

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED  
JUNE 30, 1995.

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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: 0-15006

T CELL SCIENCES, INC.  
(Exact name of registrant as specified in charter)

Delaware No. 13-3191702  
(State of Incorporation) (I.R.S Employer Identification No.)

115 Fourth Avenue, Needham, Massachusetts 02194-2725  
(Address of principal executive offices) (Zip code)

(617) 433-0771  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange  
Act of 1934 during the preceding 12 months (or for such shorter period that  
the registrant was required to file such reports) and (2) has been  
subject to such filing requirements for the past 90 days. Yes X No .  
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Class -----	Outstanding as of August 9, 1995 -----
Common Stock, par value \$.001	17,068,507

T CELL SCIENCES, INC.  
TABLE OF CONTENTS  
JUNE 30, 1995

	Page -----
PART I - FINANCIAL INFORMATION	
-----	
Consolidated Balance Sheets -- June 30, 1995 and December 31, 1994.....	3
Consolidated Statements of Operations -- Six months ended June 30, 1995 and 1994.....	4
Quarters ended June 30, 1995 and 1994.....	5
Consolidated Statements of Cash Flows -- Six months ended June 30, 1995 and 1994.....	6
Notes to Consolidated Financial Statements.....	7
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	8
PART II -- OTHER INFORMATION	
-----	
Item 1. Legal Proceedings.....	12
Item 4. Submission of Matters to a Vote of Security Holders .....	12
Item 5. Other Information.....	13
Item 6. Exhibits and Reports on Form 8-K	
A. Exhibits.....	13
B. Reports on Form 8-K.....	13
Signatures.....	15

## PART I. FINANCIAL INFORMATION

## ITEM 1 FINANCIAL STATEMENTS

T CELL SCIENCES  
 CONSOLIDATED BALANCE SHEET  
 JUNE 30, 1995 AND DECEMBER 31, 1994

	JUNE 30, 1995	December 31, 1994
		(Audited)
<b>ASSETS</b>		
Current Assets:		
Cash, Cash Equivalents and Short Term Investments	\$ 10,465,083	\$ 16,184,319
Accounts Receivable, Net	386,181	551,316
Inventories	492,854	409,266
Prepaid Expenses and Other	623,867	534,653
<b>Total Current Assets</b>	<b>11,967,985</b>	<b>17,679,554</b>
Property and Equipment, Net	762,151	1,060,193
Noncurrent Assets	2,210,970	1,944,784
<b>Total Assets</b>	<b>\$ 14,941,106</b>	<b>\$ 20,684,531</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts Payable	\$ 1,074,978	\$ 786,344
Accrued Expenses	952,486	1,812,508
Deferred Revenue	117,861	-
<b>Total Current Liabilities</b>	<b>2,145,325</b>	<b>2,598,852</b>
Collaborator Advance	181,573	500,000
Stockholders' Equity:		
Class B preferred stock, \$2 Par Value; 1,163,102 Shares Authorized	-	-
Class C preferred stock, \$.01 Par Value; 3,000,000 Shares Authorized	-	-
Common Stock, \$.001 Par Value; 50,000,000 Shares Authorized; 17,056,972 and 17,054,222 Shares Issued and Outstanding	17,057	17,054
Additional Paid-in Capital	55,712,902	55,726,143
Less: 8,446 and 16,323 Common Treasury Shares at Cost	(39,830)	(76,931)
Accumulated Deficit	(43,075,921)	(38,080,587)
<b>Total Stockholders' Equity</b>	<b>12,614,208</b>	<b>17,585,679</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 14,941,106</b>	<b>\$ 20,684,531</b>

See accompanying notes to financial statements

T CELL SCIENCES  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 FOR THE SIX MONTHS ENDED JUNE 30, 1995 AND 1994

	JUNE 30, 1995	June 30, 1994
-----		
OPERATING REVENUE:		
Product Development and Licensing Agreements	\$ 1,136,616	\$ 2,785,000
Product Sales	1,237,483	1,725,112
-----		
Total Operating Revenue	2,374,099	4,510,112
-----		
OPERATING EXPENSES:		
Cost of Product Sales	972,207	1,037,856
Research and Development	3,993,600	5,122,779
General and Administrative	2,047,311	2,441,267
Marketing and Sales	737,380	800,626
-----		
Total Operating Expenses	7,750,498	9,402,528
-----		
Operating Loss	(5,376,399)	(4,892,416)
Interest Income, Net	381,065	676,947
-----		
NET LOSS	\$(4,995,334)	\$(4,215,469}
-----		
NET LOSS PER COMMON SHARE	\$ (0.29)	\$ (0.25)
-----		
Weighted Average Common Shares Outstanding	17,054,953	17,052,652
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See accompanying notes to financial statements

T CELL SCIENCES  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 FOR THE QUARTERS ENDED JUNE 30, 1995 AND 1994

	JUNE 30, 1995	June 30, 1994
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OPERATING REVENUE:		
Product Development and Licensing Agreements	\$ 547,940	\$ 1,435,637
Product Sales	629,403	808,088
-----		
Total Operating Revenue	1,177,343	2,243,725
-----		
OPERATING EXPENSES:		
Cost of Product Sales	467,662	552,846
Research and Development	2,013,800	2,508,998
General and Administrative	987,939	1,312,431
Marketing and Sales	444,504	433,396
-----		
Total Operating Expenses	3,913,905	4,807,671
-----		
Operating Loss	(2,736,562)	(2,563,946)
Interest Income, Net	151,689	285,370
-----		
NET LOSS	\$(2,584,873)	\$(2,278,576)
-----		
NET LOSS PER COMMON SHARE	\$ (0.15)	\$ (0.13)
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Weighted Average Common Shares Outstanding	17,055,686	17,054,144
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See accompanying notes to financial statements

T CELL SCIENCES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 1995 AND 1994

	JUNE 30, 1995	June 30, 1994
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CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$(4,995,334)	\$(4,215,469)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization	291,026	398,506
Net Change in Current Assets and Total Liabilities	(779,621)	(570,480)
-----		
Net Cash Used by Operating Activities	(5,483,929)	(4,387,443)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Property and Equipment	(6,945)	(705,253)
Sale of Equipment, Net	106,961	
Increase in Patents and Other Noncurrent Assets	(359,186)	(136,542)
Redemption of Short Term Investments	8,539,666	2,342,970
Purchase of Short Term Investments	-	(661,828)
-----		
Net Cash Provided by Investing Activities	8,280,496	839,347
CASH FLOWS FROM FINANCING ACTIVITIES:		
Sale of Stock	16,739	-
Proceeds from Exercise of Stock Options	7,124	13,306
-----		
Net Cash Provided by Financing Activities	23,863	13,306
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Increase (Decrease) in Cash and Cash Equivalents	2,820,430	(3,534,790)
Cash and Cash Equivalents at Beginning of Period	7,644,653	5,151,419
-----		
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$10,465,083	\$ 1,616,629
-----		
CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS AT END OF PERIOD	\$10,465,083	\$21,849,014
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See accompanying notes to financial statements

T CELL SCIENCES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 1995

(1) NATURE OF BUSINESS  
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T Cell Sciences, Inc. (the "Company"), was incorporated in the State of Delaware on December 9, 1983, and is utilizing proprietary complement inhibitor and T cell receptor technology to develop pharmaceutical products to treat diseases of inflammation and autoimmunity. T Cell Diagnostics, Inc. ("TCD"), a wholly-owned subsidiary of the Company, develops, manufactures and markets innovative preclinical reagents and immune monitoring products.

The consolidated financial statements include the accounts of T Cell Sciences, Inc. and its wholly owned subsidiary, T Cell Diagnostics, Inc. All intercompany transactions have been eliminated.

(2) INTERIM FINANCIAL STATEMENTS  
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The accompanying financial statements for the three and six month periods ended June 30, 1995 and 1994 include the consolidated accounts of the Company, and have been prepared in accordance with generally accepted accounting principles for interim reporting information and with the instructions to Form 10-Q and article 10 of Regulation S-X. In the opinion of management, the information contained herein reflects all adjustments, consisting solely of normal recurring adjustments, that are necessary to present fairly the financial positions at June 30, 1995 and December 31, 1994, the results of operations for the three and six month periods ended June 30, 1995 and 1994, and the cash flows for the six month periods ended June 30, 1995 and 1994. The results of operations for the three and six month periods ended June 30, 1995 are not necessarily indicative of results for any future interim period or for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted, although the Company believes that the disclosures included are adequate to make the information presented not misleading. The consolidated financial statements and the notes included herein should be read in conjunction with footnotes contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

(3) LITIGATION  
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In December 1994, the Company filed a lawsuit against the landlord of its former Cambridge, Massachusetts headquarters for damages it has incurred as a result of the forced evacuation and relocation of its operations due to air quality problems. The defendants in this lawsuit have counterclaimed alleging that the Company has breached its lease obligations. The Company believes that losses arising from the counterclaims are not probable and therefore, no amounts have been recorded in the financial statements. The Company's insurance carrier has agreed to reimburse the Company for certain legal expenses associated with defense of certain of the counterclaims. In July 1995 the bank holding a mortgage on the building containing the Company's former facilities filed a lawsuit against the Company to collect rents it alleges are due to the bank, instead of the landlord, as a result of an agreement pertaining to the financing of the initial build-out of the facilities in 1987. The Company has filed a motion, which is pending, to dismiss this lawsuit.

The Company brought suit in July 1995 against its insurance carrier, Chubb & Son, Inc., and the policy underwriter, Federal Insurance Company, for a judgment that the Company is entitled to insurance coverage for its property and business interruption losses incurred as a result of the forced evacuation and relocation.

See Part II., Item 1. -- Legal Proceedings.

#### (4) SUBSEQUENT EVENTS

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In August 1994, the Company entered into a five year agreement which allows it to lease up to \$2,000,000 in machinery, equipment and leasehold improvements. The lease arrangement requires that the Company maintain certain restrictive covenants, including maintaining cash, cash equivalents and short term investment balances of not less than \$10,000,000 and certain financial ratios. During July 1995 the Company's cash balance fell below the minimum covenant requirement. As a result, cash collateral will be reserved for amounts outstanding on the lease until the restrictions are met. At June 30, 1995 \$1,568,000 had been drawn against the lease. The Company intends to continue to draw against the lease during 1995 to meet its capital requirements.

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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##### RESULTS OF OPERATIONS

The Company reported a consolidated net loss of \$2,584,873 or \$.15 per share for the quarter ended June 30, 1995, compared with a net loss of \$2,278,576 or \$.13 per



share for the second quarter ended June 30, 1994. For the six months ended June 30, 1995, the Company reported a consolidated net loss of \$4,995,334 or \$.29 per share, compared with a net loss of \$4,215,469 or \$.25 per share for the six months ended June 30, 1994. The increased loss for the quarter ended June 30, 1995 compared to the same period last year was primarily the result of lower product development revenue and a decline in product sales partially offset by reduced expenses in all functional areas except marketing and sales which increased due to expenses associated with the launch of TRAX[Registered] CD4.

Product development revenue decreased 62% or \$887,697 to \$547,940 for the quarter ended June 30, 1995 compared to the same quarter last year. For the six months ended June 30, 1995 product development revenue decreased 59% to \$1,136,616 compared to \$2,785,000 for the same period last year. The decrease for the quarter ended June 30, 1995 is primarily the result of anticipated lower revenue from the Company's collaborative partner, Astra AB, in accordance with the Amended and Restated Product Development and Distribution Agreement ("the Agreement") of December 1993. Included in product development revenue for the quarter ended June 30, 1995 is the reduction of an advance from Astra AB for the construction of laboratory facilities at the Company's former headquarters which were evacuated during June 1994 due to air quality problems (see part II., item 1.). The collaborator advance liability has been reduced by \$318,427 to \$181,573 based on the Agreement and management's assessment of the Company's obligations within the agreement. For the quarter ended June 30, 1994 product development revenue reflected a milestone payment from Yamanouchi Pharmaceuticals Co., Ltd. for services performed under the TRAX[Registered] product marketing agreement. For the six months ended June 30, 1995 the decrease in product development is primarily the result of a 46% decrease in revenue from Astra AB compared to the same period last year, coupled with a signing fee associated with the former distribution agreement with INCSTAR Corporation in the first quarter of 1994 and the milestone payment received from Yamanouchi Pharmaceuticals Co., Ltd. in the second quarter of 1994.

Product sales revenue of \$629,403 for the quarter ended June 30, 1995 decreased 22% compared to the same period last year. For the six months ended June 30, 1995 product sales revenue decreased 28% to \$1,237,483 compared to \$1,725,112 for the comparable period last year. The decrease in product sales for the quarter and six months ended June 30, 1995 is primarily attributable to increased competition with resulting price and volume erosion on certain products and continued weakness in the international diagnostic product market. In May 1995 the Company received clearance from the U.S. Food and Drug Administration to market the TRAX[Registered] CD4

test kit. The TRAx[Registered] CD4 test kit is an in vitro diagnostic test kit which provides a method for enumerating CD4 T cells, a type of white blood cell monitored by physicians treating patients infected with HIV. The Company launched the TRAx[Registered] CD4 test kit in the U.S. during the second quarter through a direct sales effort with the first customer shipment in July 1995.

Gross margins decreased to 25.7% for the quarter ended June 30, 1995 compared to 31.6% for the quarter ended June 30, 1994. For the six months ended June 30, 1995 gross margin was 21.4% compared to 39.8% for the same period last year. The decrease for the quarter and six months is primarily due to inefficiencies of producing at lower volumes.

Research and development expenses decreased \$495,198 or 20% for the quarter ended June 30, 1995 compared to the same period last year. The decrease is primarily attributable to the Company's cost containment programs implemented during the latter part of 1994, partially offset by costs associated with two phase I clinical trials evaluating the use of TP10, (soluble complement receptor type 1). The first phase I clinical trial began in the latter part of 1994 in patients at risk of developing adult respiratory distress syndrome. A second phase I clinical trial to evaluate the use of TP10 in reperfusion injury following heart attack was initiated during the second quarter of 1995. For the six months ended June 30, 1995 research and development expenses were \$3,993,600 compared to \$5,122,779 for the same period last year. The decrease is primarily attributable to the Company's cost containment program combined with additional costs incurred in the first quarter of 1994 relating to the supplemental clinical trial conducted for TRAx[Registered] CD4, partially offset by costs associated with the phase I clinical trials evaluating the use of TP10.

General and administrative expenses decreased to \$987,939 and \$2,047,311 for the quarter and six months ended June 30, 1995, respectively, from \$1,312,431 and \$2,441,267 for the comparable period last year. Reorganization of responsibilities and discretionary cost containment programs implemented during 1994 and continued in 1995 have contributed to the decrease in expense in these administrative areas.

The operating loss increased 7% to \$2,736,562 for the quarter ended June 30, 1995 from \$2,563,948 for the quarter ended June 30, 1994. For the six months ended June 30, 1995 the operating loss was \$5,376,399, a 10% increase compared to \$4,892,418 for the prior year. In July 1995, the Company implemented a restructuring program across all functional areas to reduce expenses and cash consumption and to improve

manufacturing and associated skills and capabilities. The Company expects the restructuring program to significantly reduce expenses and result in restructuring related expenses in the third quarter of 1995 of approximately \$250,000.

Interest income decreased 47% to \$151,689 for the quarter ended June 30, 1995 compared with \$285,370 for the quarter ended June 30, 1994. For the six months ended June 30, 1995 interest income was \$381,065 compared to \$676,947 in the prior year. The decrease is the result of lower cash balances during the quarter and six month period ended June 30, 1994 compared to the same periods last year.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company had cash, cash equivalents and short term investments of approximately \$10,465,000 at June 30, 1995. The balance decreased \$5,719,000 from \$16,184,000 at December 31, 1994 and \$11,384,000 from \$21,849,000 at June 30, 1994. The decrease from December 31, 1994 is primarily due to the net operating loss of \$4,995,000 for the six months ended June 30, 1995. The decrease from June 30, 1994 is primarily due to the net operating loss for the twelve month period ended June 30, 1995 which included property and business interruption losses associated with the air quality problems and subsequent forced evacuation of the Company's former headquarters during the latter half of 1994. The Company has filed suit against its insurance carrier and the policy underwriter for a coverage decision on these losses (see part II., item 1.). Also included were realized losses from maturities and other sales of securities incurred in the second half of 1994.

The Company has no long-term debt. During 1994, the Company entered into an operating lease agreement with a five year term to lease up to \$2 million of equipment. The lease arrangement requires that the Company maintain certain restrictive covenants, including maintaining cash, cash equivalents and short term investment balances of not less than \$10,000,000 and certain financial ratios. During July 1995 the Company's cash balance fell below the minimum covenant requirement. As a result, cash collateral will be reserved for amounts outstanding on the lease until the restrictions are met. At June 30, 1995 \$1,568,000 had been drawn against the lease. The Company intends to continue to draw against the lease during 1995 to meet its capital requirements.

The Company believes its current cash, cash equivalents and short term investments combined with anticipated net cash provided by operations will be adequate to meet the Company's cash requirements for operations into 1996 and the Company is considering additional sources of funding through collaborative arrangements, capital financing and other

avenues to meet cash requirements through 1996 and into the future.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS:

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In connection with the Company's air quality problems which caused skin and respiratory irritations to a large number of its employees, the Company is now a party to several lawsuits. As discussed in the Company's Annual Report on Form 10-K, the Company filed a lawsuit in December 1994 against the landlord of its former Cambridge, Massachusetts headquarters for damages it has incurred as a result of the forced evacuation and relocation of its operations. The defendants in this lawsuit have counterclaimed alleging that the Company has breached its lease obligations. This lawsuit is in the discovery stages and the Company continues to believe that it will be successful in its claims and defenses. In July 1995 the bank holding a mortgage on the building in which the Company's former facilities were located filed a lawsuit against the Company to collect rents it alleges are due to the bank, instead of the landlord, as a result of an agreement pertaining to the financing of the initial build-out of the former facilities in 1987. The Company has filed a motion, which is pending, to dismiss this lawsuit.

As reported in the Company's Annual Report of Form 10-K, the Company filed a claim with its insurance carrier, Chubb & Son, Inc. ("Chubb"), for property and business interruption losses it has incurred as a result of the air quality problem and evacuation and relocation of all of its operations. Despite repeated attempts by the Company to obtain an insurance recovery for its covered losses, Chubb has failed to either cover any of the losses or formally deny the claims. As a result, the Company brought suit in July 1995 against Chubb and the policy underwriter, Federal Insurance Company, which claims that the Company is entitled to insurance coverage and that the defendants have engaged in unfair and deceptive practices and which seeks judgment for its losses and treble damages. This lawsuit is in the preliminary stages.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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On May 18, 1995 the Company held its Annual Meeting of Stockholders at which the voters elected six directors to its Board of Directors. Although his name had been submitted for nomination as Director, Mr. Ronald M. Urvater retired from the Board of Directors effective May 1995.

At the Company's Annual Meeting of Stockholders, the following were elected to the Board of Directors:

	For ---	Withhold Authority -----
James D. Grant	11,486,323	192,871
Patrick C. Kung	11,484,923	194,271
Alan W. Tuck	11,484,423	194,771
John P. Munson	11,486,213	192,981
John Simon	11,484,923	194,271
Thomas R. Ostermueller	11,481,823	197,371

The number of shares issued, outstanding and eligible to vote as of the record date of March 24, 1995 were 17,037,899. Quorum was 11,679,194 shares represented by 307 proxies or 68.5% of the eligible voting shares tabulated.

ITEM 5. OTHER INFORMATION:

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On June 7, 1995 the Company announced the formation of Global Pharma Ltd., a Bermuda company, whose purpose is to expand and extend the uses and markets for Chinese government approved ethical pharmaceuticals within China and to select and acquire unrecognized Chinese pharmaceuticals for development in other markets of the world. Patrick Kung, Ph.D., T Cell Sciences' scientific founder and Vice Chairman is President and Chairman of Global Pharma. Global Pharma completed its first round of financing in September 1994 with several private investors and established a joint venture in China which began operations in February 1995. The Company now owns a minority position in Global Pharma.

On July 6, 1995 the Company announced the completion of patient accrual in its phase I clinical trial evaluating the use of TP10, the product name for soluble complement receptor 1, in adult respiratory distress syndrome ("ARDS"). Trial results will be summarized during the American Association of Chest Physicians Meeting in late October 1995.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. EXHIBITS

10.9 Master Equipment Lease Agreement                      page 16  
Fleet Credit Corporation, Lessor

B. REPORTS ON FORM 8-K

During the second quarter of 1995 the Company filed a Form 8-K, dated May 18, 1995, reporting that its subsidiary, T Cell Diagnostics, Inc., received clearance from the U.S. Food and Drug Administration to market the TRAX[Registered] CD4 test kit. The TRAX[Registered] CD4 test kit is an in vitro

diagnostic test kit which provides a method for enumerating CD4 T cells, a type of white blood cell monitored by physicians treating patients infected with HIV.

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.

T CELL SCIENCES, INC.

BY: /s/Alan W. Tuck  
-----  
President & Chief  
Executive Officer

[LOGO]  
FLEET Credit Corporation

Master Equipment Lease Agreement  
No. 31816-

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LESSOR: FLEET CREDIT CORPORATION  
  
a Rhode Island Corporation ("Lessor")  
ADDRESS: 111 Westminster Street  
Providence, Rhode Island 02903  
Telephone (401) 278-6911

LESSEE: T Cell Sciences, Inc.  
-----  
a Delaware Corporation ("Lessee")  
-----  
ADDRESS: 38 Sidney Street  
-----  
Cambridge, Massachusetts 02139  
-----  
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1. LEASE OF EQUIPMENT

By this Master Equipment Lease Agreement which, together with all Lease Schedules, Acceptance Certificates, riders, exhibits, amendments and other documents now or hereafter attached hereto and made a part hereof, is hereinafter referred to as the "Lease", Lessor leases to Lessee and Lessee leases from Lessor, subject to terms and conditions contained in this Lease, the personal property, together with all replacement parts, repairs, additions and accessories (collectively, the "Equipment") described in any Lease Schedule which shall become a part hereof. Notwithstanding anything to the contrary expressed or implied in this Lease, the terms and conditions of this Lease shall be construed and interpreted as to each Lease Schedule as if a separate but identical lease shall have been executed between the parties with regard to the Equipment on such Lease Schedule. The Equipment is to be delivered and installed at Lessee's expense at the location specified on the applicable Lease Schedule. The Equipment shall be deemed to have been accepted by Lessee for all purposes under this Lease upon Lessor's receipt of an Acceptance Certificate with respect to such Equipment, executed by Lessee after receipt of all other documentation required by Lessor with respect to such Equipment. Lessor shall not be liable or responsible for any failure or delay in the delivery of the Equipment to Lessee for whatever reason.

2. TERM AND RENT

The term of this Lease shall commence on the date hereof and the lease term of each item of Equipment shall commence on the date of the Acceptance Certificate with respect to such item and shall continue for the number of months, and any proration thereof, specified in the applicable Lease Schedule. Rental payments shall be in the amounts and shall be due and payable as set forth in the applicable Lease Schedule. Lessee shall, in addition, pay interim rent to Lessor on a pro-rata basis from the Acceptance Date to the Lease Term Commencement Date set forth in the applicable Acceptance Certificate on such Lease Term Commencement Date. If any rent or other amount payable hereunder shall not be paid within 10 days of the date when due, Lessee shall pay as an administrative and late charge an amount equal to 5% of the amount of any such overdue payment. In addition, Lessee shall pay interest on such delinquent payment from 30 days after the due date until paid at the rate of 1 1/2% per month or the maximum amount permitted by law, whichever is lower. All payments to be made to Lessor shall be made to Lessor at the address shown above, or at such other place as Lessor shall specify in writing. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN WRITING EXECUTED BY LESSOR AND LESSEE, THIS IS A NON-CANCELABLE, NON-TERMINABLE LEASE FOR THE TERM SET FORTH IN EACH LEASE SCHEDULE HERETO.

3. POSSESSION; PERSONAL PROPERTY

No right, title or interest in the Equipment shall pass to Lessee other than the right to maintain possession and use of the Equipment for the full lease term (provided no Event or Default has occurred) free from interference by any person claiming by, through, or under Lessor. The Equipment shall always remain personal property even though the Equipment may hereafter become attached or affixed to real property. Lessee agrees to give and record such notices and to take such other action at its own expense as may be necessary to prevent any third party (other than an assignee of Lessor) from acquiring or having the right under any circumstances to acquire any interest in the Equipment or this Lease. In the event such third party does acquire or have the right to acquire any interest in the Equipment or this Lease, Lessee shall remove such third party's interest within 30 days of its being asserted.

4. DISCLAIMER OF WARRANTIES

LESSOR IS NOT THE MANUFACTURER OR SUPPLIER OF THE EQUIPMENT, NOR THE



AGENT THEREOF, AND MAKES NO EXPRESS OR IMPLIED WARRANTIES AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE MERCHANTABILITY OF THE EQUIPMENT, ITS FITNESS FOR A PARTICULAR PURPOSE, ITS DESIGN OR CONDITION, ITS CAPACITY OR DURABILITY, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OR CONFORMITY OF THE EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER RELATING THERETO, OR PATENT INFRINGEMENTS, AND HEREBY DISCLAIMS ANY SUCH WARRANTY. LESSOR IS NOT RESPONSIBLE FOR ANY REPAIRS OR SERVICE TO THE EQUIPMENT, DEFECTS THEREIN OR FAILURES IN THE OPERATION THEREOF. Lessee has made the selection of each item of Equipment and the manufacturer and/or supplier thereof based on its own judgment and expressly disclaims any reliance upon any statements or representations made by Lessor. For so long as no Event of Default has occurred and is continuing, Lessee shall be the beneficiary of, and shall be entitled to, all rights under any applicable manufacturer's or vendor's warranties with respect to the Equipment, to the extent permitted by law.

If the Equipment is not delivered, is not properly installed, does not operate as warranted, becomes obsolete, or is unsatisfactory for any reason whatsoever, Lessee shall make all claims on account thereof solely against the manufacturer or supplier and not against Lessor, and Lessee shall nevertheless pay all rentals and other sums payable hereunder. Lessee acknowledges that neither the manufacturer or supplier of the Equipment, nor any sales representative or agent thereof, is an agent of Lessor, and no agreement or representation as to the Equipment or any other matter by any such sales representative or agent of the manufacturer or supplier shall in any way affect Lessee's obligations hereunder.

-----  
This Lease consists of nineteen sections, including the terms and provisions contained on the reverse side hereof, and the terms and provisions of any Lease Schedule, Acceptance Certificate, rider, exhibit, amendment or other document now or hereafter attached hereto and made a part hereof. THIS LEASE REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. LESSEE ACKNOWLEDGES AND CERTIFIES THAT NO SUCH ORAL AGREEMENTS EXIST. This Lease may not be amended, nor may any rights hereunder be waived, except by an instrument in writing signed by the party charged with such amendment or waiver. The term "Lessee" as used herein shall mean and include any and all Lessees who sign hereunder, each of whom shall be jointly and severally bound hereby. This Lease will not be binding on Lessor until executed by Lessor.

By execution hereof, the signed certifies that he or she has read, accepted and duly executed this Master Equipment Lease Agreement on behalf of Lessee.

DATED AS OF: August 5, 1994  
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LESSOR: FLEET CREDIT CORPORATION

LESSEE: T Cell Sciences

By: /s/ Lina M. Ferruolo  
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By: /s/ Alan W. Tuck  
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Title: AVP  
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Title: President and CEO  
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## 5. REPRESENTATIONS, WARRANTIES AND COVENANTS

Lessee represents and warrants to and covenants with Lessor that:

(a) Lessee has the form of business organization indicated above and is duly organized and existing in good standing under the laws of the state listed in the caption of the Lease and is duly qualified to do business wherever necessary to carry on its present business and operations and to own its property; (b) this Lease has been duly authorized by all necessary action on the part of Lessee consistent with its form of organization, does not require any further shareholder or partner approval, does not require the approval of, or the giving notice to, any federal, state, local or foreign governmental authority and does not contravene any law binding on Lessee or contravene any certificate or articles of incorporation or by-laws or partnership certificate or agreement, or any agreement, indenture, or other instrument to which Lessee is a party or by which it may be bound; (c) this Lease has been duly executed and delivered by authorized officers or partners of Lessee and constitutes a legal, valid and binding obligation of Lessee enforceable in accordance with its terms; (d) Lessee has not and will not, directly or indirectly, create, incur or permit to exist any lien, encumbrance, mortgage, pledge, attachment or security interest on or with respect to the Equipment or this Lease (except those of persons claiming by, through or under Lessor); (e) the Equipment will be used solely in the conduct of Lessee's business and will remain in the location shown on the applicable Lease Schedule unless Lessor and Lessee otherwise agree in writing and Lessee has completed all notifications, filings, recordings, and other actions in such new location as Lessor may reasonably request to protect Lessor's interest in the Equipment; (f) there are no pending or threatened actions or proceedings before any court or administrative agency which materially adversely affect Lessee's financial condition or operations and all credit, financial and other information provided by Lessee or at Lessee's direction is, and all such information hereafter furnished will be, true and correct in all material respects; and (g) Lessor has not selected, manufactured or supplied the Equipment to Lessee and has acquired any Equipment subject hereto solely in connection with this Lease and Lessee has received and approved the terms of any purchase order or agreement with respect to the Equipment.

## 6. INDEMNITY

Lessee assumes the risk of liability for, and hereby agrees to indemnify and hold safe and harmless, and covenants to defend, Lessor, its employees, servants and agents from and against; (a) any and all liabilities, losses, damages, claims and expenses (including legal expenses of every kind and nature) arising out of the manufacturing, purchase, shipment and delivery to Lessee, acceptance or rejection, ownership, titling, registration, leasing, possession, operations, use, return or other disposition of the Equipment, including, without limitation, any of such as may arise from patent or latent defects in the Equipment (whether or not discoverable by Lessee), any claims based on absolute tort liability or warranty and any claims based on patent, trademark or copyright infringement; (b) any and all loss or damage of or to the Equipment, normal wear and tear excepted; and (c) any obligation or liability to the manufacturer and any supplier of the Equipment arising under the purchase orders issued by or assigned to Lessor.

The covenants and indemnities contained in this Section and Section 7 shall survive the termination of this Lease.

## 7. TAXES AND OTHER CHARGES

Lessee agrees to comply with all laws, regulations and governmental orders related to this Lease and to the Equipment and its use or possession, and to pay when due and to defend and indemnify Lessor against liability for all license fees, assessments, and sales, use, property, excise, privilege and other taxes (including any related interest or penalties) or other charges or fees now or hereafter imposed by any governmental body or agency upon any Equipment, or with respect to the manufacturing, ordering, shipment, purchase, ownership, delivery, installation, leasing, operation, possession, use, return, or other disposition thereof or the rentals hereunder (other than taxes on or measured solely by the net income of Lessor). Any fees, taxes or other lawful charges paid by Lessor upon failure of Lessee to make such payments shall at Lessor's option become immediately due from Lessee to Lessor.

If a Lease Schedule denominated as a True Lease Schedule shall be made a part of this Lease, then, with respect to the Equipment set forth on such True Lease Schedule, Lessor has assumed the following tax benefits (the "Tax Benefits"): (i) that it will be entitled to cost recovery deductions under Section 168 of the Internal Revenue Code of 1986, as amended (the "Code"), using a 200% declining balance method of depreciation switching to the straight-line method for the first taxable year for which such method will

yield larger depreciation deductions, and assuming a half-year convention and zero salvage value, for the applicable recovery period for such Equipment as set forth in the True Lease Schedule with respect to the Equipment, and (ii) that Lessor will be taxed throughout the term of the Lease Schedule at Lessors federal corporate income tax rate existing on the date of such Lease Schedule (the "Assumed Tax Rate"). If, for any reason whatsoever, there shall be a loss, disallowance, recapture or delay in claiming all or any portion of the Tax Benefits with respect to any of the Equipment, or there shall be included in Lessors gross income for Federal, state or local income tax purposes any amount on account of any addition, modification or improvement to or in respect of any of the Equipment made or paid for by Lessee, or if there shall be a change in the Assumed Tax Rate (any loss, disallowance, recapture, delay, inclusion or change being herein call a "Tax Loss"), then thirty (30) days after written notice to Lessee by Lessor that a Tax Loss has occurred, Lessee shall pay Lessor a lump sum amount which, after deduction of all taxes required to be paid by Lessor with respect to the receipt of such amount, will provide Lessor with an amount necessary to maintain Lessor's after-tax economic yield and overall net after-tax cash flows at at least the same level that would have been available if such Tax Loss has not occurred, plus any interest, penalties or additions to tax which may be imposed in connection with such Tax Loss. In lieu of paying such Tax Loss in a lump sum, Lessor may require, or upon Lessee's request, may agree, in Lessors sole discretion, that such Tax Loss be paid in equal periodic payments over the applicable remaining Lease term with respect to such Equipment with each such payment due and payable at the time each rental payment is due and payable with respect to such Equipment. A Tax Loss shall conclusively be deemed to have occurred if either (a) deficiency shall have been proposed by the Internal Revenue Service or other taxing authority having jurisdiction, or (b) tax counsel for Lessor has rendered an opinion to Lessor that such Tax Loss has so occurred. The foregoing indemnity shall continue in full force and effect notwithstanding the expiration or termination of the Lease or the Lease Term of the Schedule Equipment and each item thereof.

## 8. DEFAULT

Lessee shall be in default of this Lease upon the occurrence of any one or more of the following events (each an "Event of Default"):

(a) Lessee shall fail to make any payment, or rent or otherwise, hereunder within 10 days of the date when due; or (b) Lessee shall fail to obtain or maintain any of the insurance required herein; or (c) Lessee shall fail to perform or observe any covenant, condition or agreement under this Lease, and such failure continued for 10 days after notice thereof to Lessee; or (d) Lessee shall default in the payment or performance of any indebtedness or obligation to Lessor or any parent, subsidiary or affiliated company of Lessor under any note, security agreement, equipment lease, title retention or conditional sales agreement or any instrument or agreement evidencing such indebtedness with Lessor or any parent, subsidiary or affiliated company of Lessor; or (e) any representation or warranty made by Lessee herein or in any certificate, agreement, statement or document heretofore or hereafter furnished Lessor in connection herewith including, without limitation, any financial information disclosed to Lessor, shall prove to be false or incorrect in any material respect; or (f) death or judicial declaration of incompetence of Lessee, if an individual; the commencement of any bankruptcy, insolvency, arrangement, reorganization, receivership, liquidation or other similar proceeding by or against Lessee or any of its properties or business, or the appointment of a trustee, receiver, liquidator or custodian for Lessee or any of its properties of business, or if Lessee suffers the entry of an order for relief under Title 11 of the United States Code; or the making by Lessee of a general assignment or deed of trust for the benefit of creditors; or (g) Lessee shall default in any payment or other obligation to any third party and any applicable grace or cure period with respect thereto has expired; or (h) Lessee shall terminate its existence by merger, consolidation, sale of substantially all of its assets or otherwise; or (i) if Lessee is a privately held corporation, more than 50% of Lessee's voting capital stock, or effective control of Lessee's voting capital stock, issued and outstanding from time to time, is not retained by the holders of such stock on the date of this Lease; or (j) if Lessee is a publicly held corporation, there shall be a change in the ownership of Lessee's stock such that Lessee is no longer subject to the reporting requirements of the Securities Act of 1934 or no longer has a class of equity securities registered under Section 12 of the Securities Act of 1934; or (k) Lessor shall determine, in its sole discretion and in good faith, that there has been a material adverse change in the financial condition of the Lessee since the date of this Lease or that Lessee's ability to make any payment hereunder promptly when due or otherwise comply with the terms of this Lease or any other agreement between Lessor and Lessee is impaired; or (l) any event or condition set forth in subsections (b), (c), (d), (e), (f), (g), (h), (i), (j), or (k) of this Section 8 shall occur with respect to any guarantor or other person responsible, in whole or in part, for payment or performance of this Lease; or (m) any event or condition set forth in subsections (d), (e), (f), (g), (h), (i) or (j) shall occur with respect to any owner or parent,

affiliate or subsidiary corporation of Lessee.

Lessee shall promptly notify Lessor of the occurrence of any Event of Default or the occurrence or existence of any event or condition which, upon the

giving of notice or lapse of time, or both, may become an Event of Default.

## 9. REMEDIES

Upon the occurrence of any Event of Default, Lessor may, at its sole option and discretion, exercise one or more of the following remedies with respect to any or all of the Equipment: (a) cause Lessee to promptly return, upon written demand and at Lessee's sole expense, any or all Equipment to such location as Lessor may designate in accordance with the terms of Section 18, or Lessor, at its option, may enter upon the premises where the Equipment is located and take immediate possession of and remove the same by summary proceedings or otherwise, all without liability to Lessor for or by reason of damage to property or such entry or taking possession except for Lessor's gross negligence or willful misconduct; (b) sell any or all the Equipment at public or private sale or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment, all as Lessor in its sole discretion may determine and all free and clear of any rights of Lessee; (c) remedy such default, including making repairs or modifications to the Equipment, for the account of and the expense of Lessee and Lessee agrees to reimburse Lessor for all of Lessor's costs and expenses; (d) by written notice to Lessee, terminate this Lease with respect to any or all Lease Schedules in default and the Equipment subject thereto, as such notice shall specify, and, with respect to such terminated Lease Schedules and Equipment, declare immediately due and payable and recover from Lessee, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the sum of (i) all rental payments accrued and unpaid, plus interest and late charges thereon, calculated as of the date payment is actually made, plus (ii) the applicable Stipulated Loss Value with respect thereto (hereinafter defined), plus (iii) all other amounts then payable to Lessor hereunder; (e) apply any deposit or other cash collateral or sale or remarketing proceeds of the Equipment at any time as it sees fit to reduce any amounts due to Lessor, and (f) exercise any other right or remedy which may be available to it under applicable law, or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof, including reasonable attorneys' fees and court costs.

No remedy referred to in this Section 9 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity. The exercise or beginning of exercise by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all such other remedies and all remedies hereunder shall survive termination of this Lease.

At any sale of the Equipment pursuant to this Section 9, Lessor may bid for and purchase the Equipment. Notice required, if any, of any sale or other disposition hereunder by Lessor shall be satisfied by the mailing of such notice to Lessee at least seven (7) days prior to the sale or other disposition. In the event Lessor takes possession and disposes of the Equipment, Lessor shall give Lessee credit for any sums actually received by Lessor from the disposition of the Equipment after deductions of expenses of disposition and the amounts due to Lessor under Section 9 (d) above. A termination shall occur only upon written notice by Lessor and only with respect to such Equipment as Lessor shall specify by such notice. Termination under this Section 9 shall not affect Lessee's duty to perform Lessee's obligations hereunder to Lessor in full. Lessee agrees to reimburse Lessor on demand for any and all costs and expenses incurred by Lessor in enforcing its rights and remedies hereunder following the occurrence of an Event of Default, including, without limitation, reasonable attorneys' fees, and the costs of repossession, storage, insuring, reletting, selling and disposing of any and all Equipment.

The term "Stipulated Loss Value" as used in this Lease shall mean the Stipulated Loss Value calculated and as set forth in any Schedule of Stipulated Loss Values attached to and made a part of any Lease Schedule hereto with respect to the Equipment set forth in such Lease Schedule. If there is no such Schedule of Stipulated Loss Values applicable to such Lease Schedule and Equipment, then the Stipulated Loss Value shall mean, for any particular date, the net present value of all rental payments then remaining unpaid for the term of the Lease Schedule plus the amount of any purchase or renewal option or obligation with respect to the Equipment or, if there is no such option or obligation, then the fair market value of the Equipment at the end of such term, as estimated by Lessor in its sole, reasonable discretion, discounted at a rate of the 1-year Treasury Constant Maturity rate as published in the Selected Interest Rates Table of the Federal Reserve statistical release H.15 (519) for the Week Ending immediately prior to the original Acceptance Date for such Equipment as set forth in the Acceptance Certificate applicable thereto.

## 10. ADDITIONAL SECURITY

Lessee hereby grants to Lessor a security interest in all personal

property, whether now owned by Lessee or hereafter acquired by purchase from Lessor, now or hereafter leased to Lessee by Lessor or financed by Lessor under any lease, security, loan or conditional sales agreement or any other document or instrument. Such security interest is granted to secure the prompt payment and performance when due (by reason of acceleration or otherwise) of each and every indebtedness, obligation or liability, whether now existing or hereinafter incurred of Lessee, or any affiliate, parent or subsidiary of Lessee, to Lessor, including but not limited to the liabilities of Lessee under this Lease. The extent to which Lessor shall have a purchase money security interest in any item of Equipment that is subject to a Lease Schedule which is deemed to create a security interest under Section 1-201 (37) of the Uniform Commercial Code shall be determined by reference to the Acquisition Cost of such item financed by Lessor. In order more fully to secure its rental payments and all other obligations to Lessor hereunder, Lessee hereby grants to Lessor a security interest in any deposit of Lessee to Lessor under Section 3 (d) of any Lease Schedule hereto. Such security deposit shall not bear interest, may be commingled with other funds of Lessor and shall be immediately restored by Lessee if applied under Section 9 (e). Upon expiration of the term of this Lease and satisfaction of all of Lessee's obligations, the security deposit shall be returned to Lessee. The term "Lessor" as used in this Section 10 shall include any subsidiary, parent or affiliate of Lessor.

#### 11. NOTICES

Any notices and demands required or permitted to be given under this Lease shall be given in writing and by regular mail and shall become effective when deposited in the United States mail with postage prepaid to Lessor to the attention of Customer Accounts, and to Lessee at the addresses herein above set forth, or to such other address as the party to receive notice hereafter designates by such written notice.

#### 12. MAINTENANCE; INSPECTIONS; LOSS AND DAMAGE

During the term of the Lease for each item of Equipment, the Lessee shall, unless the Lessor shall otherwise consent in writing; (a) permit each item to be used only within the continental United States by qualified personnel solely for business purposes and the purpose for which it was designed and, at its sole expense, service, repair, overhaul and maintain each item in the same condition as when received, ordinary wear and tear excepted, in good operating order, consistent with prudent industry practice (but, in no event less than the same extent to which Lessee maintains, in the prudent management of its equipment, other similar properties of Lessee) and in compliance with all applicable laws, ordinances, regulations, and conditions of all insurance policies required to be maintained by Lessee under the Lease and all manuals, orders, recommendations, instructions and other written requirements as to the repair and maintenance of such item issued at any time by the vendor and/or manufacturer thereof; (b) maintain conspicuously on each item such labels, plates, decals or other markings as Lessor may reasonably require, stating that Lessor is owner of such item; (c) make no additions, alterations, modifications or improvements (collectively, "Improvements") to any item that are not readily removable without causing material damage to such item or which will cause the value, utility or useful life of such item to materially decline. If any such Improvement is made and cannot be removed without causing material damage or decline in value, utility or useful life (a "Non-Severable Improvement"), then Lessee warrants that such Non-Severable Improvement shall immediately become the Lessor's property upon being installed and shall be free and clear of all liens and encumbrances and shall become Equipment subject to all of the terms and conditions of the Lease. All such Improvements that are not Non-Severable Improvements shall be removed by Lessee prior to the return of the item hereunder or such Improvements shall also become the sole and absolute property of Lessor without any further payment by Lessor to Lessee and shall be free and clear of all liens and encumbrances whatsoever. Lessee shall repair all damage to any item caused by the removal of any Improvement so as to restore such item to the same condition which existed prior to its installation and as required by this Lease.

During the term of the Lease and any extensions and renewals thereof, and during any storage period as set forth below, the Lessee shall furnish to Lessor such information concerning the condition, location, use and operation of the Equipment as Lessor may reasonably request and shall permit any person designated by Lessor to visit and inspect any item of Equipment and any records maintained in connection therewith. If any item of Equipment does not comply with the requirements of this Lease, Lessee shall, within 30 days of written notice from Lessor, bring such Equipment into compliance; provided, however, that the failure of Lessor to inspect the Equipment or to inform Lessee of any noncompliance shall not relieve Lessee of any of its obligations hereunder.

Lessee hereby assumes all risk of loss, damage or destruction for whatever reason to the Equipment from and after the earlier of the date (a) on which the Equipment is ordered, or (b) Lessor pays the purchase price of the Equipment, and continuing until the Equipment has been returned to, and

accepted by Lessor in the condition required by Section 18 hereof. If any item of Equipment shall become lost, stolen, destroyed, damaged beyond repair or

rendered permanently unfit for use for any reason, or in the event of any condemnation, confiscation, theft or seizure or requisition of title to or use of such item, Lessee shall promptly pay to Lessor an amount equal to the Stipulated Loss Value of such item.

### 13. INSURANCE

Lessee shall procure and maintain insurance in such amounts and upon such terms and with such companies as Lessor may approve during the entire term of this Lease and until the Equipment has been returned to, and accepted by, Lessor in the condition required by Section 18 hereof, at Lessee's expense, provided that in no event shall such insurance be less than the following: (a) Worker's Compensation and Employer's Liability Insurance, in the full statutory amounts provided by law; (b) Comprehensive General Liability Insurance including product/completed operations and contractual liability Coverage, with minimum limits of the greater of (i) \$1,000,000 each occurrence, and Combined Single Limit Body Injury and Property Damage, \$1,000,000 aggregate, where applicable, or (ii) as otherwise specified in any Lease Schedule hereto; and (c) All Risk Physical Damage Insurance, including earthquake and flood, on each item of Equipment, in an amount not less than the Stipulated Loss Value of the Equipment. Lessor will be included as an additional insured and loss payee as its interest may appear. Such policies shall be endorsed to provide that the coverage afforded to Lessor shall not be rescinded, impaired or invalidated by any act or neglect of Lessee. Lessee agrees to waive Lessee's right and its insurance carrier's rights of subrogation against Lessor for any and all loss or damage.

In addition to the foregoing minimum insurance coverage, Lessee shall procure and maintain such other insurance coverages as Lessor may require from time to time during the term of this Lease. All policies shall contain a clause requiring the insurer to furnish Lessor with at least 30 days' prior written notice of any material change, cancellation or non-renewal of coverage. Upon execution of this Lease, Lessee shall furnish Lessor with a certificate of insurance or other evidence satisfactory to Lessor that such insurance coverages are in effect, provided, however, that Lessor shall be under no duty either to ascertain the existence of or to examine such insurance coverage or to advise Lessee in the event such insurance coverage should not comply with the requirements hereof. In case of failure of Lessee to procure or maintain insurance, Lessor may at its option obtain such insurance, the cost of which will be paid by the Lessee as additional rentals. Lessee hereby irrevocably appoints Lessor as Lessee's attorney-in-fact to file, settle or adjust, and receive payment of claims under any such insurance policy and to endorse Lessee's name on any checks, drafts or other instruments in payment of such claims. Lessee further agrees to give Lessor prompt notice of any damage to, or loss of, the Equipment, or any part thereof.

### 14. LIMITATION OF LIABILITY

Lessor shall have no liability in connection with or arising out of the ownership, leasing, furnishing, performance or use of the Equipment or any special, indirect, incidental or consequential damages of any character, including, without limitation, loss of use of production facilities or equipment, loss of profits, property damage or lost production, whether suffered by Lessee or any third party.

### 15. FURTHER ASSURANCES

Lessee shall promptly execute and deliver to Lessor such further documents and take such further action as Lessor may require in order to more effectively carry out the intent and purpose of this Lease. Lessee shall provide to Lessor within 120 days after the close of each of Lessee's fiscal years, and, upon Lessor's request, within 45 days of the end of each quarter of Lessee's fiscal year, a copy of its financial statements prepared in accordance with generally accepted accounting principles. Lessee shall execute and deliver to Lessor upon Lessor's request such instruments and assurances as Lessor deems necessary for the confirmation, preservation or perfection of this Lease and Lessor's rights hereunder, including, without limitation, such corporate resolutions and opinions of counsel as Lessor may request from time to time, and all schedules, forms and other reports as may be required to satisfy obligations imposed by taxing authorities. In furtherance thereof, Lessor may file or record this Lease or a memorandum or a photocopy hereof (which for the purposes hereof shall be effective as a financing statement) so as to give notice to third parties, and Lessee hereby appoints Lessor as its attorney-in-fact to execute, sign, file and record UCC financing statements and other lien recordation documents with respect to the Equipment where Lessee fails or refuses to do so after Lessor's written request, and Lessee agrees to pay or reimburse Lessor for any filing, recording or stamp fees or taxes arising from any such filings.



## 16. ASSIGNMENT

This Lease and all rights of Lessor hereunder shall be assignable by Lessor absolutely or as security, without notice to Lessee, subject to the rights of Lessee hereunder. Any such assignment shall not relieve Lessor of its obligations hereunder unless specifically assumed by the assignee, and Lessee agrees it shall not assert any defense, rights of set-off or counterclaim against any assignee to which Lessor shall have assigned its rights and interests hereunder, nor hold or attempt to hold such assignee liable for any of Lessor's obligations hereunder. No such assignment shall materially increase Lessee's obligations hereunder. Lessee agrees, upon Lessor's written request, to provide to any such assignee an acknowledgment of such assignment confirming the terms, conditions, representations, warranties and covenants contained in this Lease.

LESSEE SHALL NOT ASSIGN OR DISPOSE OF ANY OF ITS RIGHTS OR OBLIGATIONS UNDER THIS LEASE OR ENTER INTO ANY SUBLEASE WITH RESPECT TO ANY OF THE EQUIPMENT WITHOUT THE EXPRESS PRIOR WRITTEN CONSENT OF LESSOR.

## 17. LESSEE'S OBLIGATIONS UNCONDITIONAL

This Lease is a net lease and Lessee hereby agrees that it shall not be entitled to any abatement of rents or of any other amounts payable hereunder by Lessee and that its obligation to pay all rent and any other amounts owing hereunder shall be absolute and unconditional under all circumstances, including, without limitation, the following circumstances: (i) set-off, counterclaim, recoupment, defense or other right which Lessee may have against Lessor, any seller or manufacturer of any Equipment or anyone else for any reason whatsoever; (ii) the existence of any liens, encumbrances or rights of others whatsoever with respect to any Equipment, whether or not resulting from claims against Lessor not related to the ownership of such Equipment; or (iii) any other event or circumstances whatsoever. Each rent or other payment made by Lessee hereunder shall be final and Lessee will not seek to recover all or any part of such payment from Lessor for any reason whatsoever.

## 18. RETURN OF EQUIPMENT

Upon the expiration or earlier termination of the Lease with respect to each item of Equipment and provided that the Lessee has not exercised any purchase or renewal option with respect thereto, the Lessee shall return all, but not less than all, of the Equipment on or before the last day of the Lease term to a location designated by Lessor within the continental United States, maintained and in the condition required by this Lease. During any period of time from the expiration or earlier termination of the Lease until the Equipment is returned in accordance with the provisions hereof or paid the applicable purchase option price if any applicable purchase option is exercised (the "Extended Term"), Lessee agrees to pay to Lessor monthly rent on the same day of each month of the Extended Term as during the initial term in an amount equal to 125% of the highest monthly rental payable during the initial term.

## 19. ENFORCEABILITY AND GOVERNING LAW

Any provision of this Lease which is unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such unenforceability without invalidating the remaining provisions hereof, and any such unenforceability in any jurisdiction shall not render unenforceable such provisions in any other jurisdiction without limiting the generality of the foregoing, if any payment constituting interest is made hereunder and that rate is in excess of the maximum allowed by law, then the amount of such excess shall, at Lessor's sole option, be refunded to Lessee or applied to Lessee's other obligations to Lessor. To the extent permitted by applicable law, Lessee hereby waives; (a) any provisions of law which render any provision hereof unenforceable in any respect; (b) all rights and remedies under Sections 508 through and including 522 of the Uniform Commercial Code article or division pertaining to personal property leasing. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given. Time is of the essence in this Lease. The captions in this Lease are for convenience only and shall not define or limit any of the terms hereof.

THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF RHODE ISLAND. LESSEE HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF RHODE ISLAND AND THE FEDERAL DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF ITS OBLIGATIONS HEREUNDER, AND EXPRESSLY WAIVES ANY OBJECTIONS THAT IT MAY HAVE TO THE VENUE OF SUCH COURTS. LESSEE HEREBY EXPRESSLY WAIVES TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS LEASE. Any action by Lessee against Lessor for any cause of action under this Lease shall be brought within one year after any such cause of action first occurs.

[LOGO]

FLEET Credit Corporation  
111 Westminster Street  
Providence, Rhode Island 02903

True Lease Schedule No. 31816-01  
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Lessee: T Cell Sciences, Inc.  
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Address: 38 Sidney Street  
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Cambridge, MA 02139  
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Telephone: (617) 621-1400  
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1. Lessor and Lessee have entered into a Master Equipment Lease Agreement dated as of August 5, 1994 including this Lease Schedule (collectively, the "Lease"), pursuant to which Lessor and Lessee have agreed to lease the equipment described in Schedule A hereto (the "Equipment"). Lessee reaffirms all of its representations, warranties and covenants set forth in the Lease, all of the terms and provisions of which are incorporated herein by reference, as of the date hereof and further certifies to Lessor that Lessee has selected the Equipment and has received and approved the purchase order, purchase agreement or supply contract under which the Equipment will be acquired for purposes of this Lease. To the extent necessary to protect Lessor's interest in the Equipment, Lessee hereby grants to Lessor a first priority security interest in the Equipment.

2. The assumed Acquisition Cost of the Equipment is: \$ 2,000,000.00  
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3. a. Term. The Lease Term is 60 months commencing on the Lease Term Commencement Date as set forth in the Acceptance Certificate to this Lease Schedule plus any partial period between the Acceptance Date of the Equipment as set forth in the Acceptance Certificate and the Lease Term Commencement Date.

b. Rental Payments. Lessee shall pay Lessor SIXTY rental payments in the following amounts plus any applicable sales/use taxes, commencing on the Rental Payment Commencement Date set forth in the Acceptance Certificate and on the same day of each month thereafter for the entire Lease Term:

Rental Payment Nos.	Amount of Each Rental Payment
01-60	\$39,354.60

In the event that the Rental Payments set forth in any Acceptance Certificate hereto differ from those set forth in this Section 3(b), the Rental Payments shall be as set forth in the Acceptance Certificate.

c. Lessee agrees to pay Lessor, in advance, the first ONLY rental payments.

d. Lessor acknowledges receipt from Lessee of a payment in the amount of \$ N/A to be held by Lessor as a deposit to secure Lessee's performance under the Lease.

4. The Equipment will be located at the locations specified in Schedule A hereto.

5. Lessor will invoice Lessee for all sales, use and/or personal property taxes as and when due and payable in accordance with applicable law, unless Lessee delivers to Lessor a valid exemption certificate with respect to such taxes. Delivery of such certificate shall constitute Lessee's representation and warranty that no such tax shall become due and payable with respect to the Equipment and Lessee shall indemnify and hold harmless Lessor from and against any and all liability or damages, including late charges and interest which Lessor may incur by reason of the assessment of such tax.

6. The rental payments may change for Equipment accepted after AUGUST 15, 1994.

7. Lessee represents that the depreciable life of the property, for purposes of Section 168 of the Internal Revenue Code of 1986, is 5 years.

Dated as of August 5, 1994  
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By execution hereof, the signer certifies that he has read, accepted and duly executed this Lease Schedule to the Master Equipment Lease Agreement on behalf of Lessee.

LESSOR: FLEET CREDIT CORPORATION

LESSEE: T CELL SCIENCES, INC.

By: /s/ Lina M. Ferruolo

By: /s/ Alan W. Tuck

Title: AVP

Title: President and CEO

FLEET CREDIT CORPORATION  
50 Kennedy Plaza  
Fifth Floor  
Providence, Rhode Island 02903-2305

ADDENDUM

This Addendum is attached to and made a part of that certain Master Equipment Lease Agreement No. 31816 dated as of August 5, 1994 by and between the undersigned parties (the "Lease").

The undersigned parties hereby agree to amend the Lease as follows:

1. Section 5 is hereby amended by adding the following thereto:

- (h) Lessee will maintain the following financial covenants, determined at the end of each of Lessee's fiscal quarters throughout the term of the Lease:
- (i) Cash (hereinafter defined) of not less than \$10,000,000.00;
- (ii) a ratio of Cash to Total Liabilities of not less than 2:1.

For the purposes of this section, "Cash" shall be defined as the sum of unrestricted cash, cash equivalents and marketable securities.

All other financial terms contained herein that are not specifically defined herein shall be determined in accordance with GAAP.

Lessee will furnish, within 45 days of the end of each Fiscal Quarter and within 120 days of the end of each Fiscal Year, a Compliance Certificate, certified by Lessee's chief financial officer, as to the compliance with the above-referenced covenants.

2. Section 8 of the Lease is hereby amended by adding the following thereto:

- (n) Lessee shall fail to provide Cash collateral in an amount equal to the Stipulated Loss Value, within 10 days of a breach of the covenants contained in Section 5(h) hereunder.

All capitalized terms used herein which are not defined herein shall have the meaning given to such terms in the Lease.

Except as specifically set forth herein, all of the terms and conditions of the Lease remain in full force and effect and are hereby ratified and affirmed. To the extent that the provisions of this Rider conflict with any provisions contained in the Lease, the provisions of this Rider will control.

Dated as of: August 5, 1994

FLEET CREDIT CORPORATION

T CELL SCIENCES, INC.

BY: /s/ Lina M. Ferruolo

BY: /s/ Alan W. Tuck

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TITLE: AVP

TITLE: President and CEO

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS OF T CELL SCIENCES, INC. FOR THE SIX MONTHS ENDED JUNE 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1

	6-MOS	
	DEC-31-1995	
	JAN-01-1995	
	JUN-30-1995	
		10,465,083
		0
		396,181
		(10,000)
		492,854
	11,967,985	
		3,732,782
		(2,970,631)
		14,941,106
	2,145,325	
		0
		17,057
	0	
		0
		12,597,151
12,614,208		
		1,237,483
	2,374,099	
		972,207
		7,750,498
		0
		0
	(381,065)	
	(4,995,334)	
		0
	0	
		0
		0
		0
		0
	(4,995,334)	
		(.29)
		0