owned subsidiary. All intercompany accounts have been eliminated.

The Company performs periodic credit evaluations of its customers and collateral is generally not required. Credit losses have been within the expectations of management. The Company derived 14% of its sales from one customer in 1995. Total receivables due from this customer at December 31, 1995 was $174,410. Two customers comprised 37% of the Company's sales during 1994. Total receivables due from these two customers at December 31, 1994 were $327,102.

Cash Equivalents:

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventories:

Inventories are valued at the lower of cost (first-in, first-out) or market which is net realizable value.

Property and Equipment:

Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method for financial reporting purposes and accelerated methods for income tax reporting over the estimated useful lives, which range from three to seven years.

Customer Deposits:

Customer deposits consist of prepayments from customers on future sales of instruments.

Fair Values of Financial Instruments:

The Company's carrying amount of cash and cash equivalents, accounts receivable, accounts payable, notes payable and long-term debt approximated their fair value at December 31, 1995 and 1994.

Research and Development Expenses:

All research and development costs are expensed as incurred and consist mainly of personnel costs, materials, supplies, and general and administrative expenses.

The Company received grants from the Ben Franklin Partnership Challenge Grant Program to fund some of its research and development. Through December 31, 1995, the Company had received several grants totaling $485,000. The Company is required to pay a royalty of 1% on sales of certain new technology developed under these grants ranging from one and a half to four times the amount of the original grants. Royalty payments are being made under the completed grants. One grant of $60,000 is still in process and requires the Company to make a matching contribution of $180,000 comprised of certain employee salaries and equipment. At December 31, 1995, the Company expended approximately $60,000 of its in-kind contribution under this grant.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Stock-Based Compensation:

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). SFAS No. 123 establishes financial accounting and reporting standards for stock-based compensation plans and to transactions in which an entity issues its equity instruments to acquire goods and services for nonemployees. The new accounting standards prescribed by SFAS No. 123 are optional, and the Company may continue to account for its plans under the previous accounting standards. The Company does not expect to adopt the new accounting standard. Consequently, SFAS No. 123 will not have an impact on the Company's results of operations.

2. DEBT

The Company has a line of credit with a financial institution providing maximum borrowings of $600,000. The line of credit is payable on demand with interest at 2% above the prime rate which was 8.5% at December 31, 1995. The borrowing base is equivalent to a percentage of eligible accounts receivable and inventory. At December 31, 1995, the maximum amount had been borrowed under the terms of this line. The line expires on April 30, 1996. An extension on this line has been granted until June 30, 1996. It is the intention of management to attempt to renew this line.

The bank's line of credit and term note are collateralized by the Company's receivables, inventories, and fixed assets, and require the compliance with various covenants which include, among other things, to maintain a specified net worth and liabilities to net worth ratio. Additionally, the bank note negotiated in 1995 is collateralized by a security interest, subordinate to the term note, in all personal property and fixtures of the Company, a key-man life insurance policy on the chief executive officer of the Company. Loan covenants contained in this agreement require the Company to maintain minimum levels of tangible net worth, as defined by a cash flow ratio, and a ratio of total liabilities to total equity. Moreover, the bank note agreement restricts incurring additional indebtedness, transferring real property, transferring or encumbering the stock, or paying dividends. At December 31, 1995, the Company is in default of maintaining the required minimum tangible net worth levels and meeting the debt to tangible net worth ratio on the bank note negotiated in 1995. Waivers have not been obtained from the bank for these noted defaults. As

a result, this debt has been reflected as a current liability on the balance sheet.

Long-term debt consisted of the following:

	Dec 31 1995	Dec 31 1994
Bank note, payable in monthly installments of $19,351 beginning January 1, 1998 through July 1, 2000, including interest at 12.25% beginning July 1, 1995 (16.25% interest in the event of a debt convenant default), balloon payment of $515,231 due on July 1, 2000, original face amount $865,000 (net of discount based on imputed interest rate of 21%) --in default	$ 803,173	$ --
Bank term note, payable in monthly installments of $5,000 through April 30, 1995, $7,000 through November 30, 1996, including interest at prime plus 1.75%, balloon payment of $235,318 due on December 31, 1996	305,040	335,107
Bank term note, payable in monthly installments of $5,000 through April 30, 1995, $7,000 through November 30, 1996, including interest at prime plus 3.0%, balloon payment of $245,856 due on December 31, 1996	311,007	337,350
	1,419,220	672,457
Less current maturities	1,419,220	87,326
	$ --	$585,131

As part of the term note agreement, a provision exists for an extension of the term loan for a period of 30 months based upon mutual agreement between the bank and Company. As of March 29, 1996, the Company has not obtained the bank's agreement for such an extension. Principal maturities remaining on long-term debt, assuming that the debt in default is not called, are as follows:

Year ending December 31

1996	$ 616,047
1997	--
1998	120,698
1999	148,022
2000	596,280
	$1,481,047
Less unamortized discount	61,827
	$1,419,220

In conjunction with a debt financing in 1993, the Company granted 1,058,179 warrants to purchase common stock at $.01. The difference between the fair market value of common stock ($.10) at the date of inception of the note and the exercise price of the warrant ($.01) was reflected as a reduction of the debt, and an increase in stockholders' equity. This amount has been treated as additional interest expense. The imputed interest was $19,324 and $42,014 in

1994 and 1993, respectively. The warrant allocation resulted in the note having an effective interest rate of 20%. On May 26, 1994, this note payable had a carrying value of $716,102 and was extinguished early for $750,000. An extraordinary loss of $33,898 was recognized related to the transaction.

3. CAPITAL STOCK

The common stock has a $.001 par value and there are 30,000,000 shares authorized. No dividends may be declared on common stock until all preferred cumulative dividends have been paid or sufficient funds have been set aside for their payment.

Redeemable preferred stock at December 31, 1995 is as follows:

Class	Par Value	Authorized Shares	Outstanding Shares	Original Issue Amount	Dividends Per Share	Liquidation Value Per Share (1)
Series A	None	1,270,272	1,270,272	$ 1,175,002	$.09	$.925
Series B	None	7,649,975	7,631,975	4,960,785	$.065	$ .65
Series C	None	12,500,000	10,099,989	4,880,159	$.05	$ .50
Total		12,420,247	19,002,236	$11,015,946		

(1) Plus declared and unpaid dividends. Series A and B are subordinate to Series C in liquidation.

Preferred stockholders have voting rights as if their stock was converted to common stock. All preferred stock is convertible at $1.00 per share. All preferred stock is convertible into common stock at its conversion price 1) at the option of the owner or 2) automatically upon a firm commitment of an underwritten public offering intended to raise net proceeds not less than $10 million at a price of not less than $1.50 per share.

After January 1, 1995, the preferred stockholders had the right to sell all or a part of their preferred shares back to the Company at the original issuance price, plus, if approved by the Board of Directors, all unpaid cumulative dividends, whether or not earned or declared. Such action requires the approval of 50% of the preferred stockholders. All dividends on the preferred stock shall be declared and paid proratably in the same relationship as the original issuance price of each class of preferred stock; however, the Company is not obligated to pay dividends. At December 31, 1995, cumulative undeclared dividends were $5,604,644 on the preferred classes of stock.

4. STOCK OPTIONS AND WARRANTS

Stock Options:

The Company has several incentive stock option plans covering officers and key employees. The Company is able to award up to 3,350,000 shares of stock under these plans. At the date of grant of the options, the exercise prices must be equal to or exceed the then fair market value.

Following is a summary of option activity:

	Number of Shares	Price Per Share
Outstanding, January 1, 1994	2,269,456	$.10 to $.25
Granted	589,960	$.10
Canceled	(124,000)	$.10
Exercised	(4,900)	$.10
Outstanding, December 31, 1994	2,730,516	$.10 to $.25
Granted	96,892	$.10
Canceled	(291,670)	$.10
Exercised	(2,400)	$.10
Outstanding, December 31, 1995	2,533,338	$.10 to $.25

Options, under the plans, generally vest in relation to the length of service of the employee. At December 31, 1995, options for approximately 2,180,171 shares of common stock were currently exercisable under these plans. Options expire ten years from the date of grant.

In addition to the above options, the Company has outstanding 85,000 options to certain members of the Board of Directors at $.10. These options expire over various periods not exceeding 10 years.

At December 31, 1995, the Company has reserved sufficient common stock in connection with these options.

Warrants and 1995 Financing:

In conjunction with the current year debt financing, the Company granted 824,358 warrants to purchase common stock at $.01. The difference between the fair market value of common stock ($.10) at the date of inception of the note and the exercise price of the warrant ($.01) is reflected as a reduction of the debt and an increase in shareholders' equity. This amount will be imputed as additional interest expense over the first thirty-six months of the note. The imputed interest in 1995 was $12,365. These warrants can be exercised at any time and expire on June 13, 2005. If the note is not repaid in full by June 13, 1998, additional warrants are granted for each year past June 13, 1998 that the debt remains outstanding as follows:

	Additional Warrants Granted	Total Warrants Granted
June 13, 1998	286,235	1,110,593
June 13, 1999	292,261	1,402,854
After June 13, 1999	298,480	1,701,334

In conjunction with a debt financing in 1993, the Company granted 1,058,179 warrants to purchase common stock at $.01. The warrants may be exercised at any time and expire on March 31, 1998.

As part of financing obtained in prior years, the Company received proceeds of $12,761 for the sale of 2,552,104 common stock warrants which was recorded in paid-in capital. Each warrant entitles the holder to purchase a share of common stock for $.10 per share. The warrants expire on November 26, 1996.

5. LEASES

The Company's rent expense results primarily from the lease of office and manufacturing facilities. Rental expense under operating leases was $128,672 in 1995 and $122,508 in 1994.

Future minimum lease payments under noncancelable operating leases at December 31, 1995 are as follows:

1996	$128,228
1997	133,362
1998	79,587
Total minimum lease payments	$341,177

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6. INCOME TAXES

The Company accounts for income taxes under Financial Accounting Standards Board Statement No. 109. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	December 31	
	1995	1994
Deferred tax asset:		
Book over tax depreciation and amortization	$ 69,200	$ 58,100
Deferred gross profit	2,000	30,000
Inventory	6,000	123,200
Other	46,810	93,400
Net operating loss carryforwards	3,552,478	3,225,754
Tax credits	164,000	164,000
	3,840,488	3,694,454
Valuation allowance for deferred tax amounts	(3,840,488)	(3,694,454)
Net deferred tax assets	$ --	$ --

A valuation allowance has been provided for the remaining deferred tax assets because of the uncertainty of realization.

At December 31, 1995, the Company had net operating loss carryforwards of approximately $10.1 million for federal income tax purposes. These carryforwards expire in various amounts through years 2010. The Company also has research and development tax credit carryforwards of approximately $164,000 at December 31, 1995, which expires in varying amounts through the year 2008.

Pennsylvania reinstated its net operating loss provisions in 1994 subject to certain limitations. For Pennsylvania purposes, the Company will be able to utilize up to $1,000,000 in 1996 and 1997 against taxable income.

7. PENSION PLAN

The Company has a defined contribution (401(k)) plan covering all full-time employees. The plan provides for eligible employees to contribute a portion of their eligible earnings to the plan. The plan also provides for Board of Directors-approved discretionary employer contributions based on profitability of the Company. There were no employer contributions paid or accrued as of December 31, 1995 or 1994.

8. SALARY REDUCTION DEFERRED COMPENSATION PROGRAM

The Company has established a nonqualified salary deferment program whereby the salaries of two individuals were reduced by amounts which were used to purchase split dollar life insurance policies on the individuals. The policies are collaterally assigned to the Company until such time as the collateral is released and control of the policies is transferred to the employees. At December 31, 1995 and 1994, employee receivables and offsetting deferred compensation liabilities of $47,153 were recorded as a result of this program.

9. RESULTS OF OPERATIONS AND MANAGEMENT'S PLANS

As a result of the Company's operating losses, cash absorbed by operations, and required future debt repayments (see Note 2), substantial doubt about the Company's ability to continue as a going concern has been raised. Management is actively involved in addressing these cash flow needs through obtaining extensions or refinancing its existing debt. Management is also evaluating a strategic relationship, which could involve acquisition of the Company.

10. SUBSEQUENT EVENT

Effective August 21, 1996, substantially all of the operating assets and certain obligations of the Company were acquired. The accompanying financial statements have not been adjusted to reflect the terms of this acquisition.

SUPREX CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEET
(unaudited)

(Amounts in thousands)

	June 30 1996
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 98
Accounts receivable	510
Inventories	944
Other	34
Total current assets	1,586
Property and equipment(net)	195
Other	12
Total assets	$ 1,793
LIABILITIES AND STOCKHOLDERS' DEFICIENCY	
Current Liabilities:	
Accounts payable	$ 301
Accrued expenses	254
Notes payable - current	1,365
Line of credit	600
Total current liabilities	2,520
Redeemable preferred stock	11,015
Common Stockholders' deficiency:	
Common stock	1
Paid-in capital	255
Warrants	170
Accumulated deficiency	(12,168)
Common Stockholders' deficiency	(11,742)
Total liabilities and stockholders' deficiency	$ 1,793

See accompanying notes.

SUPREX CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(Amounts in thousands)

	Six months ended	
	June 30 1996	June 30 1995
Net sales	$ 1,091	$1,748
Cost of good sold	624	845
Gross profit	467	903
Operating expenses:		
Selling, general and administrative	1,208	1,243
Research and engineering	210	318
	1,418	1,561
Operating loss	(951)	(658)
Other:		
Grant income	60	42
Interest expense	(116)	(83)
Net loss	$(1,007)	$ (699)

See accompanying notes.

SUPREX CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(Amounts in thousands)

	Six months ended	
	June 30 1996	June 30 1995
Cash flows from operating activities:		
Net loss	$(1,007)	$ (699)
Foreign currency translation	(25)	--
Depreciation	45	63
Changes in assets and liabilities:		
Accounts receivable	899	413
Inventories	(96)	(209)
Other current assets	8	(5)
Other assets	75	50
Accounts payable	(20)	(296)
Accrued liabilities	27	(163)
Net cash used for operations	(94)	(846)
Cash flows from investing activities:		
Purchase of property and equipment	(27)	(15)
Cash flows from financing activities:		
Net borrowings under line of credit	--	550
Principal repayments on long-term debt	(54)	(22)
Proceeds from issuance of debt	--	865
Net cash provided by(used for) financing activities	(54)	1,393
Cash and cash equivalents:		
Net increase(decrease)	(175)	532
Balance at beginning of year	273	89
Balance at end of period	$ 98	$ 621

See accompanying notes.

SUPREX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands)

A. General

The accompanying unaudited consolidated financial statements and notes thereto contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of Suprex Corporation (Suprex) as of June 30, 1996 and the results of their operations and cash flows for the six month periods ended June 30, 1996 and 1995. The consolidated condensed financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in this Form 8-K/A. The results of operations for the unaudited six month period ended June 30, 1996 are not necessarily indicative of the results which may be expected for the entire calendar year 1996.

B. Inventories
As of June 30, 1996, inventories were comprised of the following:

	1996
Materials and subassemblies	$497
Finished goods	447
	$944

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS IN CONNECTION WITH THE ACQUISITION OF SUPREX ASSETS AND ASSUMPTION OF SELECTED LIABILITIES

The following unaudited pro forma condensed statements of operations presented are based on the historical financial statements of the Company and reflect the pro forma effects of the acquisition of Suprex assets and assumption of selected liabilities, as described in the accompanying notes.

For purposes of the pro forma statements, the purchase price of the assets of Suprex Corporation has been allocated to the acquired net assets based on information currently available with regard to the values of such net assets. Pro forma adjustments have been made only for those assets and liabilities which have fair values significantly different from historical amounts. Final adjustments to recorded amounts may differ from the pro forma adjustments presented herein.

A pro forma balance sheet is not included herein. The Company's balance sheet, reflecting the acquisition of Suprex assets and assumption of selected liabilities, is presented in the Company's 10-Q for the quarter ended October 25, 1996.

The unaudited pro forma consolidated statements of operations for the year ended July 26, 1996, and the three months ended October 25, 1996 were prepared as if the acquisition had occurred as of the beginning of the respective periods.

These pro forma financial statements are not necessarily indicative of the results of operations that might have occurred had the acquisition taken place at the beginning of the period, or to project the Company's results of operations at any future date or for any future period. The pro forma statements should be read in conjunction with the audited and unaudited financial statements of the Company, Suprex Corporation, and notes to the pro forma statements.

ISCO, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JULY 26, 1996

(In thousands except for per share data)

<TABLE>
<CAPTION>

<S>	Historical Isco, Inc. July 26 1996 <C>	Suprex Corporation <C>	Purchase Accounting Adjustments <C>	Note(1) <C>	Pro forma <C>
Net sales	$39,981	$ 3,688	$ --		$43,669
Cost of goods sold	17,790	1,910	--		19,700
Gross profit	22,191	1,778	--		23,969
Operating expenses:					
Selling, general, and administrative	15,779	2,273	360	(b)	18,412
Research and engineering	4,775	434	74	(b)	5,283
Restructuring charges	1,752	--	--		1,752
	22,306	207	434		25,447
Operating(loss)	(115)	(929)	(434)		(1,478)
Other:					
Investment income	1,088	--	(118)	(a)	970
Other	374	83	--		457
Interest expense	--	(260)	260	(c)	--
Earnings(loss) before income taxes	1,347	(1,106)	(292)		(51)
Income taxes(benefit)	360	--	(379)	(d)	(19)
Net earnings(loss)	$ 987	$(1,106)	$ 87		$ (32)
Weighted average shares outstanding	5,353				5,353
Net earnings(loss) per share	$.18				$(0.01)

</TABLE>

(1) See Note B to the Pro Forma Consolidated Statement of Operations.

See accompanying notes.

ISCO, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE QUARTER ENDED OCTOBER 25, 1996

(In thousands except for per share data)

<TABLE>
<CAPTION>

<S>	Historical Isco, Inc. Oct 25 1996 <C>	Suprex Corporation <C>	Purchase Accounting Adjustments <C>	Note(1) <C>	Pro forma <C>

Net sales	$9,224	$188	$ --		$9,412
Cost of goods sold	4,156	103	--		4,259
Gross profit	5,068	85	--		5,153
Operating expenses:					
Selling, general, and administrative	4,317	127	30	(b)	4,474
Research and engineering	1,091	20	6	(b)	1,117
	5,408	147	36		5,591
Operating(loss)	(340)	(62)	(36)		(438)
Other:					
Investment income	243	--	(10)	(a)	233
Other	124	--	--		124
Earnings(loss) before income taxes	27	(62)	(46)		(81)
Income taxes(benefit)	(61)	--	30	(d)	(31)
Net earnings(loss)	$ 88	$(62)	$(76)		$ (50)
Weighted average shares outstanding	5,353				5,353
Net earnings(loss) per share	$.02				$(0.01)

</TABLE>
(1) See Note B to the Pro Forma Consolidated Statement of Operations.

See accompanying notes.

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
(columnar amounts in thousands, except per share data)

A. GENERAL

On August 21, 1996 Isco acquired substantially all of the assets and assumed selected liabilities of Suprex Corporation, a Pennsylvania corporation, located in Pittsburgh, Pennsylvania. The acquisition was accomplished pursuant to a Purchase and Assumption Agreement dated August 9, 1996 between the parties. At the closing, Isco paid Suprex $2,850,000 for the assets and assumed basically the trade payables of Suprex, subject to a $250,000 escrow account hold-back to cover certain post-closing adjustments, including warranty claims. The purchase price was arrived at through arms-length negotiations among Isco, Suprex management, and Suprex' investment bankers. The transaction was accounted for as a purchase. Suprex manufactured a variety of super critical fluid extraction (SFE) products, principally for use in the food products business. Isco intends to add the SFE products to its existing line of SFE products. Isco did not acquire, either by purchase or long term lease, any of the manufacturing facilities utilized by Suprex and intends to relocate the manufacturing assets to its plant in Lincoln, Nebraska.

Isco liquidated cash equivalent securities to obtain the cash to purchase the Suprex assets.

B. PRO FORMA ADJUSTMENTS FOR THE ACQUISITION OF SUPREX CORPORATION The pro forma adjustments assume the acquisition of Suprex occurred on July 29, 1995 or July 27, 1996, respectively, and reflect the adjustments to record the purchase of substantially all of the assets and assumption of certain liabilities based on Suprex's historical unaudited financial statements.

The purchase price, based on current estimates, is comprised of the following consideration:

Cash paid	$2,624

Liabilities assumed:	
Current liabilities	499
Total consideration	$3,123

The initial purchase price allocation, based on current estimates, is summarized as follows:

Current assets:	
Accounts receivable	$ 305
Inventory	762
Property and equipment	219
Other assets (1):	
Customer lists/tradenames	807
Engineering drawings	304
Goodwill	726
	$3,123

(1) The lives of these intangibles ranges from 3 to 8 years.

a. RECORD REDUCTION OF INVESTMENT INCOME

To record reduced investment income due to cash equivalents and short-term investments utilized in purchase.

	For the period ended	
	7/26/96	10/25/96
Cash equivalents paid	$2,624	$2,624
Investment return on investments utilized	4.5%	4.5%
Annual adjustment to investment income	$118	$118
One month adjustment to investment income	N/A	$10

b. RECORD AMORTIZATION OF INTANGIBLES

	For the period ended	
	7/26/96	10/25/96
Amortization by type of intangibles:		
Customer lists	$269	$22
Engineering drawings	74	6
Goodwill	91	8
	$434	$36
Reflected in the Statement of Operations as:		
Selling, general, and administrative	$360	$30
Research and engineering	74	6

	$434	$36

c. ADJUST INTEREST EXPENSE

To adjust interest expense of Suprex for debt not assumed in the acquisition.

d. ADJUST INCOME TAXES

Computed as follows:

	For the period ended	
	7/26/96	10/25/96
Consolidated earnings(loss) before income taxes of Isco, Inc. and Suprex Corporation	$ 241	$(35)
Pro forma income adjustments		
Selling, general and administrative	(360)	(30)
Research and engineering	(74)	(6)
Investment income	(118)	(10)
Interest expense	260	--
Adjusted loss before taxes	(51)	(81)
Income tax rate	38%	38%
Calculated income taxes(benefit)	(19)	(31)
Recorded income tax expense	360	(61)
Net income tax adjustment	$(379)	$ 30

Consent of Independent Auditors

We consent to the incorporation by reference of our report dated March 29, 1996, except Note 10, as to which the date is August 21, 1996, with respect to the consolidated financial statements of Suprex Corporation included in Isco, Inc.'s Form 8-K/A in the following Registration Statements (Forms S-8):

- Directors' Deferred Compensation Plan

- 1981 Incentive Stock Option Plan
  1985 Incentive Stock Option Plan

- Employee Profit Sharing Plan

- 1996 Stock Option Plan
  1996 Outside Directors Stock Option Plan

By /s/Ernst & Young LLP

Pittsburgh, Pennsylvania
December 19, 1996