

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  
SEPTEMBER 30, 1995.

-----  
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 November 9, 1995 -----
Common Stock, par value \$.001	19,692,890

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

T CELL SCIENCES, INC.  
 CONSOLIDATED BALANCE SHEETS  
 SEPTEMBER 30, 1995 AND DECEMBER 31, 1994

	SEPTEMBER 30, 1995	December 31, 1994
-----		
ASSETS		
Current Assets:		
Cash, Cash Equivalents and Short Term Investments	\$6,230,896	\$ 16,184,319
Accounts Receivable, Net	404,566	551,316
Inventories	521,969	409,266
Prepaid Expenses and Other	578,059	534,653
-----		
Total Current Assets	7,735,490	17,679,554
Property and Equipment, Net	1,295,781	1,060,193
Other Noncurrent Assets	2,641,288	1,944,784
-----		
Total Assets	\$11,672,559	\$20,684,531
-----		
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts Payable	\$ 833,579	\$786,344
Accrued Expenses	994,752	1,812,508
-----		
Total Current Liabilities	1,828,331	2,598,852
-----		
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; 17,112,002 and 17,054,222 Shares Issued and Outstanding	17,112	17,054
Additional Paid-in Capital	55,866,408	55,726,143
Less: 8,446 and 16,323 Common Treasury Shares at Cost	(39,830)	(76,931)
Accumulated Deficit	(46,181,035)	(38,080,587)
-----		
Total Stockholders' Equity	9,662,655	17,585,679
-----		
Total Liabilities and Stockholders' Equity	\$11,672,559	\$20,684,531
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See accompanying notes to financial statements

T CELL SCIENCES, INC.  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1995 AND 1994

	SEPTEMBER 30, 1995	September 30, 1994
-----		
OPERATING REVENUE:		
Product Development and Licensing Agreements	\$ 1,329,428	\$ 3,643,044
Product Sales	1,820,043	2,385,529
-----		
Total Operating Revenue	3,149,471	6,028,573
-----		
OPERATING EXPENSE:		
Cost of Product Sales	1,448,529	1,518,498
Research and Development	5,994,478	7,326,840
General and Administrative	2,999,578	3,370,659
Marketing and Sales	1,208,218	1,148,493
Facility Relocation	85,132	706,300
-----		
Total Operating Expenses	11,735,935	14,070,790
-----		
Operating Loss	(8,586,464)	(8,042,217)
Interest Income, Net	486,016	869,081
-----		
Net Loss	\$(8,100,448)	\$(7,173,136)
-----		
Net Loss Per Common Share	\$ (0.47)	\$ (0.42)
-----		
Weighted Average Common Shares Outstanding	17,066,026	17,053,181
-----		

See accompanying notes to financial statements

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

	SEPTEMBER 30, 1995	September 30, 1994
-----		
OPERATING REVENUE:		
Product Development and Licensing Agreements	\$ 192,812	\$ 858,044
Product Sales	582,560	660,417
-----		
Total Operating Revenue	775,372	1,518,461
-----		
OPERATING EXPENSE:		
Cost of Product Sales	476,322	489,631
Research and Development	2,000,878	2,246,599
General and Administrative	952,267	966,076
Marketing and Sales	470,838	372,918
Facility Relocation	85,132	593,038
-----		
Total Operating Expenses	3,985,437	4,668,262
-----		
Operating Loss	(3,210,065)	(3,149,801)
Interest Income, Net	104,951	192,134
-----		
Net Loss	\$(3,105,114)	\$(2,957,667)
-----		
Net Loss Per Common Share	\$ (0.18)	\$ (0.17)
-----		
Weighted Average Common Shares Outstanding	17,087,800	17,054,222
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See accompanying notes to financial statements

T CELL SCIENCES, INC.  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1995 AND 1994

	SEPTEMBER 30, 1995	September 30, 1994
-----		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$(8,100,448)	\$(7,173,136)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization	402,172	644,787
Net Change in Current Assets and Total Liabilities	(1,098,307)	159,135
-----		
Net Cash Used by Operating Activities	(8,796,583)	(6,369,214)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Property and Equipment	(686,783)	(848,918)
Sales of Equipment, Net	108,059	-
Increase in Patents and Other Noncurrent Assets	(755,540)	(288,320)
Redemption of Short Term Investments	8,539,666	4,370,606
Purchase of Short Term Investments	-	(952,227)
-----		
Net Cash Provided by Investing Activities	7,205,402	2,281,141
CASH FLOWS FROM FINANCING ACTIVITIES:		
Sale of Stock	16,739	-
Proceeds from Exercise of Stock Options	160,685	13,306
-----		
Net Cash Provided by Financing Activities	177,424	13,306
-----		
Increase(Decrease) in Cash and Cash Equivalents	(1,413,757)	(4,074,767)
Cash and Cash Equivalents at Beginning of Period	7,644,653	5,151,419
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$6,230,896	\$ 1,076,652
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See accompanying notes to financial statements

T CELL SCIENCES, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 SEPTEMBER 30, 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 nine month periods ended September 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 September 30, 1995 and December 31, 1994, the results of operations for the three and nine month periods ended September 30, 1995 and 1994, and the cash flows for the nine month periods ended September 30, 1995 and 1994. The results of operations for the three and nine month periods ended September 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 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 in a different state court 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. Although this lawsuit is still pending, the Company is proceeding with a motion to have the two lawsuits consolidated. See Part II., Item 1. -- Legal Proceedings.

The Company brought suit in July 1995 against its insurance carrier and the policy underwriter 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. This lawsuit has been dismissed as a result of a November 8, 1995 settlement agreement. See Item 2. -- Liquidity and Capital Resources.

#### (4) EQUIPMENT OPERATING LEASE

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During 1994, the Company entered into an operating lease agreement with a five year term to lease up to \$2 million of equipment. At September 30, 1995 the Company had approximately \$1,680,000 outstanding on the lease. The lease requires the Company to maintain certain minimum financial covenants, determined as of the end of each fiscal quarter, including cash, cash equivalents and short term investment balances of not less than \$10,000,000 and certain financial ratios. At September 30, 1995 the Company's cash, cash equivalents and short term investment balances were below the minimum covenant requirement. In accordance with the terms of the lease agreement, in November 1995, the Company pledged as collateral to the lessor the cash amount equal to the amount outstanding on the lease (see Exhibit 10.0).

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

##### RESULTS OF OPERATIONS

QUARTER ENDED SEPTEMBER 30, 1995 COMPARED TO QUARTER ENDED SEPTEMBER 30, 1994 -- The Company reported a consolidated net loss of \$3,105,114 or \$.18 per share for the quarter ended September 30, 1995, compared with a net loss of \$2,957,667 or \$.17 per share for the quarter ended September 30, 1994. Anticipated lower product development revenue and a decline in product sales, partially offset by reduced expenses, primarily contributed to the increased loss for the quarter compared to last year. In July 1995, the Company implemented a cost containment program across all functional areas to

reduce expenses and restructure its manufacturing and associated skills and capabilities. The Company recognized a charge of approximately \$250,000 related to the restructuring in the third quarter of 1995. Results of the third quarter of 1994 include \$593,038 of incremental expenses for the relocation of the Company's operations from its Cambridge, Massachusetts facility.

Product development revenue decreased 77.5% or \$665,232 to \$192,812 for the quarter ended September 30, 1995 compared to the same quarter last year. The decrease for the quarter ended September 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 of December 1993. Product sales revenue was \$582,560 for the quarter ended September 30, 1995 reflecting an 11.8% decrease compared to the same period last year. The decrease in product sales for the quarter ended September 30, 1995 is primarily attributable to a shift in sales focus to the launch of TRAX CD4 and increased competition in preclinical products and continued weakness in the international diagnostic product market. The Company received clearance from the U.S. Food and Drug Administration to market the TRAX CD4 test kit in May 1995.

Gross margins decreased to 18.2% for the quarter ended September 30, 1995 compared to 25.9% for the quarter ended September 30, 1994. The decrease for the quarter is primarily due to the inefficiencies of producing at lower volumes.

Research and development expenses decreased \$245,721 or 10.9% for the quarter ended September 30, 1995 compared to the same period last year. The decrease is primarily attributable to the aggressive cost containment programs implemented during the latter part of 1994 combined with an additional cost containment and restructuring program implemented in July 1995. Anticipated increased costs associated with phase I clinical trials evaluating the use of TP10, the product name for soluble complement receptor type 1 (sCR1), partially offset the effects of the Company's restructuring and cost containment programs.

General and administrative expenses decreased to \$952,267 for the quarter ended September 30, 1995 from \$966,076 for the comparable period last year. Reorganization of responsibilities and cost containment programs implemented during 1994 and continued in 1995 have contributed to the decrease in administrative expense.

Marketing and sales expenses for the third quarter increased 26.3% compared to last year. The increase is primarily due to the direct marketing and sales campaign to launch the TRAX CD4 test kit.

Facility relocation expenses for the third quarter of 1994 represent unusual operating expenses associated with the relocation of the Company's operations due to air quality problems in its former Cambridge, Massachusetts headquarters. Rent on temporary facilities, moving costs, and other related costs directly associated with the relocation and air quality issues and expenses associated with outfitting alternative facilities to meet the Company's requirements are included in the relocation cost component.

Interest income decreased 45.4% to \$104,951 for the quarter ended September 30, 1995 compared with \$192,134 for the quarter ended September 30, 1994. The decrease is primarily the result of lower cash balances during the quarter ended September 30, 1995 compared to the same period last year.

NINE MONTHS ENDED SEPTEMBER 30, 1995 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1994 -- For the nine months ended September 30, 1995, the Company reported a consolidated net loss of \$8,100,448 or \$.47 per share, compared with a net loss of \$7,173,136 or \$.42 per share for the nine months ended September 30, 1994. The increased loss for the nine months ended September 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 in the third quarter of 1995 due to expenses associated with the launch of the TRAx(R) CD4 test kit. During the third quarter of 1995 the Company implemented a cost containment program across all functional areas to reduce expenses and a restructuring to enhance manufacturing capabilities. Total costs associated with the restructuring were approximately \$250,000. During the third quarter of 1994, the Company relocated its operation from its Cambridge, Massachusetts facility due to air quality problems. Results for the nine months ended September 30, 1994 include \$706,300 of incremental expenses related to the relocation.

Product development revenue decreased 63.5% or \$2,313,616 for the nine months ended September 30, 1995 compared to the same period last year. The decrease reflected the 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. Product development revenue for the nine months ended September 30, 1995 includes 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 was 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 nine months ended September 30, 1994, product development revenue included a non-refundable execution fee associated with a TRAx product distribution agreement which was subsequently terminated without any future financial obligations and a milestone payment from a TRAx product distribution partner for services in the second quarter of 1994.

Product sales revenue for the nine months ended September 30, 1995 decreased 23.7% to \$1,820,043 compared to \$2,385,529 for the comparable period last year. Continued weakness in the international diagnostic product market combined with increased competition with certain preclinical products to negatively impact sales for the nine month period compared to last year. The Company received clearance from the U.S. Food and Drug Administration in May 1995 to market the TRAx CD4 test kit. The Company implemented an extensive marketing and sales program during the third quarter of 1995.

Gross margin decreased to 20.4% for the nine months ended September 30, 1995 compared to 36.3% for the same period last year. The decrease for the nine months is primarily due to inefficiencies of producing at lower volumes.

For the nine months ended September 30, 1995 research and development expenses were \$5,994,478 compared to \$7,326,840 for the same period last year. A restructuring program which focused the organization further on priority projects was implemented during the third quarter of 1995 to add to the effects of the cost containment programs implemented in the latter part of 1994. Costs associated with two phase I clinical trials evaluating the use of TP10 partially offset the effects of the Company's restructuring and cost containment programs. The first phase I clinical trial began in the latter part of 1994 in patients at risk of developing adult respiratory distress syndrome (ARDS) and was completed during the second quarter. 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. The Company anticipates completion of the second phase I clinical trial and initiation of an additional ARDS trial in the fourth quarter of 1995 and start of a phase II clinical trial in early 1996.

General and administrative expenses decreased to \$2,999,578 for the nine months ended September 30, 1995 from \$3,370,659 for the comparable period last year. Reorganization of responsibilities and discretionary cost containment programs implemented during 1994 and continued in 1995, combined with the restructuring program implemented during the third quarter of 1995, have contributed to the decreased administrative expense.

Interest income decreased to \$486,016 or 44.1% from \$869,081 for the nine months ended September 30, 1995 compared to the prior year. The decrease is primarily the result of lower cash balances during the period ended September 30, 1995 compared to last year.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company had cash, cash equivalents and short term investments of \$6,230,896 at September 30, 1995. The balance decreased by \$9,953,423 from \$16,184,319 at December 31, 1994. The decrease from December 31, 1994 is

primarily due to the net operating loss of \$8,100,448 for the nine months ended September 30, 1995.

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 financial covenants, determined at the end of each fiscal quarter. At September 30, 1995 the Company's cash, cash equivalents and short term investment balances were below the minimum covenant requirement. In November 1995, in accordance with the lease agreement, the Company pledged as collateral cash equal to the amount outstanding on the lease until the end of the lease or as otherwise agreed by the lessor and the Company. At September 30, 1995 the Company had approximately \$1,680,000 outstanding on the lease. The Company intends to continue to draw against the lease during 1995 to meet its capital requirements.

The Company brought a lawsuit against its insurance carrier and the policy underwriter in July 1995 to obtain insurance coverage for property and business interruption losses incurred as a result of the air quality problem at its former facility. A settlement for \$2,900,000 was reached on November 8, 1995 and the lawsuit has been dismissed (see Part II, Item 1. -- Legal Proceedings).

In November 1995 the Company raised \$6,375,000 of gross proceeds through the sale of 2,550,000 shares of common stock, \$.001 par value in private placements with several institutional and individual investors. The Company has filed a Registration Statement on Form S-3 with the Securities and Exchange Commission to permit the purchasers to resell their shares.

The Company believes its current cash, cash equivalents and short term investments combined with cash proceeds from its insurance settlement and capital financing along with anticipated net cash provided by operations and other planned activities will be adequate to meet the Company's cash requirements for operations into 1997. The Company is considering additional sources of funding through collaborative arrangements, capital financing and other avenues to meet future cash requirements.

## 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 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 pre-trial 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 in a different state court 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 is proceeding with a motion to have this lawsuit consolidated with its lawsuit against the landlord.

The Company brought suit in July 1995 against its insurance carrier and the policy underwriter 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. This lawsuit has been dismissed as a result of a November 8, 1995 settlement agreement. See Item 2. -- Liquidity and Capital Resources.

ITEM 5. OTHER INFORMATION:

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On October 2, 1995 the Company announced that collaborators of the Company presented data at the 3rd International Congress on Xenotransplantation in Boston demonstrating the ability of sCR1 to significantly extend the life of xenografts in a primate model of hyperacute xenograft rejection. The Company plans to develop TP10 in xenotransplantation in partnership with other companies.

On October 30, 1995 the Company announced results of the Company's first Phase I clinical trial of TP10 in patients at risk for Adult Respiratory Distress Syndrome (ARDS). Data from the trial indicate that TP10 is safe and can significantly reduce complement activation in patients with ARDS.

On November 7, 1995 the Company reported that it raised gross proceeds of \$6,375,000 through the sale of 2,550,000 shares of common stock, \$.001 par value, in private placements with several institutional and individual investors. The Company has filed a Registration Statement on Form S-3 with the Securities and Exchange Commission to cover the resale of these shares by investors. See Exhibit 20.0.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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A. EXHIBITS

- 10.0 Pledge Agreement dated October 24, 1995 between the Company and Fleet Credit Corp.
- 20.0 T Cell Sciences, Inc. News Release dated November 7, 1995

B. REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the Quarter ended September 30, 1995.

## 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.

/s/ Alan W. Tuck

BY: \_\_\_\_\_  
Alan W. Tuck  
President & Chief  
Executive Officer

FLEET CREDIT CORPORATION

PLEDGE AGREEMENT

SECURED PARTY: FLEET CREDIT CORPORATION      DEBTOR: T CELL SCIENCES, INC.  
a Rhode Island Corporation                      115 Fourth Avenue  
50 Kennedy Plaza                                      Needham, Massachusetts 02194  
Providence, Rhode Island 02903-2305

1. PLEDGE OF COLLATERAL. Debtor hereby pledges and grants to Secured Party and its successors and assigns a continuing security interest in and to the Collateral (hereinafter defined) to secure the due and punctual payment and performance of all of the Obligations (hereinafter defined). As used herein, the term "OBLIGATIONS" shall mean and include the following: (a) the due and punctual payment and performance of all of Debtor's obligations under that certain MASTER EQUIPMENT LEASE AGREEMENT NO. 31816, dated as of AUGUST 5, 1994, to Secured Party (the "AGREEMENT"); (b) the performance of all obligations contained herein; and (c) the performance of all other obligations and all other indebtedness and liabilities of Debtor to Secured Party, of every kind and description, now existing or hereafter arising, direct or indirect, secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment or performance, regardless of how the same arise or by what instrument, agreement or book account they may be evidenced, including without limitation any such indebtedness and liabilities of Debtor to others which may now or hereafter be obtained by Secured Party through purchase, negotiation, discount, transfer, assignment or otherwise. As used herein, the term "COLLATERAL" shall mean and include the following described property, together with any documents, certificates, negotiable or non-negotiable instruments and any other writing evidencing the Collateral or by which any deposit, transfer negotiation, roll-over, renewal, substitution, withdrawal or other disposition may be made with respect to the collateral (the "DOCUMENTS") and all proceeds of and interest on any of the foregoing now existing or thereafter deposited, credited, issued or arising therefrom:

That certain Certificate of Deposit No. B421382, issued by Fleet Bank of Massachusetts, National Association, together with all renewals thereof or substitutions therefor, and all checks or other instruments representing the same or purchased with the proceeds thereof and all proceeds of and interest in any of the foregoing, whether now existing or hereafter deposited, credited, issued or arising.

All capitalized terms used herein and not otherwise defined herein shall have the meanings set forth or referred to in the Agreement.

2. DOCUMENTS. All Documents, now or hereafter evidencing any Collateral, shall be delivered into the possession of Secured Party so that Secured Party may perfect its security interest therein, and shall contain such endorsements or assignments as Secured Party may in its sole discretion deem necessary or advisable. Secured Party agrees that it will, from time to time upon the written request of Debtor, accept a substitute or replacement Document for any item of Collateral which has matured; PROVIDED, HOWEVER, that such substitute or replacement document shall: (a) contain such endorsements or assignments as Secured Party may in its sole discretion deem necessary or advisable; (b) be issued by an institution acceptable in all respects to Secured Party, in its sole discretion; and (c) be in an amount not less than the redemption value of the item of Collateral being replaced. For so long as any of the Obligations remain outstanding: (i) Debtor shall take no action of any kind whatsoever with respect to the Collateral without Secured Party's prior written consent; and (ii) Secured Party is hereby irrevocable authorized and appointed as agent and attorney-in-fact of Debtor, which appointment is coupled with an interest, to sign and deliver such documents, endorsements and instruments, including, but not limited to the Documents, and to take all such action in the name of Debtor or Secured Party, as Secured Party may in its sole discretion deem necessary or advisable to perfect, preserve or enforce its interest in and lien on the Collateral. If all or any part of the Collateral shall be or remain in the hands of a third party with the consent of Secured Party, Debtor shall execute and deliver to and obtain from such third party a NOTICE AND ACKNOWLEDGMENT OF ASSIGNMENT in the form of EXHIBIT A hereto, and Secured Party shall be under no obligation to release any funds under the Agreement until said Notice has been duly executed and delivered by such third party to Secured Party.

3. INTEREST; INCOME AND DIVIDENDS; VOTING RIGHTS; TAXES AND OTHER CHARGES. Unless and until there shall be a default hereunder or under the Agreement, Debtor shall be entitled to receive all interest, income and dividends, if any, when and as payable on the Collateral; PROVIDED, HOWEVER, that if any of the Collateral shall be comprised of equity securities ("SECURITIES"), all stock dividends or securities resulting from a stock split or reclassification of such Securities, including all Documents with respect thereto, shall be delivered to Secured Party to be retained by Secured Party as Collateral hereunder. Debtor shall have sole voting and consensual rights with respect to such Securities, except that Debtor shall not have the right to vote or consent in any way that would result in violation of this Pledge Agreement. Debtor shall pay prior to delinquency all taxes, charges, liens and assessments against any of the Collateral and, upon Debtor's failure to do so, Secured Party may, at its option, pay such charges and shall be the sole judge of the legality and validity thereof and the amount so paid shall become an Obligation hereunder.

4. REPRESENTATIONS; WARRANTIES; COVENANTS AND AGREEMENTS. For so long as any obligations remain outstanding, Debtor hereby represents, warrants, covenants and agrees that: (a) if Debtor is a business organization, Debtor is duly organized, validly existing and in good standing under the laws of its state of organization as set forth in the introduction hereof, and is duly qualified to do business as a foreign business organization and in good standing under the laws of each other jurisdiction in which its business or properties require such qualification; (b) Debtor shall have full power to enter into and perform this Pledge Agreement and has taken all necessary action

to authorize the execution, delivery and performance of this Pledge Agreement; (c) this Pledge Agreement constitutes the legal, valid and binding obligation of Debtor, enforceable in accordance with its terms, subject to bankruptcy, insolvency or other similar laws affecting the rights of creditors generally; (d) the execution, delivery and performance of this Pledge Agreement will not violate any law, treaty or regulation applicable to Debtor, any of Debtor's governing documents, any order or decree of any court, arbitrator or governmental agency, or any contractual undertaking to which Debtor is a party or by which Debtor may be bound; (e) no consents, licenses, approvals or authorizations of, exemptions by or registrations or declarations with, any governmental authority are required with respect to this Pledge Agreement; (f) Debtor shall have title to the Collateral free and clear of all liens and encumbrances except the interests created hereby; and (g) Secured Party shall have the absolute and unqualified right to sell, at public or private sale, or otherwise dispose of the Collateral, in whole or in Part, without restriction, contingent only upon the conditions set forth in this Pledge Agreement.

5. PLEDGE UNCONDITIONAL. No invalidity, irregularity of unenforceability of all or part of the Obligations or of any security therefor shall affect, impair or be a defense to the enforcement of this Pledge Agreement. The Obligations of Debtor hereunder shall be absolute and unconditional, and shall not be released, discharged or in any way affected by: (a) any amendment or modification of, or supplement to the Agreement or the discharge or release, in whole or in part of any party thereto or any party otherwise responsible for the payment and performance of any of the Obligations; (b) any exercise or non-exercise of any right, remedy or privilege hereunder or under the Agreement, or any other instrument provided for in the Agreement, or any waiver, consent, extension, indulgence or other action or inaction with respect to any such instrument; (c) the institution of any bankruptcy, insolvency, reorganization, debt arrangement, readjustment, composition, receivership or liquidation proceedings by or against any party hereto or to the Agreement; or (d) any assumption by any third party of the obligations under the Agreement, or any assignment by Secured Party.

6. DEFAULT; REMEDIES. It shall be an "EVENT OF DEFAULT" hereunder if Debtor breaches any representation, warranty, covenant or provision hereof or of the Agreement, or defaults in the payment or performance of any Obligation; or if there exists any event or condition which, with notice and/or passage of time, would constitute a default under the Agreement or any other document, agreement or instrument evidencing an Obligation. Upon the occurrence of an Event of Default, Secured Party may apply any Collateral to the satisfaction of any or all of the Obligations and pursue any additional rights or remedies available to it under this Pledge Agreement or applicable law. Debtor will upon demand pay to Secured Party all expenses incurred by Secured Party in connection with the Collateral or the exercise of its rights or remedies hereunder, including without limitation, reasonable attorney's fees and other legal expenses, all of which shall constitute additional Obligations secured by the Collateral hereunder. After any such Event of Default: (a) all interest, income or dividends payable on the Collateral shall be the sole property of and paid to Secured Party; and (b) Secured Party may at any time sell, assign and deliver, negotiate, convert, or otherwise transfer or dispose of the Collateral at or by any public or private sale in any commercially reasonable manner, and may apply the proceeds therefrom to the payment of all Obligations. Debtor agrees that it shall be commercially reasonable for Secured Party to withdraw funds or liquidate any Collateral prior to its maturity, notwithstanding the imposition of any early withdrawal or other penalties. Debtor hereby irrevocably waives any bonds and any surety or security in connection with the Collateral or the exercise of Secured Party's rights or remedies hereunder that may be required by any statute, court rule or otherwise. Any notice required to be given by Secured Party of a sale or other disposition or other intended action by Secured Party with respect to any of the Collateral or otherwise which is made in accordance with the terms of this Pledge Agreement at least five (5) days prior to such proposed action, shall constitute fair and reasonable notice to Debtor of any such action. Secured Party shall be liable to Debtor only for its gross negligence or willful misconduct in failing to comply with any applicable law imposing duties upon Secured Party; Secured Party's liability for any such failure shall be limited to the actual loss suffered by Debtor directly resulting from such failure. Secured Party shall have no liability to Debtor in tort or for incidental or consequential damages.

With respect to any Collateral traded on any recognized market or exchange, upon the occurrence of an Event of Default Secured Party may, to the fullest extent permitted by applicable law, sell all or any Collateral, free of rights and claims of Debtor, without notice or advertisement of any kind, on such market or exchange at a price reasonably consistent with the market price effective at the time of such sale and, notwithstanding then current fluctuations in such market price, any such sale shall be deemed reasonable for all purposes if conducted under ordinary terms regardless of the date of such sale or its proximity to the occurrence of an Event of Default. If a public sale of all or a part of any securities is restricted by reason of any provisions contained in the Securities Act of 1933, as amended (the "ACT"), or if such public sale might only occur after delay which might adversely affect the value that might be realized upon the sale of the Collateral, Secured Party may sell the Securities or any part thereof, without the necessity of registration or attempting to cause any registration of the Securities to be effected under the Act, in one or more private sales to a restricted group of purchasers who may be required to agree, among other things, that they are acquiring the Securities for their own account for investment and not with a view to the distribution or resale thereof. Debtor acknowledges and agrees that any such private sale may be at prices or on terms less favorable to the owner of the Securities than would be the case if they were sold at public sale, and that any such private sale shall be deemed to have been made in a commercially reasonable manner. Debtor agrees that without affecting Secured Party's right to dispose of the Collateral by private sale as aforesaid, it will, upon request of Secured Party, if in the opinion of Secured Party's counsel registration of the Securities of any part thereof is required under the Act, use its best efforts to complete and cause to become effective a registration of the Securities under the Act, and to take all other actions necessary, in Secured Party's opinion, to enable Secured Party to sell, within ninety (90) days of the commencement of such best efforts, the Securities pursuant to an effective registration statement under the Act. Such best efforts shall be commenced promptly after request by Secured Party, which may be given at any time on or after the occurrence of an Event of Default. All expenses of such registration, including, without limitation, registration and filing fees, blue sky fees, printing expenses, fees and disbursements of counsel for Debtor and Secured Party, fees and expenses of auditors of Debtor and Secured Party, and all underwriter, broker or dealer discounts, and all transfer taxes shall be borne by Debtor who agrees to do all acts and things which are usual and customary in connection with registered offerings of securities, including entering into indemnification agreements with Secured Party and any underwriters. The managing underwriter of any public offering for which any said registration statement is filed shall have the right to impose such conditions on the sale of the Securities as it shall reasonably deem necessary to protect the underwritten offering, provided such conditions are similarly and proportionately imposed on other shares which may be included in said

registration as the result of the exercise of piggyback rights by the holders of such other shares.

7. ASSIGNMENT. The provisions of this Pledge Agreement shall be binding upon and shall inure to the benefit of the heirs, administrators, successors and assigns of Secured Party and Debtor, provided, however, that Debtor may not assign any of its rights or delegate any of its Obligations hereunder without the prior written consent of Secured Party. Secured Party may, from time to time, without notice to Debtor, sell, assign, transfer, participate, pledge or otherwise dispose of all or any part of the Obligations and/or the Collateral therefor. In such event, each and every immediate and successive purchaser, assignee, transferee, participant, pledgee, or holder of all or any part of the Obligations and/or the Collateral (each a "HOLDER") shall have the right to enforce this Pledge Agreement, by legal action or otherwise, for its own benefit as fully as if such Holder were herein by name specifically given such rights. Debtor agrees that the rights of any such Holder hereunder or with respect to the related Obligations shall not be subject to any defense, set off or counterclaim that Debtor may assert or claim against Secured Party, and that any such Holder shall have all of the Secured Party's rights hereunder but none of the Secured Party's obligations. Secured Party shall have an unimpaired right to enforce this Pledge Agreement for its benefit with respect to that portion of the Obligations which Secured Party has not sold, assigned, transferred, participated, pledged or otherwise disposed of.

8. TERMINATION. Upon the payment and performance in full of all Obligations, Secured Party shall deliver, or shall cause to be delivered, the Collateral to Debtor (less any portion of same sold, assigned, transferred, disposed of or applied by Secured Party pursuant to the provisions hereof), and this Pledge Agreement shall thereupon be terminated.

9. MISCELLANEOUS. No failure on the part of Secured Party to exercise and no delay in exercising any right, power or remedy hereunder shall operate as a waiver thereof. All rights and remedies in this Pledge Agreement are cumulative and not alternative and are not exclusive of any other remedies provided by law. Any provisions hereof contrary to, prohibited by or invalid under applicable laws or regulations shall be inapplicable and deemed omitted herefrom, and shall not invalidate the remaining provisions hereof. Debtor will promptly deliver to Secured Party such further documents as assurance and take such further action as Secured Party may from time to time reasonably request in order more effectively to carry out the purpose of this Pledge Agreement and to protect the rights and remedies of Secured Party hereunder, including without limitation, the execution and delivery of financing statements under the UCC. Debtor acknowledges receipt of a true copy and waives acceptance hereof. THIS PLEDGE AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT OF DEBTOR AND SECURED PARTY RELATIVE TO THE SUBJECT MATTER HEREOF, AND THERE ARE NO PRIOR OR CONTEMPORANEOUS UNDERSTANDINGS OR AGREEMENTS, WHETHER ORAL OR IN WRITING, BETWEEN THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF, NEITHER THIS PLEDGE AGREEMENT NOR ANY PROVISION HEREOF MAY BE CHANGED, WAIVED, DISCHARGED OR TERMINATED EXCEPT BY AGREEMENT IN WRITING SIGNED BY THE PARTY AGAINST WHICH ENFORCEMENT OF SUCH CHANGE, WAIVER, DISCHARGE OR TERMINATION IS SOUGHT. Any notices and demands shall be in writing and sent to the parties by regular mail at the addresses herein set forth or to such other address as the parties may hereafter specify by written notice.

THIS PLEDGE AGREEMENT AND THE LEGAL RELATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF RHODE ISLAND, WITHOUT REGARD TO PRINCIPLES REGARDING THE CHOICE OF LAW. DEBTOR HEREBY CONSENTS 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 TO THE VENUE OF SUCH COURTS. DEBTOR HEREBY EXPRESSLY WAIVES TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS PLEDGE AGREEMENT. Any action by Debtor against Secured Party for any cause of action relating to this Pledge Agreement shall be instituted within one year after any such cause of action first arises.

Dated: October 24, 1995

FLEET CREDIT CORPORATION

T CELL SCIENCES, INC.

/s/ Alexis M. Smith  
By: \_\_\_\_\_

/s/ Alan Tuck  
By: \_\_\_\_\_

Alexis Smith  
Name: \_\_\_\_\_

Alan Tuck  
Name: \_\_\_\_\_

Vice President  
Title: \_\_\_\_\_

President & CEO  
Title: \_\_\_\_\_



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

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U.S. DOLLARS

9-MOS	
	DEC-31-1995
	JAN-01-1995
	SEP-30-1995
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	6,230,896
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	425,566
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	17,112
0	
	0
	9,645,543
11,672,559	
	1,820,043
	3,149,471
	1,448,529
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	0
	(486,106)
	(8,100,448)
	0
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	0
	0
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	(8,100,448)
	(.47)
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