SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark one)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED] For the FISCAL YEAR ENDED DECEMBER 31, 1995

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

Commission File Number 0-15006

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

DELAWARE	13-3191702
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

115 FOURTH AVENUE, NEEDHAM, MASSACHUSETTS 02194
(Address of principal executive offices)(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, PAR VALUE $.001

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of common stock held by non-affiliates as of March 15, 1996 was $56,160,030 (excludes shares held by directors and executive officers). Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the actions of the management or policies of the Registrant, or that such person is controlled by or under common control with the Registrant. The number of shares of common stock outstanding at March 15, 1996 was: 19,896,804 shares.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on May 21, 1996, are incorporated by reference into Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

A. General

T Cell Sciences, Inc. ("T Cell" or "TCS") is a research-based emerging biotechnology company specializing in the understanding and treatment of diseases caused by the misregulation of the body's natural defense systems. Currently, TCS is developing therapeutic products for diseases of inflammation and immunology. In 1995, TCS completed two phase I trials of its first anti-inflammatory product candidate, TP10 (soluble complement receptor type 1). The first trial was in patients at risk for adult respiratory distress syndrome. The second trial for reperfusion injury was in patients with first time myocardial infarctions. A phase IIa trial for established adult respiratory distress syndrome was begun in January 1996.

T Cell's therapeutic research is also evaluating second generation compounds as part of its comprehensive complement inhibitor program. TCS, with partner Astra AB ("Astra"), is developing products based on the T cell antigen receptor for the treatment of autoimmmune diseases with two initial product candidates for the treatment of multiple sclerosis now in the preclinical stage of development. Additional TCS proprietary research programs directed toward the discovery and development of new compounds that inhibit activated T cells and prevent atherosclerosis are under way.

In March 1996, T Cell sold the operations and research product line of its wholly owned subsidiary, T Cell Diagnostics, Inc. ("TCD") to Endogen, Inc., while retaining the TRAx[RegisteredTrademark] diagnostic product franchise. In 1995, TCD introduced five new preclinical products and received FDA clearance to market TRAx CD4 for CD4 cell enumeration. The most prevalent use of CD4 cell enumeration is in monitoring HIV infected patients. TCD began marketing TRAx CD4 in the second half of 1995 and in December signed an exclusive sales and distribution agreement for TRAx CD4 and CD8 with Diamedix Corporation for the United States market. The sale of the operations and research products business to Endogen eliminates the losses previously incurred from the operations of TCD while preserving the technology value and opportunities from TRAx diagnostics. T Cell has also contracted with Endogen for the manufacturing of TRAx products for the next five years at a cost expected to be less than what it would have cost T Cell to make the products internally.

B. Therapeutics

T Cell's lead therapeutic program is developing compounds that inhibit a part of the immune system called the complement system. The complement system is a series of proteins that are important initiators of the body's acute inflammatory response against disease, infection, and injury. Excessive complement activation also plays a role in chronic inflammatory conditions. When complement is activated, it helps to identify and eliminate damaged tissue. In certain situations, excessive complement activation may destroy viable and healthy tissue and tissue which, though damaged, might recover. This excessive response compounds the effects of the initial injury or introduces unwanted tissue destruction in clinical situations such as transplants, other surgeries, or treatment for heart attacks. An effective inhibitor of the complement system might limit these destructive responses in many inflammatory situations such as ARDS, reperfusion injury, organ transplant, and certain autoimmune diseases.

The TP10 program was started by T Cell in 1988. From 1989 through 1994, TP10 was under development in a joint program with SmithKline Beecham, p.l.c., ("SB") and Yamanouchi Pharmaceutical Co., ("YPC"). During 1994, TCS and SB negotiated various changes in the agreement and in February 1995, the two companies agreed to a mutual termination by which T Cell regained all rights to the program except for co-marketing rights in Japan that are retained by SB and YPC.

Under T Cell's direction in 1995, TP10 completed the first phase I clinical trial in 24 patients at risk for adult respiratory distress syndrome ("ARDS"). Results of this trial were presented in October, 1995 at The American College of Chest Physicians meeting. In this study, TP10 demonstrated excellent safety with no drug related adverse events, had a beta phase half life of more than 30 hours and was able to inhibit complement activity in a dose dependent escalating activity profile. A second phase I trial for reperfusion injury was completed in December in 25 patients with first time myocardial infarctions. This study confirmed the safety, pharmacokinetics, and complement inhibition results from the ARDS trial. In January 1996, TCS began a phase IIa trial in patients with established ARDS. Additional clinical trials are planned for 1996.

In addition to TP10, TCS has identified other products to inhibit the complement system. The lead candidate under research evaluation is a modified form of sCR1 (TP10) which has been changed to add the sLex carbohydrate structures. sLex is the sugar structure which binds to activated selectins on endothelial cells and is

involved in the binding of neutrophils to endothelial cells in inflammation. The combined sCR1sLex molecule has demonstrated increased activity benefits in in vitro and early in vivo experiments. In addition, TCS has identified a small molecule compound which blocks activated complement at the C5 step of the cascade. At this time, TCS owns all rights to the development and marketing of these compounds.

TCS was founded on the concept of using the T cell antigen receptor ("TCAR") as a means of selectively targeting T cells that cause problems in autoimmune diseases such as multiple sclerosis and rheumatoid arthritis. In early 1992, TCS entered into a joint development program with Astra to develop products resulting from TCS' proprietary TCAR technology. The original agreement was modified in December 1993 with Astra assuming all responsibility for the development of the lead antibody products and TCS retaining leadership of the first peptide product candidate. Under the original and modified agreement, TCS received funding support of approximately $15 million in the early years with the potential of up to $17 million of additional funding based on clinical progress. By the end of 1995, substantially all of the original funding payments had been received by TCS. TCS and Astra have a current target for the lead product candidates (TM27-monoclonal and TP12-peptide) to enter the clinic in 1997. (See Note 9(A), "Notes to Consolidated Financial Statements".)

Two new programs looking at small molecule inhibitors of activated T cells and preventing atherosclerosis through vaccination have been established in the research efforts at TCS. The small molecule T cell program is looking to find molecules which have the same efficacy as calcineurin inhibitors such as cyclosporin or FK506, but without the high level of side effect problems. TCS' basic approach is to combine the biological skills and smart screens developed by TCS with some of the newer smart libraries created by other biotechnology companies, such as ArQule, Inc. and MYCOsearch, Inc. The atherosclerosis program is seeking to create an autoimmune reaction against Cholesteryl Ester Transfer Protein ("CETP"). By creating an autoimmune reaction, CETP activity can be reduced or eliminated with potential improvements in HDL to LDL ratios and lower levels of atherosclerotic lesions. Both of these programs are in early stages of preclinical development.

C. Diagnostics

TCD was formed as a subsidiary in 1991 to capitalize on the sales of diagnostic and research products emanating from TCS' proprietary technology. The strategy had been to build a business and product base in the research or preclinical product markets and introduce new in vitro diagnostic products to provide the growth of TCD into a profitable business unit. For the last several years, the research products business has been one of intense competition and price pressure, particularly in Europe. Sales of TCD products have declined from a high of more than $ 4 million in 1991 and 1992 to less than $2.4 million in 1995.

The goal of introducing TRAx CD4 as the first of the Company's new in vitro diagnostic products was achieved when the FDA cleared the product for marketing in May of 1995. TCD initiated a direct sales effort in the second half of 1995. While the technical evaluation of the product has been positive, initial sales growth has been slow with minimal TRAx product sales in 1995. In December 1995, plans for TCD were shifted from a focus on building an operating diagnostic business to continued creation of exciting new diagnostic products to be sold through contracts with other companies. TRAx CD4 is the first of these products and the Company expects to file a 510(k) application for TRAx CD8 for FDA clearance in the first half of 1996. The primary use of TRAx CD4 and CD8 is in monitoring the immune status of HIV infected individuals.

As the first step in the revised strategy, TCD signed an exclusive sales and distribution contract for the United States market with Diamedix Corporation in December 1995. Diamedix is a wholly owned subsidiary of Ivax Corporation with a history of selling enzyme immunoassays in the in vitro diagnostics market. The contract covers the TRAx CD4 and CD8 microtiter plate format products. Under the contract, TCD received a signing fee for TRAx CD4 in 1995 and will receive supply and royalty income over a multiyear contract. Additional fee, supply, and royalty income will begin when TRAx CD8 receives FDA clearance. (See Note 9(C), "Notes to Consolidated Financial Statements".) Under a separate agreement, YPC continues to have exclusive marketing rights for TRAx products in Japan and Taiwan.

The reduction in base sales combined with the delay in receiving FDA clearance to market TRAx CD4 and the low sales levels in 1995 has kept TCD under continued financial pressure, despite a steady reduction in the costs of its operations over the last two years. In March of 1996, the assets and research product lines of TCD were sold to Endogen for $2.9 million. T Cell received a five year convertible note for $1.9 million combined with a buy-out of approximately $1 million of facility and equipment lease obligations. The convertible note can be converted to Endogen stock at T Cell's option at a price of $4.63 per share. T Cell expects to recognize a gain on

this transaction of at least $300,000. This sale is expected to reduce annual operating expenses by approximately $4 million and increase the Company's open operating lease line by $1 million. (See Note 16, "Notes to Consolidated Financial Statements".)

T Cell retains all rights to the TRAx product franchise and has agreed to source TRAx kits from Endogen in a separate supply contract. With the primary kit business contracts in place and the diagnostic part of the Company's business now profitable, the Company's strategy is to enter into new product development and distribution contracts for TRAx diagnostic related products.

D. Patents and Proprietary Rights

The successful development and marketing of products by the Company will depend in part on its ability to create and maintain intellectual property, including patent rights. The Company has established a proprietary patent position in the areas of complement inhibitor molecules, T cell antigen receptors, and diagnostic technologies, and is the owner or exclusive licensee of numerous patents and pending applications around the world, including more than 30 U.S. patents. Although the Company continues to pursue patent protection for its products, no assurance can be given that any pending application will issue as a patent or that any issued patent will have a scope which will be of commercial benefit or that the Company will be able to successfully enforce its patent position against competitors.

In the area of complement molecules, T Cell has an exclusive license to patent rights, which it co-owns with The Johns Hopkins University and Brigham and Women's Hospital, covering CR1 inventions. These rights are based in part on the work of Dr. Douglas Fearon and include U.S. patents which claim the nucleic acid sequences of recombinant CR1, soluble CR1 (sCR1) and fragments, and pharmaceutical uses of CR1. TCS also owns or has rights to a number of other patent applications relating to CR1, sCR1sLex and other complement inhibitor molecules.

In the area of T cell antigen receptors, T Cell holds exclusive licenses to the pioneering patents filed on TCAR chain inventions. These patent applications have resulted to date in U.S. patents covering the DNA, protein, protein fragments and antibodies relating to the Alpha TCAR and the DNA, full length proteins and antibodies relating to Beta TCAR, and two European patents covering Beta TCAR inventions. In addition, the Company has filed on new T cell antigen receptor inventions resulting from the partnership with Astra.

In the area of diagnostics, T Cell is the owner of several patent rights relating to the TRAx CD4 and CD8 and other applications of the TRAx product technologies. The first U.S. patent covering TRAx products is expected to issue in April 1996.

The Company is aware that others, including universities and companies, have filed patent applications and have been granted patents in the U.S. and other countries which claim subject matter potentially useful or necessary to the commercialization of the Company's products. The ultimate scope and validity of existing or future patents which have or may be granted to third parties, and the availability and cost of acquiring rights to those patents which are necessary to manufacture, use or sale of the Company's products presently cannot be determined by the Company.

Trade secrets and confidential know-how are important to the Company's scientific and commercial successes. Although the Company takes measures to protect its proprietary information, there can be no assurance that others will not either develop independently or obtain access to this information.

E. Competition

The Company is engaged in a rapidly expanding area of biotechnology in which research is being conducted worldwide by universities, public and private institutions, biotechnology and pharmaceutical companies. A number of these entities are developing product candidates which may become competitors of the Company's products in development. Several such companies are involved in product development efforts aimed at treatments for autoimmune diseases and inflammatory conditions and some are specifically developing products based on T cell receptors and the human complement system. There can be no assurance that the Company's products will be commercialized or that other companies, universities and public and private foundations, among others, many of which have greater financial resources than the Company, will not be able to develop competing proprietary positions or products.

The Company's competitive position also depends upon its ability to attract and retain qualified personnel, obtain patent protection or otherwise develop proprietary technology and products, and secure sufficient capital resources to fund product ideas to commercialization. There can be no assurance that the Company will be successful in its efforts in these areas.

F. Government Regulation

The animal and human testing, manufacture, safety, efficacy, labeling, storage, record keeping, approval, advertising, promotion and sale of the Company's present and future products are closely regulated by federal and other governmental authorities. The FDA and comparable government agencies in foreign countries have established mandatory procedures and safety and efficacy standards which must be met before the appropriate authority approves the clinical testing, manufacturing and marketing of a human health care product.

The steps required before a pharmaceutical product may be marketed in the United States include (i) in vitro and in vivo preclinical testing (ii) submission to the FDA of an Investigational New Drug application which must become effective before human clinical trials commence, (iii) adequate human clinical trials to establish the safety and efficacy of the drug, (iv) the submission of a New Drug Application ("NDA") or Product License Application ("PLA") to the FDA and (v) FDA approval of the NDA or PLA prior to commercial sale or shipment of the product. In addition to obtaining FDA approval for each product, each drug manufacturing establishment must be registered with, and approved by, the FDA.

The steps required before an in vitro diagnostic product may be marketed in the United States include (i) clinical trials which demonstrate that the product's results are substantially equivalent to results obtained from a product currently on the market, or if no product is currently marketed for the intended use, then clinical trials which demonstrate safety and efficacy for the intended clinical use, (ii) the submission of a 510(k) or Premarket Approval ("PMA") application to the FDA, and (iii) FDA clearance to market the product. For products with 510(k) clearance, the facility in which they are produced must comply with certain Good Manufacturing Practices.

The Company's present and future business are and will be subject to regulation under additional federal, state and local laws and regulations including regulations by the U.S. Environmental Protection Agency and the U.S. Occupational Safety and Health Administration.

G. Employees; Scientific Consultants

As of March 15, 1996, the Company employed 57 full time persons, 18 of whom have doctoral degrees. Of these employees, 40 were engaged in or directly supported research and development.

T Cell has also retained a number of scientific consultants and advisors in various fields and has entered into consulting agreements with each of them. These consultants include the members of the Scientific Advisory Board: Dr. Mark Davis, Stanford University; Dr. Tak Mak, Ontario Cancer Institute; Dr. Peter Ward, University of Michigan School of Medicine; Dr. Hans Wigzell, Karolinska Institute; Dr. Peter Henson, National Jewish Center for Immunology and Respiratory Medicine; and Dr. Peter Libby, Brigham and Women's Hospital.

ITEM 2. PROPERTIES

Until July 1994, the Company leased approximately 60,000 square feet of office, research and production facility space in Cambridge, Massachusetts. Under the lease agreement, the Company was obligated to pay a base annual rent of approximately $1,100,000 until March 1994 and of approximately $1,200,000 until the end of the initial term of March 1999. Aggregate rental payments for the year ended December 31, 1994 for this facility were approximately $500,000 and for December 31, 1993 were approximately $1,100,000. The Company terminated this lease agreement in June 1994 as a result of an air quality problem unrelated to its activities which forced the Company to evacuate all of its operations to other facilities (See "Item 3. Legal Proceedings").

In October 1994, TCD relocated to Woburn, Massachusetts under a lease for five years for approximately 27,000 square feet. This lease was assigned to Endogen, Inc. in March 1996 in connection with the sale of the research products business and operations of TCD. Beginning in September 1994, TCS relocated its headquarters and therapeutic research operations to existing laboratory and office space in Needham, Massachusetts, under a short-term lease and sublease for approximately 33,000 square feet. The aggregate rental payments for the year ended December 31, 1995 for this facility were approximately $590,000. The Company is presently in negotiations for a longer-term lease agreement. (See Note 3, "Notes to Consolidated Financial Statements".)

ITEM 3. LEGAL PROCEEDINGS

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 in 1994 due to air quality problems. The defendants in this lawsuit have counterclaimed alleging that the Company has breached its lease obligations. The

lawsuit is currently in the pre-trial stage. The Company's insurance carrier has agreed to reimburse the Company for certain legal expenses associated with defense of certain of the counterclaims, under a reservation of rights. 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 Cambridge facility in 1987. The Company has added its former landlord as a third party defendant on a claim for indemnification in the event the Company is not successful in its defense. A motion for summary judgment filed by the bank is outstanding.

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 1995 settlement agreement. (See Note 13, "Notes to Consolidated Financial Statements".)

ITEM 4. SUBMISSION OF MATTERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded in the over-the-counter market and is quoted in the NASDAQ National Market System under the symbol TCEL. The following table sets forth the high and low closing sales prices for the Company's common stock as reported by NASDAQ.

FISCAL PERIOD	HIGH	LOW
YEAR ENDED DECEMBER 31, 1994		
1Q (Jan. 1 - March 31, 1994)	$8.50	$4.13
2Q (April 1 - June 30, 1994)	4.38	3.38
3Q (July 1 - Sep. 30, 1994)	3.88	2.94
4Q (Oct. 1 - Dec. 31, 1994)	3.25	2.13
YEAR ENDED DECEMBER 31, 1995		
1Q (Jan. 1 - March 31, 1995)	$3.50	$2.38
2Q (April 1 - June 30, 1995)	4.38	2.63
3Q (July 1 - Sep. 30, 1995)	5.38	2.88
4Q (Oct. 1 - Dec. 31, 1995)	4.38	2.50

As of March 25, 1996, there were approximately 698 shareholders of record of the Company's common stock. The price of the Common Stock was $2.6875 as of the close of March 25, 1996. The Company has not paid any dividends on its common stock since its inception and does not intend to pay any dividends in the foreseeable future. Declaration of dividends will depend, among other things, upon the operating and future earnings of the Company, the capital requirements of the Company and general business conditions.

ItEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data presented below for the years ended December 31, 1995, 1994, 1993 and each of the two fiscal years ended April 30, 1992 and 1991 have been derived from the audited consolidated financial statements of the Company. All amounts in thousands except per share data.

CONSOLIDATED STATEMENTS OF OPERATIONS DATA	YEAR ENDED DECEMBER 31,			YEAR ENDED APRIL 30,	
	1995	1994	1993	1992	1991
OPERATING REVENUE:					
Product Sales, Product Development and Distribution Agreements	$ 3,963	$ 6,968	$ 9,018	$ 8,916	$10,240
OPERATING EXPENSE:					
Research & Development	8,005	8,697	9,438	7,956	8,247
Other Operating Expense	7,821	9,365	8,841	7,417	6,343
Total Operating Expense	15,826	18,062	18,279	15,373	14,590
Non-Operating Income(Expense), Net	3,605	(490)	1,193	1,562	909
Net Loss Before Minority Interest	(8,258)	(11,584)	(8,068)	(4,895)	(3,441)
Minority Interest Share of Loss	--	--	310	246	--
Net Loss	$(8,258)	$(11,584)	$(7,758)	$(4,649)	$(3,441)
Net Loss Per Common Share	$ (0.47)	$ (0.68)	$ (0.56)	$ (0.35)	$ (0.34)
Weighted Average Common Shares Outstanding	17,482	17,053	13,931	13,109	10,166

CONSOLIDATED BALANCE SHEETS DATA	DECEMBER 31,			APRIL 30,	
	1995	1994	1993	1992	1991
Working Capital	11,208	15,027	26,088	20,880	7,767
Total Assets	18,532	20,685	33,067	27,023	13,233
Other Long Term Obligation	182	500	500	--	--
Accumulated Deficit	(46,339)	(38,081)	(26,497)	(15,107)	(10,458)
Total Stockholders' Equity	16,000	17,586	29,134	23,090	10,401

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

T Cell Sciences' principal activity since its inception has been research and product development conducted on its own behalf, as well as through joint development programs with several companies. The Company was incorporated in the State of Delaware in December 1983.

A significant portion of the Company's revenue has consisted of payments by others to fund sponsored research, milestone payments under joint development agreements, payments for material produced for preclinical studies, sales of test kits and antibodies and interest earned on investments. Certain portions of the collaborative payments are received in advance, recorded as deferred revenue and recognized when earned in later periods.

Inflation and changing prices have not had a significant effect on continuing operations and are not expected to have any in the near future.

FINANCIAL OVERVIEW

For the year ended December 31, 1995, the Company reported, a 29% decrease in net loss of $8,258,000 or $0.47 per share compared to a net loss of $11,584,000 or $0.68 per share in 1994. Operating revenue of $3,963,000 for the year ended December 31, 1995 decreased 43% from 1994 and operating expense decreased 12% to $15,826,000 for 1995 compared to 1994. During 1995, the Company received $2,900,000 from the settlement of a lawsuit with its insurance carrier. In 1994, the Company incurred expenses of approximately $3,400,000 related to the relocation of the Company's headquarters due to air quality problems and losses on short-term investments.

In May 1995, the Company received clearance from the U.S. Food and Drug Administration to market the TRAx(R) CD4 test kit. The TRAx 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.

On November 7, 1995 the Company closed a $6,375,000 private placement of 2,550,000 shares of T Cell Sciences Common Stock, $.001 par value. Several institutional investors and private investors purchased shares of common stock pursuant to stock purchase agreements.

In December 1995, the Company received a signing fee of $175,000 when it entered into an exclusive U.S. distribution agreement with Diamedix Corporation ("Diamedix"), a wholly owned subsidiary of IVAX Corporation, for the sale and promotion of the TRAx CD4 and CD8 microtiter plate diagnostic kits.

On March 5, 1996 the Company sold to Endogen, Inc. ("Endogen") the research products and operations of its wholly owned subsidiary T Cell Diagnostics, Inc. ("TCD") for a purchase price of approximately $2,880,000, while retaining the TRAx diagnostic product franchise. The purchase price was paid in the form of a convertible subordinated note receivable in the principal amount of $1,900,000, subject to final adjustment, and a combination of cash and a short-term note used to repay approximately $980,000 of obligations under the Company's operating lease.

The Company's cash and cash equivalents, including short-term and long-term restricted cash, at December 31, 1995 totaled $13,125,000 and working capital was $11,208,000. During the year ended December 31, 1995 cash used by operating activities, including the receipt of $2,900,000 from the settlement of a lawsuit with the Company's insurance carrier, totaled $7,948,000 compared to $9,066,000 in the year ended December 31, 1994.

RESULTS OF OPERATIONS

The Company reported a net loss of $8,258,000 or $0.47 per share for the year ended December 31, 1995, compared with a net loss in 1994 of $11,584,000 or $0.68 per share and a net loss of $7,758,000 or $0.56 in 1993. The operating results for 1995, including interest income, reflect total revenue of $4,568,000 (a 45% decrease compared to the same period in 1994) offset by total operating costs of $15,826,000 (a 4% decrease compared to 1994, excluding facility relocation expense). The operating results for 1994, including interest income, and excluding facility relocation expense, reflect total revenues of $8,330,000 (a 16% decrease compared to the same period in 1993) offset by total costs of $16,463,000 (a 10% decrease compared to the same period in 1993).

In 1995 revenue from collaborative product development and distribution agreements of $1,609,000 decreased 57% from $3,737,000 in 1994 and 71% from $5,624,000 in 1993. In December 1993, the Company signed an

amendment to the 1992 agreement with Astra for the joint development and marketing of therapeutic products resulting from T Cell Sciences' proprietary TCAR technology. As part of the amended agreement the responsibility for future development and manufacturing of the two initial monoclonal antibody candidates shifted to Astra while the Company continues to be responsible for the initial peptide candidate. Product development revenue declines are in accordance with the Astra program. In 1995 distribution agreement revenue was $175,000 compared to $715,000 in 1994 and $500,000 in 1993. These revenues represent signing fees or milestone payments related to distribution and marketing agreements for TRAx products with Diamedix Corporation ("Diamedix") in 1995, Yamanouchi Pharmaceutical Co., Ltd. ("YPC") and INCSTAR Corporation in 1994, and YPC in 1993. (See Note 9, "Notes to Consolidated Financial Statements".)

Product sales revenue for 1995, 1994 and 1993 were $2,354,000, $3,231,000 and $3,394,000, reflecting a decline of 27%, 5% and 18%, respectively, when compared to the prior year. In May 1995, the Company received marketing clearance from the U.S. Food and Drug Administration and during the latter half of 1995 shifted its sales focus to the launch of TRAx CD4. Sales of preclinical products decreased in 1995 due to the shift in sales focus to the launch of TRAx combined with increasing competition with certain preclinical products and continued weakness in the international diagnostic product market. Initial sales growth has been slow with minimal TRAx product sales for 1995. To further advance the marketing of TRAx products, in December 1995, the Company signed an exclusive sales and distribution contract for the United States market with Diamedix Corporation, an experienced seller in the in vitro immunoassays market. In March 1996, the Company sold the research products and operations of its subsidiary, while retaining its TRAx diagnostic product franchise.

Cost of product sales amounted to $1,879,000, 80% of product sales, $2,008,000, 62% of product sales and $2,317,000, 68% of product sales for 1995, 1994 and 1993, respectively. The fluctuation in gross margin is the result of several factors: costs associated with the inefficiencies of producing products at lower volumes, the disruption and change in facilities during 1994 and costs associated with replacing the manufacturing facility in 1995, costs related to staff reductions in the third quarter of 1995 and 1993 and expenses to increase manufacturing proficiency in anticipation of increased sales volume associated with the TRAx CD4 test kit.

Research and development expense decreased 8% from $8,697,000 in 1994 to $8,005,000 in 1995 primarily due to cost containment programs implemented in 1994 combined with a restructuring program implemented in the third quarter of 1995 which further focused the Company on priority projects. Costs associated with two phase I clinical trials evaluating the use of TP10 partially offset the effects of the Company's cost containment programs and restructuring in 1995. Research and development cost during 1994 decreased approximately 8%, from $9,438,000 in 1993, primarily due to lower rent resulting from facilities not being available for the full year and cost containment programs in place during 1994.

General and administrative expense of $4,217,000 reflected a 3% decrease for the year ended December 31, 1995 compared to 1994. General and administrative expense for the year ended December 31, 1994 of $4,346,000 decreased 4% compared to 1993. The decrease for 1995 and 1994 was mainly due to spending controls implemented during the years.

Marketing and sales costs increased 13% in 1995 to $1,598,000 compared to $1,411,000 in 1994. The increase is primarily due to marketing costs associated with the launch of the TRAx CD4 test kit during the latter half of 1995. The 30% decrease in marketing and sales in 1994 compared to 1993 is primarily due to the restructuring and staff reductions during the third quarter of 1993 and expenses incurred early in 1993 for product introduction efforts in Europe and marketing costs in preparation for the TRAx CD4 product launch in the United States.

Facility relocation expense represents costs incurred directly associated with the forced evacuation of the Company's former Cambridge facility due to air quality. The Company incurred incremental costs when it vacated its Cambridge facility and moved to alternative temporary sites, including costs to physically move property, establish computer and telephone networks at alternate sights and legal and other costs directly resulting from vacating the facility and terminating the lease. The amounts recorded in 1995 and 1994 were $126,000 and $688,000, respectively. Also included in 1994 is $911,000 to write off the net book value of leasehold improvements at the Cambridge facility. (See Notes 13 and 14, "Notes to Consolidated Financial Statements.")

Other non-operating income of $3,605,000 in 1995, includes $2,900,000 received from the settlement of a lawsuit the Company brought against its insurance carrier and interest income of $605,000. Other non-operating expense, of $490,000 in 1994, includes losses recognized on redemption of the Company's short-term bond fund, the change in net asset value of its short-term

bond fund during the year offset by interest and dividend income of $1,362,000. During 1993, the Company earned $867,000 of interest on its investments and recorded gains of $326,000 on the sale of certain securities.

During 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation". The Company plans to adopt SFAS 123 in 1996 through disclosure only, therefore, such adoption has no impact on the Company's results from operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash, cash equivalents and short-term investments (including short-term restricted cash of $958,000) at December 31, 1995, decreased $3,909,000 to $12,275,000. The decrease is mainly due to the net operating loss of $11,863,000, which was partially offset by non-operating income of $3,605,000 and approximately $6,105,000 from the private placement of 2,550,000 newly issued shares of the Company's common stock. Cash used in operations approximated $10,848,000 in 1995, after adjusting for $2,900,000 received from the settlement of the lawsuit, compared with $8,633,000, adjusted for facility relocation expense, and $5,458,000 during the twelve months ended December 31, 1994 and 1993, respectively. The increase in cash used by operations during 1995, is primarily due to lower product development revenue from Astra, decreased product sales revenue and increased working capital requirements.

During 1994, the Company entered into a five-year agreement to lease up to $2,000,000 of equipment. The lease arrangement requires that the Company maintain certain restrictive covenants, determined at the end of each fiscal quarter, including a cash, cash equivalents and short-term investments balance of not less than $10,000,000. At September 30, 1995 the Company's cash, cash equivalents and short-term investment balance was 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 which is to remain in a certificate of deposit until the end of the lease, or as otherwise agreed by the lessor and the Company. At December 31, 1995 the Company had approximately $1,784,000 outstanding on the lease. In March 1996 the Company repaid approximately $980,000 of the outstanding obligation under the lease in conjunction with the sale of the research products and operations of its subsidiary. As a result, the amount remaining as collateral as of March 21, 1996 was reduced to $850,000.

On March 5, 1996 the Company sold the research products and operations of its subsidiary, T Cell Diagnostics, for a purchase price of approximately $2,880,000, while retaining the TRAx diagnostic product franchise. The purchase price was paid in the form of a convertible subordinated note receivable in the principal amount of $1,900,000 and a combination of cash and a short-term note used to repay approximately $980,000 of obligations under the Company's operating lease. The Company expects to recognize a gain on the sale of between $300,000 and $400,000 in the first quarter of 1996. In addition to the proceeds from the transaction, the sale will result in reduced operating expenses and the Company expects lower cash usage for 1996 compared to 1995.

The Company believes its current cash, cash equivalents and short-term investments, combined with anticipated product sales, research and development revenue under collaborative agreements and interest income will be sufficient to meet working capital requirements into 1997. These requirements will depend on several factors, including but not limited, to the progress and costs associated with research and development programs; preclinical and clinical studies; time and costs associated with obtaining regulatory approval; timing and scope of collaborative arrangements; long term facility costs; and expenses and outcome of pending litigation on the air quality problem. The Company will consider alternative sources of funding and capital when available and appropriate.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
T CELL SCIENCES, INC.:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of T Cell Sciences, Inc., and its subsidiary at December 31, 1995 and 1994, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP
Boston, Massachusetts
March 5, 1996

THE BOARD OF DIRECTORS
T CELL SCIENCES, INC.:

We have audited the accompanying consolidated statements of operations, stockholders' equity, and cash flows of T Cell Sciences, Inc. and Subsidiary for the year ended December 31, 1993. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the result of operations and cash flows for the year ended December 31, 1993 in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP
Boston, Massachusetts
January 28, 1994

CONSOLIDATED BALANCE SHEET

	DECEMBER 31, 1995	DECEMBER 31, 1994
ASSETS		
Current Assets:		
Cash and Cash Equivalents, Including Restricted Cash	$ 12,275,217	$ 7,644,653
Short-term Investments	--	8,539,666
	12,275,217	16,184,319
Accounts Receivable, Net of the Allowance for Doubtful Accounts of $17,187 and $10,000	339,167	471,824
Inventories	403,293	409,266
Prepaid and Other Current Assets	541,411	560,145
Total Current Assets	13,559,088	17,625,554
Property and Equipment, Net	1,172,137	1,060,193
Restricted Cash	850,000	--
Other Assets	2,951,062	1,998,784
Total Assets	$ 18,532,287	$ 20,684,531
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	724,944	786,344
Accrued Expenses	1,504,586	1,812,508
Deferred Revenue	121,083	--
Total Current Liabilities	2,350,613	2,598,852
Collaborator Advance	181,573	500,000
Commitments and Contingent Liabilities (Notes 3 and 14)		
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	--	--
Class C-1 Junior Participating Cumulative preferred stock $.01 par value; 350,000 Shares Authorized	--	--
Common Stock, $.001 Par Value; 50,000,000 Shares Authorized; 19,904,706 and 19,882,730 Issued and Outstanding in 1995, respectively 17,054,222 and 17,037,899 Issued and Outstanding in 1994, respectively	19,905	17,054
Additional Paid-in Capital	62,399,255	55,726,143
Less: 21,976 and 16,323 Common Treasury Shares at Cost	(80,523)	(76,931)
Accumulated Deficit	(46,338,536)	(38,080,587)
Total Stockholders' Equity	16,000,101	17,585,679
Total Liabilities and Stockholders' Equity	$ 18,532,287	$ 20,684,531

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1993
OPERATING REVENUE:			
Product Development and Distribution Agreements	$ 1,608,677	$ 3,737,143	$ 5,624,204
Product Sales	2,354,377	3,230,815	3,394,119
Total Operating Revenue	3,963,054	6,967,958	9,018,323
OPERATING EXPENSE:			
Cost of Product Sales	1,879,387	2,008,279	2,317,036
Research and Development	8,004,598	8,697,174	9,438,365
General and Administrative	4,217,345	4,345,972	4,515,139
Marketing and Sales	1,597,888	1,411,420	2,008,793
Facility Relocation	126,419	1,598,609	--
Total Operating Expense	15,825,637	18,061,454	18,279,333
Operating Loss	(11,862,583)	(11,093,496)	(9,261,010)
Non-Operating Income (Expense), Net	3,604,634	(490,055)	1,193,452
Net Loss Before Minority Interest	(8,257,949)	(11,583,551)	(8,067,558)
Minority Interest Share of Loss	--	--	310,038
Net Loss	$ (8,257,949)	(11,583,551)	(7,757,520)
Net Loss Per Common Share	$ (0.47)	$ (0.68)	$ (0.56)
Weighted Average Common Shares Outstanding	17,482,143	17,053,443	13,930,643

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	COMMON STOCK		ADDITIONAL PAID-IN	TREASURY STOCK	ACCUMULATED	TOTAL STOCKHOLDERS'
	SHARES	PAR VALUE	CAPITAL	COST	DEFICIT	EQUITY
BALANCE AT DECEMBER 31, 1992	13,452,832	$13,453	$38,568,352	$(125,075)	$(18,739,516)	$19,717,214
Purchase of Minority Interest in T Cell Diagnostics	660,000	660	(660)	--	--	--
Issuance at $0.60 to $6.63 per Share upon Exercise of Stock Options	102,085	102	379,141	--	--	379,243
Private Placement Proceeds	2,834,780	2,835	16,792,445	--	--	16,795,280
Net Loss for the Year Ended December 31, 1993	--	--	--	--	(7,757,520)	(7,757,520)
BALANCE AT DECEMBER 31, 1993	17,049,697	$17,050	$55,739,278	$(125,075)	$(26,497,036)	$29,134,217
Issuance at $2.13 to $5.25 per Share upon Exercise of Stock Options	4,525	4	13,302	--	--	13,306
Employee Stock Purchase Plan Issuance at $2.13 per Share	--	--	(26,437)	48,144	--	21,707
Net Loss for the Year Ended December 31, 1994	--	--	--	--	(11,583,551)	(11,583,551)
BALANCE AT DECEMBER 31, 1994	17,054,222	$17,054	$55,726,143	$(76,931)	$(38,080,587)	$17,585,679
Issuance at $.60 to $4.25 per Share upon Exercise of Stock Options	88,668	89	244,664	--	--	244,753
Employee Stock Purchase Plan Issuance at $2.13 and $2.71 per Share	--	--	(23,169)	47,864	--	24,695
Private Placement Proceeds	2,550,000	2,550	6,102,332	--	--	6,104,882
Issuance at $1.65 upon Exercise of Stock Warrants	211,816	212	349,285	--	--	349,497
Purchase of 16,466 Shares of Treasury Stock at Cost	--	--	--	(51,456)	--	(51,456)
Net Loss for the Year Ended December 31, 1995	--	--	--	--	(8,257,949)	(8,257,949)
BALANCE AT DECEMBER 31, 1995	19,904,706	$19,905	$62,399,255	$(80,523)	$(46,338,536)	$16,000,101

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Increase in Cash and Cash Equivalents	YEAR ENDED DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	$ (8,257,949)	$(11,583,551)	$ (7,757,520)
Adjustments to Reconcile Net Loss to Cash used by Operating Activities:			
Depreciation and Amortization	719,573	844,741	854,820
Minority Interest	--	--	(310,038)
Write off of Leasehold Improvements	--	910,812	--
Losses on Short-term Investments	--	1,851,782	--
Decrease in Collaborator Advance	(318,427)	--	--
Changes in Assets and Liabilities:			
Accounts Receivable	132,657	22,429	19,492
Inventories	5,973	(7,288)	165,653
Prepaid and Other Current Assets	18,734	(270,753)	533,112
Accounts Payable and Accrued Expenses	(369,322)	(401,237)	603,842
Deferred Revenue	121,083	(433,000)	433,000
Net Cash Used by Operating Activities	(7,947,678)	(9,066,065)	(5,457,639)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Short-term Investments	--	(1,190,608)	(22,164,512)
Redemption ofShort-term Investments	8,539,666	13,983,558	13,001,504
Acquisition of Property and Equipment	(577,263)	(770,344)	(538,664)
Increase in Patents and Licenses	(1,216,884)	(493,885)	(682,561)
Transfer of Cash into Long-term Restricted Cash	(850,000)	--	--
Other	10,352	(4,435)	13,557
Net Cash Provided (Used) by Investing Activities	5,905,871	11,524,286	(10,370,676)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advance from Collaborators	--	--	500,000
Proceeds from Sale of Stock	6,129,577	21,707	16,795,280
Proceeds from Exercise of Stock Warrants	349,497	--	--
Proceeds from Exercise of Stock Options	244,753	13,306	379,243
Purchases of Treasury Stock	(51,456)	--	--
Net Cash Provided by Financing Activities	6,672,371	35,013	17,674,523
Increase in Cash and Cash Equivalents	4,630,564	2,493,234	1,846,208
Cash and Cash Equivalents at Beginning of Period	7,644,653	5,151,419	3,305,211
Cash and Cash Equivalents at End of Period	$12,275,217	$ 7,644,653	$ 5,151,419
Cash, Cash Equivalents, Short-term Investments and Marketable Securities at End of Period	$12,275,217	$ 16,184,319	$ 28,335,817

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Nature of Business

T Cell Sciences, Inc. (the "Company") is a research-based emerging biotechnology company specializing in the understanding and treatment of diseases caused by misregulation of the body's natural defense systems. The Company is developing therapeutic products for diseases of inflammation and immunology. T Cell Sciences develops and commercializes products on a proprietary basis and in collaboration with established pharmaceutical partners, including Astra AB and Yamanouchi Pharmaceutical Co., Ltd. The Company's wholly owned subsidiary, T Cell Diagnostics, Inc. ("TCD") is commercializing a line of diagnostic products to detect and monitor immune-related disorders.

(B) Basis of Consolidation

The financial statements include the accounts of T Cell Sciences, Inc. and its wholly owned subsidiary, T Cell Diagnostics, Inc. T Cell Diagnostics was 84% owned until September 22, 1993. All intercompany transactions have been eliminated.

(C) Cash, Cash Equivalents and Short-term Investments

Cash equivalents and investments are stated at the lower of amortized cost or market value. The majority of the Company's cash and cash equivalents are held by one bank and two investment brokers. The Company does not believe that it is subject to any unusual credit risk beyond the normal risk encountered in operating its business. Included in cash and cash equivalents at December 31, 1995 is $958,000 of short-term restricted cash (Note 3).

(D) Revenue Recognition

The Company has entered into separate agreements with corporate collaborators for the performance of certain specified product developments. The product development agreements generally provide for periodic nonrefundable payments which are recognized as revenue as the work is performed. Cash payments received by the Company in advance of performing the work are recorded as deferred revenue.

Revenues from product sales are recorded when the product is shipped.

(E) Research and Development Costs

Research and development costs are expensed as incurred. Such costs include internal research and development activities and expenses associated with external product development agreements.

(F) Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

(G) Property and Equipment

Property and equipment is stated at cost and depreciated over the estimated useful lives of the related assets using the straight-line method. Laboratory equipment and office furniture and equipment are depreciated over a five year period and computer equipment is depreciated over a three year period. Leasehold improvements are amortized over the shorter of the estimated useful life or the noncancelable term of the related lease.

(H) Licenses, Patents and Trademarks

Included in other assets are purchased licenses, patents and trademarks which are capitalized and amortized over the shorter of the estimated useful lives or ten years using the straight-line method.

(I) Loss Per Share

Net loss per share of common stock is based on the weighted average number of common shares outstanding during each period. Common stock equivalents are not included for any period presented, as their effect is antidilutive.

(J) Stock-Based Compensation

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation". SFAS 123 allows the Company to account for its stock-based employee compensation plans based upon either a fair value method or under the intrinsic value method currently followed by the Company. If the current method is retained, SFAS 123 requires certain additional disclosures regarding the impact which the fair value method would have on the results of the Company's operations. The Company expects to adopt SFAS 123 in 1996 through disclosure only and therefore, such adoption will have no impact on the Company's financial position or results of operations.

(K) Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at December 31, 1995 and 1994 and the reported amounts of revenue and expense for the years ended December 31, 1995, 1994 and 1993. Actual results could differ from those estimates.

(L) Reclassifications

Certain prior year information was reclassified to conform with the current year presentation.

2. SHORT-TERM INVESTMENTS AND RESTRICTED CASH

As of January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Debt and Equity Securities". Under this standard, the Company is required to classify its investments in debt and equity securities into one or more of the following three categories: held-to-maturity, trading or available-for-sale. All debt and equity securities classified as held-to-maturity are recorded at amortized cost. Trading securities are classified at fair market value and unrealized gains and losses are included in earnings. Available-for-sale securities are also recorded at fair market value with unrealized gains and losses reported in stockholders' equity. At December 31, 1995, the Company did not hold any debt and equity securities as all excess cash was held in money market funds. At December 31, 1994, the Company's excess cash was held in money market funds and debt and equity securities; all of the Company's debt and equity securities were classified as available-for-sale. The following is a summary of debt and equity securities as of December 31, 1994:

Security Type	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Short-term bond fund	$9,513,000	--	$973,000	$8,540,000

Proceeds from maturities and other sales of securities for the year ended December 31, 1994 were $13,984,000, the related gross realized losses on such maturities and sales were $879,000 and gross realized gains were immaterial. Additionally, in December 1994, the Company decided, as a result of the duration and extent of the unrealized losses on its bond fund, that the unrealized loss was other than temporary and realized a loss of $973,000. In February 1995, the Company liquidated its investment in the bond fund; actual losses incurred approximated the amount recognized in 1994.

At December 31, 1995 $1,808,000 is pledged as collateral in accordance with the terms of the Company's operating lease agreement. In March 1996, the Company repaid a portion of the outstanding obligation under the operating lease, in conjunction with the sale of the research products and operations of TCD (Note 16). As a result, the amount remaining as collateral was reduced to $850,000 and $958,000 is included in cash equivalents.

3. PROPERTY, EQUIPMENT AND LEASES

Property and equipment includes the following:

	DECEMBER 31, 1995	DECEMBER 31, 1994
Laboratory Equipment	$ 2,800,649	$ 3,153,536
Office Furniture and Equipment	953,189	792,758
Leasehold Improvements	614,616	111,119
Property and Equipment, Total	4,368,454	4,057,413
Less Accumulated Depreciation and Amortization	(3,196,317)	(2,997,220)
Property and Equipment, Net	$ 1,172,137	$ 1,060,193

Depreciation expense related to equipment and leasehold improvements was approximately $465,000, $649,000 and $676,000 for the years ended December 31, 1995, 1994 and 1993, respectively.

In June 1994, the Company evacuated its former Cambridge, Massachusetts facility due to air quality problems and in October 1994 entered into a five-year lease for laboratory, office and warehouse space in Woburn, Massachusetts for its diagnostic business, and entered into a short-term sublease agreement for laboratory facilities and a short-term lease for office space in Needham, Massachusetts for its therapeutic business, which were combined into two-year agreements in March 1995. As part of the sale of the research products and operations of TCD, the lease for the Woburn facilities was assigned to Endogen.

Obligations for base rent under these and other noncancelable operating leases as of December 31, 1995 are approximately as follows:

Year ending December 31,	1996	$1,217,000
	1997	711,000
	1998	551,000
	1999	508,000
	2000	92,000
	Thereafter	--
	Total minimum lease payments	$3,079,000

The Company's total rent expense was approximately $1,100,000, $1,100,000 and $1,200,000 for the years ended December 31, 1995, 1994 and 1993, respectively. Beginning in March 1996, the Company's lease obligations were reduced as a result of the sale of the research products and operations of TCD to Endogen, Inc.

In August 1994, the Company entered into a five-year lease agreement to lease up to $2,000,000 of equipment. The lease agreement requires that the Company maintain certain restrictive covenants determined at the end of each fiscal quarter, including a cash, cash equivalents and short-term investments balance of not less than $10,000,000 and certain financial ratios. At September 30, 1995 the Company's cash, cash equivalents and short-term investments balance was below the minimum covenant requirement. In accordance with the lease agreement, in November 1995, the Company pledged as collateral to the lessor the cash amount outstanding on the lease. At December 31, 1995, $958,000 and $850,000 are recorded as short-term and long-term restricted cash, respectively. Under this agreement, the Company determines when lease payments will begin and interest is payable on all outstanding amounts until lease payments commence. At December 31, 1995 and 1994, $899,000 and $570,000, respectively, was outstanding for which the schedule for lease payments had not yet been established. In March 1996, the Company repaid approximately $980,000 of the outstanding total obligation under the lease in conjunction with the sale of the research products and operations of TCD, which has increased the amount of lease financing available to the Company.

4. OTHER ASSETS

Other assets include the following:

	DECEMBER 31, 1995	DECEMBER 31, 1994
Capitalized Patent Costs	$3,272,109	$2,131,202
Accumulated Amortization	(577,624)	(403,099)
Capitalized Patent Costs, Net	2,694,485	1,728,103
Other Non Current Assets	256,577	270,681
	$2,951,062	$1,998,784

Amortization expense for the years ended December 31, 1995, 1994 and 1993 relating to patent costs, purchased licenses and trademarks was approximately $254,000, $196,000 and $179,000, respectively.

5. ACCRUED EXPENSES

Accrued expenses include the following:

	DECEMBER 31, 1995	DECEMBER 31, 1994
Accrued License Fees	$ 47,584	$ 397,779
Accrued Funded Research	19,350	127,529
Accrued Royalties	13,809	255,124
Accrued Payroll and Employee Benefits	210,961	197,256
Accrued Relocation Expenses	79,725	255,000
Accrued Clinical Trials	195,944	--
Accrued Patent Costs	228,981	--
Other Accrued Expenses	708,232	579,820
	$1,504,586	$1,812,508

6. INCOME TAXES

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Income tax benefit:			
Federal	$ 2,984,812	$3,705,826	$2,777,761
State	354,821	1,013,701	969,339
	3,339,633	4,719,527	3,747,100
Deferred tax assets valuation allowance	(3,339,633)	(4,719,527)	(3,747,100)
	$ --	$ --	$ --

Deferred tax assets are comprised of the following at December 31:

	1995	1994
Net Operating Loss Carryforwards	$ 17,207,019	$ 14,072,019
Tax Credit Carryforwards	2,921,484	2,690,852
Other	1,159,815	1,185,814
Gross Deferred Tax Assets	21,288,318	17,948,685
Deferred Tax Assets Valuation Allowance	(21,288,318)	(17,948,685)
	$ --	$ --

In reconciliation between the amount of reported income tax expenses and the amount computed using the U.S. Statutory rate of 35% follows:

	1995	1994	1993
Loss at Statutory Rates	$(2,890,282)	$(4,054,243)	$(2,715,132)
Research and Development Credits	(255,752)	(165,657)	(472,512)
State tax benefit, net of federal tax liabilities	(231,249)	(573,354)	(485,482)
Other	37,650	73,727	(73,974)
Benefit of losses and credits not recognized, increase in valuation allowance	3,339,633	4,719,527	3,747,100
	$ --	$ --	$ --

The Company has provided a full valuation allowance for deferred tax assets as management has concluded that it is more likely than not that the Company will not recognize any benefits from its net deferred tax asset. The timing and amount of future earnings will depend on numerous factors, including the Company's future profitability. The Company will assess the need for a valuation allowance as of each balance sheet date based on all available evidence.

At December 31, 1995, the Company has U.S. net operating loss carryforwards of $44,328,137, U.S. capital loss carryforwards of $1,852,324, and U.S. tax credits of $2,419,849 which expire at various dates from 1999 through 2010.

Under the Tax Reform Act of 1986, certain substantial changes in the Company's ownership could result in an annual limitation on the amount of net operating loss carryforwards, research and development tax credits, and capital loss carryforwards which could be utilized.

7. STOCKHOLDERS' EQUITY

(A) Public and Private Stock Offerings

On November 7, 1995 the Company completed a private placement of 2,550,000 newly issued shares of common stock. Net proceeds were approximately $6,100,000 after deducting all associated expenses.

On December 10, 1993 the Company completed a private placement of 2,834,780 newly issued shares of common stock. Net proceeds were approximately $16,800,000 after deducting all associated expenses.

On September 22, 1993 the Company issued 660,000 shares of common stock in exchange for the outstanding 16% minority interest in T Cell Diagnostics.

(B) Stock Purchase Warrants

In connection with the sale of Class B preferred stock, the Company sold 322,767 warrants in December 1985 and 201,731 warrants in February 1986 at $.02 per warrant to purchase an equal amount of common stock for $1.65 per share. As of December 31, 1995, all warrants were exercised.

(C) Stock Options

The Company's 1991 Stock Compensation Plan (the "1991 Plan"), which is an amendment and restatement of the Company's 1985 Incentive Option Plan, permits the granting of incentive stock options (intended to qualify as such under Section 422A of the Internal Revenue Code of 1986, as amended), non-qualified stock options, stock appreciation rights, performance share units, restricted stock and for other awards of restricted stock in lieu of cash bonuses to employees, consultants and outside directors.

The Plan allows for a maximum of 3,700,000 shares of common stock to be issued prior to December 1, 2001. The Board of Directors determines the term of each option, option price, number of shares for which each option is granted and the rate at which each option is exercisable. The term of each option cannot exceed ten years (five years for options granted to holders of more than 10% of the voting stock of the Company). The exercise price of stock options shall not be less than the fair market value of the common stock at the date of grant (110% of fair market value for options granted to holders of more than 10% of the voting stock of the Company).

A summary of the Stock Compensation Plan option activity is as follows:

	OPTIONS	PRICE RANGE
OPTIONS OUTSTANDING AT DECEMBER 31, 1992	1,619,574	$ .60 - 20.00
Options granted	645,986	5.06 - 7.81
Exercised	(102,085)	.60 - 6.63
Canceled	(153,319)	3.00 - 10.88
OPTIONS OUTSTANDING AT DECEMBER 31, 1993	2,010,156	$ .60 - 20.00
Options granted	926,089	2.50 - 6.81
Exercised	(4,525)	2.13 - 5.25
Canceled	(371,900)	3.00 - 13.19
OPTIONS OUTSTANDING AT DECEMBER 31, 1994	2,559,820	$ .60 - 20.00
Options granted	620,523	2.50 - 4.59
Exercised	(88,668)	2.63 - 5.25
Canceled	(575,362)	2.13 - 13.19
OPTIONS OUTSTANDING AT DECEMBER 31, 1995	2,516,313	$ .60 - 20.00

In December 1995, the Company canceled 211,405 stock options and regranted 169,123 stock options resulting in a 42,282 decrease in options outstanding in connection with a repricing offer to non-officer employees, most of whom were long-term employees. Of the above, 2,516,313 stock options outstanding at December 31, 1995, 1,007,109 were incentive stock options and 1,509,204 were nonqualified stock options. At December 31, 1995, 454,455 of the outstanding incentive stock options were exercisable at $0.60 to $10.88 per share and 1,043,946 of the outstanding nonqualified stock options were exercisable at $2.00 to $20.00 per share. At December 31, 1995, options to purchase 571,516 shares of common stock were available for future grant under this plan.

(E) Employee Stock Purchase Plan

The 1994 Employee Stock Purchase Plan (the "1994 Plan") was adopted on June 30, 1994. All full time employees of the Company are eligible to participate in the 1994 Plan. A total of 150,000 shares are reserved for issuance under this plan. An employee may participate voluntarily in any offering for up to 15% of their compensation to purchase up to 500 shares per year and may withdraw from any offering at any time before stock is purchased. Participation terminates automatically upon termination of employment. The purchase price per share of common stock in an offering is 85% of the lower of its fair market value at the beginning of the offering period or the applicable exercise date. As of December 31, 1995, 21,028 shares had been purchased under the purchase plan, with shares issued from treasury shares.

(F) Shareholder Rights Plan

On November 10, 1994, the Company's Board of Directors declared a dividend of one preferred share purchase right for each share of common stock outstanding. Each right entitles the holder to purchase from the Company one-one thousandth of a share of Series C-1 Junior Participating Cumulative Preferred Stock (a "Unit"), par value $.01 at a price of $16.00 per one-one thousandth of a share, subject to certain adjustments. The Units are exercisable only if a person or a group acquires 15% or more of the outstanding common stock of the Company or commences a tender offer which would result in the ownership of 15% or more of the Company's outstanding common stock. Once a Unit becomes exercisable, the plan allows the Company's shareholders to purchase common stock at a substantial discount. Unless earlier redeemed, the Units expire on November 10, 2004. The Company is entitled to redeem the Units at $.01 per Unit subject to adjustment for any stock split, stock dividend or similar transaction.

As of December 31, 1995 the Company has authorized the issuance of 350,000 shares of Series C-1 Junior Participating Cumulative Preferred Stock for use in connection with the shareholder rights plan.

8. RESEARCH AND LICENSING AGREEMENTS

The Company funds certain portions of its research externally. The total costs funded externally were approximately $120,000, $140,000 and $760,000 for the years ended December 31, 1995, 1994 and 1993.

The Company enters into licensing agreements with several universities and research organizations. Under the terms of these agreements, the Company has received licenses or options to license technology, certain patents or patent applications. The Company is required to make payments of nonrefundable license fees and royalties which amounted to approximately $200,000, $336,000 and $153,000 for the years ended December 31, 1995, 1994 and 1993.

9. PRODUCT DEVELOPMENT AND DISTRIBUTION AGREEMENTS

The Company's product development revenues were received from contracts with different organizations. Total revenue received by the Company in connection with these contracts for the years ended December 31, 1995, 1994 and 1993 were approximately $1,600,000, $3,700,000 and $5,600,000, respectively. A summary of these contracts is as follows:

(A) Astra AB

In January 1992, the Company entered into a product development and distribution agreement with Astra AB ("Astra"), a worldwide pharmaceutical company headquartered in Sodertalje, Sweden, for the joint development and marketing of therapeutic products resulting from T Cell Sciences' proprietary T cell antigen receptor ("TCAR") technology. The products to be developed exclusively and jointly with Astra are monoclonal antibodies and protein-derived immunomodulators that may have efficacy in treating autoimmune diseases such as multiple sclerosis, Crohn's disease, and rheumatoid arthritis. The agreement calls for approximately $15,000,000 of initial funding and, in conjunction with the achievement of milestones and pursuant to options, the potential of additional

funding up to $17,000,000 over several years. Revenue recognized for the years ended December 31, 1995, 1994 and 1993 was $1,400,000, $3,000,000 and $5,100,000, respectively.

In December 1993 the Company amended its January 1992 product development and distribution agreement with Astra. In the amendment, Astra reaffirmed its original funding and agreed to increase its commitment by assuming responsibility for future development and manufacturing of the two initial monoclonal antibody candidates, TM27 and TM29, while the Company continues to be responsible for the initial peptide candidate, TP12. The royalty on future product sales to be paid to the Company by Astra has been adjusted to reflect Astra's substantial additional development and manufacturing commitment.

Included in revenue for 1995 is $318,000 from the reduction of the collaborator advance liability. The funds were advanced from Astra for the expansion of additional research space dedicated to joint TCAR product research. The collaborator advance liability was reduced based on the amended agreement and management's assessment of the Company's obligations with the agreement.

(B) Yamanouchi Pharmaceutical Co., Ltd.

In December 1986 the Company entered into an agreement with Yamanouchi Pharmaceutical Co., Ltd. ("YPC") for the development and marketing of certain diagnostic products in Japan and in April 1989, the Company executed a new joint development agreement for several new diagnostic products for Japan. In May 1992, the Company expanded its relationship with YPC to include a product marketing arrangement for Japan and Taiwan related to several TRAx products in development. Revenues of approximately $500,000 were recognized under these agreements for the years ended December 31, 1994 and 1993.

(C) Diamedix Corporation

In December 1995, the Company received a $175,000 signing fee associated with an exclusive distribution agreement with Diamedix Corporation to market TRAx CD4 and TRAx CD8 microtiter plate diagnostic kits to clinical diagnostic laboratories in the United States. The Company retains the rights to sell kits to certain research laboratories and pharmaceutical companies. Under the term of the agreement, the Company, in addition to the signing fee, will receive a purchase price for the supply of the kits and annual order commitments from Diamedix. The initial term of the agreement is five years.

(D) SmithKline Beecham, p.l.c

In 1989, the Company signed an exclusive development and distribution contract for TP10 (sCR1) with SmithKline Beecham. The Company entered into a new agreement in October 1994, with SmithKline Beecham, superseding the original agreement. Under the new agreement, the Company regained exclusive rights to sCR1 in North America, including clinical development and marketing rights and SmithKline Beecham was granted an option for clinical development and marketing of injectable sCR1 outside of North America. The Company and SmithKline Beecham mutually agreed to terminate the October agreement in February 1995, with no future financial obligations to either party.

(E) INCSTAR

In March 1994, the Company received a $250,000 signing fee associated with a distribution agreement with INCSTAR Corporation to market TRAx CD4 and TRAx CD8 kits in North America, Europe and most other countries of the world. During 1995, the Company and INCSTAR Corporation mutually agreed to terminate the agreement without any future financial obligations.

10. NON-OPERATING INCOME(EXPENSE)

Non-Operating income(expense) includes the following:

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Interest and Dividend Income	$ 604,634	$1,361,727	$ 867,141
Settlement of Lawsuit	2,900,000	--	--
Gain on Sale of Investments	100,000	--	326,311
Realized Loss on Sale of Investments	--	(878,924)	--
Other than Temporary Loss on Writedown of Investment	--	(972,858)	--
	$3,604,634	$ (490,055)	$1,193,452

11. DEFERRED SAVINGS PLAN

Under section 401(k) of the Internal Revenue Code of 1986, the Board of Directors adopted, effective May 1990, a tax-qualified deferred compensation plan for employees of the Company. Participants may make tax deferred contributions up to 15%, or $9,240, of their total salary in 1995. The Company may, at its discretion, make contributions to the plan each year matching up to 1% of the participant's total annual salary. Company contributions amounted to $39,000, $42,000 and $35,000 for the years ended December 31, 1995, 1994 and 1993.

12. FOREIGN SALES AND SALES TO SIGNIFICANT CUSTOMER

Foreign Sales:

Product sales were generated geographically as follows:

NET PRODUCT SALES FOR THE TWELVE MONTHS ENDED	EUROPE	USA	ASIA	OTHER	TOTAL
December 31, 1995	$ 732,000	$ 992,000	$491,000	$139,000	$2,354,000
December 31, 1994	1,187,000	1,455,000	526,000	63,000	3,231,000
December 31, 1993	1,754,000	1,162,000	424,000	54,000	3,394,000

Sales to Significant Customer:

In 1995 the Company had product sales to one customer of 12%.

13. FACILITY RELOCATION EXPENSE

In June 1994, the Company temporarily vacated its headquarters building at 38 Sidney Street in Cambridge, Massachusetts due to air quality problems within the building causing certain employees to experience skin and respiratory irritation. During the third quarter of 1994, the Company determined that it could not return to the building and ensure the protection of its employees health. As a result, the Company moved its headquarters to Needham, Massachusetts and its diagnostic subsidiary to Woburn, Massachusetts. The costs to physically move property and establish computer and telephone networks at alternate sights, write-off the net book value of leasehold improvements and legal and other costs directly associated with vacating the Sidney Street location are included as relocation expense.

The total amount charged to relocation expense was included in the Company's property and business interruption claims with its insurer. In July 1995, the Company brought suit 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. In November 1995, the Company received $2,900,000 as a result of a settlement agreement and the lawsuit was dismissed.

14. LITIGATION

In December 1994, the Company filed a lawsuit in the Superior Court of Massachusetts against the landlord of its former Cambridge, Massachusetts headquarters, to recover the damages incurred by the Company resulting from the evacuation of the building, due to air quality problems which caused skin and respiratory irritation to a significant number of employees. The landlord defendant has filed counterclaims, alleging the Company has breached its lease obligations and the landlords mortgagor has filed claims against the Company for payment of the same rent alleged to be owed. The Company believes at this time that it will prevail on the merits of the lawsuits and is vigorously defending the claims brought against it. Due to the pre-trial stage of the lawsuits, a range of potential losses, which the Company believes are unlikely, cannot be estimated at this time. Accordingly, no accrual has been made in the financial statements relative to any potential effects on the Company's future operating results. The Company's insurance carrier is reimbursing the Company for certain legal expenses associated with the counterclaims, under reservation of rights. (See Item 3., Legal Proceedings.)

15. RELATED PARTY TRANSACTION

During 1995, the Company entered into a Placement Agency Agreement with a firm whereby the Company paid $165,000 in fees for the private placement of stock of the Company with certain investors. A Managing Director of the firm is also a Director of the Company.

16. SALE OF PORTION OF DIAGNOSTIC BUSINESS

On March 5, 1996 the Company sold to Endogen, Inc. the research products and operations of TCD for a purchase price of approximately $2,880,000, while retaining the TRAx diagnostic product franchise. The consideration for this sale was paid in the form of a convertible subordinated note receivable (the "Convertible Note") in the principal amount of $1,900,000, subject to final purchase price adjustment, and a combination of cash and a short-term note used to repay approximately $980,000 of obligations under the Company's operating lease. The Convertible Note is due in semi-annual installments over a five year period commencing September 1, 1996 with interest receivable thereon at a rate of 7% per annum. The outstanding principal balance of the Convertible Note is convertible at any time at the option of the Company into shares of common stock of Endogen. Additionally, the Company may receive a royalty on certain of Endogen's sales of research products.

Assets included in the December 31, 1995 consolidated balance sheet relating to the portion of the diagnostic business sold to Endogen in March 1996 include net accounts receivable of approximately $329,000, inventories of approximately $403,000, other current and long-term assets of approximately $288,000 and property and equipment of approximately $537,000. Certain payables and accruals at December 31, 1995 attributable to the portion of the business sold amounted to approximately $227,000. In addition, substantially all product sales and approximately $1,836,000 of cost of product sales for the year ended December 31, 1995 relate to the portion of the business sold.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

The Company's Form 8-K dated February 10, 1994, reporting a change of the Company's independent accountant effective February 10, 1994, is hereby incorporated by reference.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information under the Sections "Proposal 1 - Election of Directors" and "Management" in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 21, 1996, is hereby incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information under the Section "Management" of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on May 21, 1996 is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information under the Section "Beneficial Ownership of Common Stock" of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on May 21, 1996, is hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information under the Sections "Proposal 1 - Election of Directors" and "Management" of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on May 21, 1996, is hereby incorporated by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A) The following documents are filed as part of this Form 10-K:

(1) Financial Statements:

See "Index to Consolidated Financial Statements" at Item 8.

(2) Financial Statement Schedules:

Schedules are omitted since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements or Notes thereto.

(3) Exhibits:

No.	Description	Page No.
2.1	Agreement of Merger among the Company, T Cell Acquisition Corp. and T Cell Diagnostics, Inc. dated August 20, 1993 relating to reconsolidation of the Company's subsidiary	Incorporated by reference to the Company's report on form 8-K filed September 22, 1993
2.2	Asset Purchase Agreement among Endogen, Inc., T Cell Diagnostics, Inc., with the Company dated March 4, 1996	Incorporated by reference to the Company's report on form 8-K filed March 20, 1996
3.1	Third Restated Certificate of Incorporation of the Company	Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended April 30, 1991
3.2	Certificate of Amendment of Third Restated Certificate of Incorporation of the Company	Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1992
3.3	Certificate of Designation for series C-1 Junior Participating Cumulative Preferred Stock	Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1994

3.4	Amended and Restated By-Laws of the Company as of November 10, 1994	Incorporated by reference to the Company's report on Form 8-K dated November 10, 1994
4.1	Form of Purchase Agreement dated November 23, 1993 relating to the Company's private placement of Common Stock	Incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-3 (Reg. No. 33-72172)
4.2	Shareholder Rights Agreement dated November 10, 1994 between the Company and State Street Bank and Trust Company as Rights Agent	Incorporated by reference to the Company's report on Form 8-K dated November 10, 1994
4.3	Form of Stock Purchase Agreement dated October 27, 1995 relating to the Company's private placement of Common Stock	Incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-3 (Reg. No. 33-64021)
4.4	Form of Stock Purchase Agreement dated November 3, 1995 relating to the Company's private placement of Common Stock	Incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-3 (Reg. No. 33-64021)
10.1	Amended and Restated 1991 Stock Compensation as of April 1, 1995	Page
10.2	1994 Employee Stock Purchase Plan	Incorporated by reference to the Company's Registration Statement on Form S-8 filed June 8, 1994
10.3	Product Development and Distribution Agreement between Astra AB and the Company dated January 30, 1992, portions of which are subject to confidential treatment	Incorporated by reference to the Company's report on Form 8-K filed on February 13, 1992
10.4	Commercial Lease Agreement of October 15, 1994 between T Cell Diagnostics, Inc. and Cummings Properties Management	Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1994
10.5	Performance Plan of the Company	Incorporated by reference to the Company's Annual Report on Form 10-K for the transition period ended December 31, 1992
10.6	Employment Agreement between the Company and Alan W. Tuck dated February 6, 1992	Incorporated by reference to the Company's Annual Report on Form 10-K for the transition period ended December 31, 1992
10.7	Consulting Agreement between the Company and Patrick C. Kung dated January 1, 1996	Page
10.8	Form of Agreement relating to Change of Control	Incorporated by reference to the Company's Annual Report on Form 10-K for the transition period ended December 31, 1992
10.9	Termination Agreement between the Company	Incorporated by reference to the Company's report

	and SmithKline Beecham p.l.c. relating to sCR1 dated April 7, 1995, portions of which are subject to confidential treatment	on Form 8-K filed April 27, 1995
10.10	Pledge Agreement between the Company and Fleet Credit Corporation dated October 24, 1995	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for September dated September 30, 1995
16.0	Letter regarding Change in Certifying Accountant	Incorporated by reference to the Company's report on Form 8-K dated February 10, 1994
21.0	List of Subsidiaries	Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993

(B) Reports on Form 8-K.

During 1995, the following reports on Form 8-K were filed: Form 8-K dated April 7, 1995 (portions of which is subject to confidential treatment) and Form 8-K dated May 19, 1995.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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. DATE

by: s/Alan W. Tuck April 1, 1996

Alan W. Tuck
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
s/Alan W. Tuck --- (Alan W. Tuck)	President, Chief Executive Officer, Acting Chief Financial Officer and Director	April 1, 1996
s/James D. Grant --- (James D. Grant)	Chairman of the Board and Director	April 1, 1996
s/Patrick C. Kung --- (Patrick C. Kung)	Vice Chairman of the Board and Director	April 1, 1996
s/John P. Munson --- (John P. Munson)	Director	April 1, 1996
s/Thomas R. Ostermueller --- (Thomas R. Ostermueller)	Director	April 1, 1996
s/John Simon --- (John Simon)	Director	April 1, 1996

As Amended & Restated
as of 4/1/95

T CELL SCIENCES, INC.
AMENDED AND RESTATED 1991 STOCK COMPENSATION PLAN

SECTION 1. INTRODUCTION.

1.1 Purpose. The purpose of this Amended and Restated 1991 Stock Compensation Plan (the "Plan") of T Cell Sciences, Inc. and affiliated companies is to advance and promote the interests of T Cell Sciences, Inc. and its affiliated companies, including T Cell Diagnostics, Inc., by encouraging and enabling their employees, consultants, advisers and non-employee directors to acquire shares of common stock of T Cell Sciences, Inc. and by providing for payments to such persons based on the appreciation value or value of such shares. The Plan is intended as a further means not only of retaining and attracting outstanding management, but also of promoting a close identity of interests between management and the shareholders of T Cell Sciences, Inc.

1.2 Definitions. The following definitions are applicable to the Plan:

"Award" means the grant of any Option, Performance Share Unit, Restricted Common Share, or any combination thereof, by the Committee to a Participant.

"Beneficiary" means the beneficiary or beneficiaries designated in accordance with Section 6.9 to receive the amount, if any, payable under the Plan upon the death of a Participant.

"Board of Directors" means the Board of Directors of T Cell Sciences, Inc.

"Change in Control" means that any of the following events has occurred:

(i) twenty percent (20%) or more of the Common Shares has been acquired by any person (as defined by Section 3(a)(9) of the Securities Exchange Act of 1934) other than directly from the Corporation; (ii) there has been a merger or equivalent combination after which 49% or more of the voting stock of the surviving corporation is held by persons other than former shareholders of the Corporation; or (iii) twenty percent (20%) or more of the directors elected by shareholders to the Board of Directors of the Corporation are persons who were not nominated by management in the most recent proxy statement of the Corporation;

provided, however, that notwithstanding anything in the Plan to the contrary, no Change in Control shall be deemed to have occurred and no rights arising upon a Change in Control described in Sections 2.2(E), 4.7 and 5.10 shall exist unless the Board of Directors adopts a resolution providing for a Change of Control prior to the effective date of the Change in Control, or not later than forty-five (45) days after the effective date of the Change in Control under clauses (i) or (iii) of the Change in Control. Any resolution of the Board of Directors adopted in accordance with the provisions of this Section directing that this Section and Sections 2.2(E), 4.7 and 5.10 or any of such Sections, become effective may be rescinded or countermanded by the members of the Board of Directors who participated in such resolution at any time with or without retroactive effect.

"Code" means the Internal Revenue Code of 1986 as amended from time to time.

"Committee" means the Compensation Committee of the Board of Directors; provided, however, no member of the Committee shall be a participant in the Plan, except as provided for in Section 3 of the Plan hereof.

"Common Shares" means the common stock ($.001 par value) of the Corporation.

"Corporation" means T Cell Sciences, Inc. or any affiliated company designated by the Board of Directors of T Cell Sciences, Inc. as eligible, of which a majority of the voting common or capital stock is owned directly or indirectly by the Corporation.

"Determined Value" means the higher of (i) the highest bid price per Common Share during the twelve (12) months immediately preceding the date of a Change in Control, or (ii) the highest price per Common Share actually paid in connection with any Change in Control (including, without limitation, prices paid in any subsequent merger or combination with any entity that acquires control of the Corporation).

"Incentive Stock Option" means an option to purchase Common Shares that qualifies as an incentive stock option within the meaning of Section 422 of the Code.

"Employee" means any employee of the Corporation, including officers and directors who are also employees, and consultants and advisers, who, in the judgment of the Committee, is considered important to the future of the Corporation, provided however, nothing shall limit the Committee from designating all or substantially all employees as eligible for grants.

"Nonqualified Stock Option" means an option to purchase Common Shares that does not qualify as an Incentive Stock Option.

"Option" means an Incentive Stock Option or a Nonqualified Stock Option.

"Participant" means an Employee of the Corporation who is selected to participate in the Plan in the manner described in Section 1.4 and a non-employee director who participates in the Plan pursuant to Section 3 and Section 4.

"Performance Cycle" means the period of time, designated by the Committee, during which performance is measured for the purpose of determining whether an Award of Performance Share Units has been earned.

"Performance Goals" means the performance objectives of the Corporation during a Performance Cycle for the purpose of determining whether, and to what extent, Awards of Performance Share Units will be earned for a Performance Cycle.

"Performance Share Unit" and "Stock Equivalent" mean a unit of measurement equivalent to one Common Share with none of the attendant rights of a shareholder of such share, including, without limitation, the right to vote such share and the right to receive dividends thereon, except to the extent otherwise specifically provided herein.

"Restricted Common Shares" means Common Shares which are subject to the Restrictions set forth in Section 4 of the Plan hereof, and any new, additional or different securities a Participant

may become entitled to receive with respect to such shares by virtue of a stock split or stock dividend, merger or consolidation or any other change in corporate or capital structure of the Corporation.

"Restricted Period" means the period of time Restricted Common Shares are subject to Restrictions as set forth in Section 4 of the Plan hereof.

"Restrictions" means those restrictions on the transfer of Restricted Common Shares as set forth in Section 4 of the Plan hereof.

"Stock Appreciation Right" means a right granted in connection with an Option or separately to receive the appreciation in value of Common Shares.

1.3 Administration. The Plan shall be administered by the Committee, except as otherwise provided herein. Except as otherwise provided in Section 3 and Section 4 hereof, in no event shall a member of the Committee be eligible for an Award under the Plan. A majority of the members of the Committee shall constitute a quorum. The Committee may act at a meeting, including a telephone meeting, by action of a majority of the members present, or without a meeting by unanimous written consent. The Committee shall have the authority to:

(i) select the Participants;

(ii) grant Options, Restricted Common Shares, and Performance Share Units to Participants in such combination and in such amounts as it shall determine, subject to the terms and conditions of the Plan;

(iii) determine the nature of the Restrictions and the duration of the Restricted Period applicable to each Award of Restricted Common Shares in accordance with Section 4 hereof;

(iv) determine the duration of each Performance Cycle;

(v) establish the Performance Goals for each Performance Cycle;

(vi) determine the actual amount earned by each Participant with respect to such Awards;

(vii) determine consistent with the Code whether an Option that is granted to a Participant is a Nonqualified Stock Option or an Incentive Stock Option, the number of Common Shares to be covered by each such Option and the time or times when and the manner in which each Option shall be exercisable and modify the terms and restrictions not inconsistent with the Plan of any Award which terms may differ among the Participants;

(viii) amend any Incentive Stock Option with the consent of the Participant so as to make it a Nonqualified Stock Option;

(ix) amend any previously granted Option with the consent of a Participant to rescind a previously granted Stock Appreciation Right;

(x) grant a Stock Appreciation Right in connection with the grant of an Option or separately;

(xi) treat all or any portion of any period during which a Participant is on military leave or on an approved leave of absence from the Corporation as a period of employment of such Participant by the Corporation for purposes of accrual of such Participant's rights in any Awards; and

(xii) establish, alter and repeal from time to time guidelines or regulations for the administration of the Plan, interpret the Plan, cause appropriate records to be established, and make all determinations and take all other actions considered necessary or advisable for the administration of the Plan.

All decisions, actions or interpretations of the Committee that are within the scope of this Section 1.3 shall be final, binding and conclusive upon all parties.

1.4 Participation. Participants in the Plan shall be limited to those Employees who have received written notification from the Committee, or from a person designated by the Committee, that they have been selected to participate in the Plan. No Employee shall at any time have the right to be selected as a Participant. No Participant, having been granted an Award, shall have the right to be granted an additional Award in the future.

1.5 Maximum number of Common Shares available for Awards. Notwithstanding any other provision of the Plan, the maximum number of Common Shares reserved and available for issuance under the Plan shall be three million (3,000,000) Common Shares plus any Common Shares from the seven hundred thousand (700,000) Common Shares previously approved by the shareholders under the Corporation's 1985 Incentive Stock Option Plan, or any other stock option or stock plan previously approved by shareholders, which become available for issuance due to termination or expiration of an Award. In the event (i) any Option granted under the Plan shall terminate or expire or (ii) Awards of Performance Share Units or Restricted Common Shares shall be forfeited, the number of Common Shares no longer subject to such Option or no longer payable under such Award, or Restricted Common Shares that are forfeited, shall thereupon be released and shall thereafter be available for new Awards under the Plan. Furthermore, in determining the number of Common Shares available for Awards under the Plan, only the number of Common Shares paid in satisfaction of Awards of Performance Share Units in accordance with Section 5.4, and Stock Equivalents in accordance with Section 5.8, shall be considered to have been used with respect to such Awards; provided, however, that the number of Common Shares represented by Performance Share Units and Stock Equivalents paid for in cash lump sums pursuant to Section 5.10 shall not again become available for use under the Plan. The limitation provided by this Section is subject to adjustment as provided in Section 6.1. The Common Shares distributed under the Plan may be authorized and unissued shares, shares held in the treasury of the Corporation, or shares purchased on the open market by the Corporation (at such time or times and in such manner as it may determine). The Corporation shall be under no obligation to acquire Common Shares for distribution to Participants before payment in Common Shares is due.

As Amended & Restated
as of 4/1/95

SECTION 2. STOCK OPTIONS FOR EMPLOYEES.

2.1 Awards of Options. Subject to the provisions of the Plan, the Committee shall determine and designate from time to time those Participants to whom Incentive Stock Options, or Nonqualified Stock Options, or both, are to be granted and the number of Common Shares to be optioned to each Participant; provided, however, (i) that the aggregate fair market value (determined at the time the Option is granted) of the Common Shares with respect to which the Incentive Stock Options are exercisable for the first time by any Participant during any calendar year shall not exceed the maximum amount allowable under Section 422 of the Code, and (ii) that no Participant shall be awarded Options or Stock Appreciation Rights to purchase or receive the appreciation in value of more than 100,000 Common Shares in any calendar year.

2.2 Terms and Conditions of Options. Each Option granted under the Plan shall be evidenced by an agreement, in a form approved by the Committee. Such agreement shall be subject to the following express terms and conditions and to such other terms and conditions as the Committee may deem appropriate:

(A) Option Period. Each Option agreement shall specify the period for which the Option thereunder is granted (which in no event shall exceed ten (10) years from the date of grant) and shall provide that the Option shall expire at the end of such period. The Committee may extend such period; provided, however, that such extension shall not in any way disqualify the Option as an Incentive Stock Option unless the holder of such Option shall otherwise agree. In no case shall such period, including any such extensions, exceed (i) ten (10) years from the date of grant, or (ii) in the case of Incentive Stock Options granted to a Participant who, at the time the Incentive Stock Option is granted, owns shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of his or her employer corporation or of its parent or subsidiary corporation (a "Ten Percent Shareholder"), five (5) years from the date of grant.

(B) Purchase Price. The purchase price per Common Share shall be determined by the Committee at the time any Option is granted, and shall be not less than (i) the fair market value, or (ii) in the case of Incentive Stock Options granted to a Ten Percent Shareholder, one hundred ten percent (110%) of the fair market value (but in no event less than the par value) of a Common Share on the date the Incentive Stock Option is granted as determined by the Committee. For purposes of this Section, fair market value means the average, on the date of grant, of the high bid and low asked Common Share price of the over-the-counter market, as reported with respect to securities listed in the National Market System ("NMS") of the National Association of Securities Dealers, Inc. Automated Quotation (NASDAQ) System, or as otherwise determined by the Committee.

(C) Exercise of Option. Except as otherwise provided under the Plan, no part of any Option may be exercised until the Participant shall have remained in the employ of the Corporation for such period after the date on which the Option is granted as the Committee may specify in the option agreement or otherwise and the option agreement may provide for exercisability in installments. The Committee may at any time accelerate the exercisability of all or any portion of any Option.

(D) Payment of Purchase Price upon Exercise. Each Option shall provide that the purchase price of the Common Shares as to which an Option shall be exercised shall be paid to the Corporation at the time of exercise either in cash or in such other consideration as the Committee deems appropriate, including, but not limited to, Common Shares already owned by the Participant not subject to any restriction under any other plan having a total fair market value, as determined by the Committee, equal to the purchase price, or a combination of cash and Common Shares having a total fair market value, as so determined, equal to the purchase price. The Committee in its sole discretion may also provide that the purchase price may be paid by delivering a properly executed exercise notice in a form approved by the Committee together with irrevocable instructions to a broker to promptly deliver to the Corporation the amount of applicable sale or loan proceeds to pay the purchase price.

(E) Exercise in the Event of Death, Disability, Retirement or Other Termination of Employment, or Change in Control.

(1) If a Participant's employment by the Corporation shall terminate because of his or her death or permanent disability, the Committee may, in its sole discretion, accelerate in whole or in part, any or all Options which the Participant shall not then have been entitled to exercise and the Participant Beneficiary or legal representative shall have the right to exercise all Options so accelerated on the date of such termination.

(2) If a Participant shall die (i) while an employee of the Corporation, or (ii) within twelve (12) months after termination of his or her employment with the Corporation because of his or her permanent disability, such Participant's Options may be exercised, to the extent that such Participant shall have been entitled to do so on the date of his or her death or such termination of employment, by the Participant's Beneficiary or by the person or persons to whom the Participant's rights under the Option pass by will or applicable law, or if no such person has such right, by his or her executors or administrators, at any time, or from time to time, but not later than the expiration date specified in paragraph (A) of this Section 2.2 or three (3) years after the Participant's death, whichever date is earlier.

(3) If a Participant's employment by the Corporation shall terminate because of his or her permanent disability, such Participant may exercise his or her Options, to the extent that such Participant shall have been entitled to do so at the date of the termination of his or her employment, at any time, or from time to time, but not later than the expiration date specified in paragraph (A) of this Section 2.2 or three (3) years after termination of employment because of his or her permanent disability, whichever date is earlier. The Committee shall have sole authority and discretion to determine whether a Participant's employment has been terminated by reason of disability.

(4) Subject to Section 6.14, if a Participant's employment shall terminate for any reason other than death or permanent disability as aforesaid, all rights to exercise his or her Option shall terminate at the earlier of the expiration date specified in paragraph (A) of this Section 2.2 or up to twelve (12) months after termination of employment as determined by the Committee; provided, however, that the Committee may, in its sole

discretion, grant new Options or modify outstanding Options to permit their exercise upon a Participant's termination of employment due to retirement with the consent of the Corporation until the earlier of the expiration date specified in paragraph (A) of this Section 2.2 or up to three (3) years after termination of employment.

(5) In addition, in the event of a Change in Control, all Options granted under the Plan which the Participant shall not then have been entitled to exercise shall be accelerated immediately prior to or concurrently with the occurrence of the Change in Control and the Participant shall have the right to exercise all such Options.

(F) Transferability of Options. No Option granted under the Plan shall be transferable other than by will or by the laws of descent and distribution. During the lifetime of the Participant, an Option shall be exercisable only by him or her.

(G) Investment Representation. Each option agreement may provide that, upon demand by the Committee for such a representation, the Participant (or any person acting under Paragraph E of this Section 2.2) shall deliver to the Committee, at the time of any exercise of an Option or portion thereof, a written representation that the shares to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof. Upon such demand, delivery of such representation prior to the delivery of any Common Shares issued upon exercise of an Option and prior to the expiration of the Option period shall be a condition precedent to the right of the Participant or such other person to purchase any Common Shares. In the event certificates for Common Shares are delivered under the Plan with respect to which such an investment representation has been obtained, the Committee may cause a legend or legends to be placed on such certificates to make appropriate reference to such representations and to restrict transfer in the absence of compliance with applicable federal or state securities laws.

(H) Participants to Have no Rights as Shareholders. No Participant shall have any rights as a shareholder with respect to any Common Shares subject to his or her Option prior to the date of issuance to him or her of such Common Shares.

(I) Other Option Provisions. The form of Option agreement authorized by the Plan shall also contain the applicable terms and conditions set forth in Sections 6.1 and 6.7 and may contain such other provisions as the Committee may, from time to time, determine. Without limiting the foregoing sentence, the Committee may require a Participant to agree, as a condition to receiving an Option under the Plan, that part or all of any Options previously granted to such Participant under the Plan or any prior plan of the Corporation be terminated.

(J) Sequential Exercise of Options Not Required. Options granted under the Plan may be exercised in any order, regardless of the date of grant or the existence of any other outstanding Option.

SECTION 3. STOCK OPTIONS FOR NON-EMPLOYEE DIRECTORS.

3.1 Options. Each director of the Corporation who is not an employee, shall be granted upon his or her election to the Board of Directors and on each subsequent annual meeting of stockholders in which he or she is re-elected or remains a director,, a Nonqualified Stock Option (a "Director's Option") to purchase five thousand (5,000) Common Shares of the Corporation. Such option grant shall be nondiscretionary and shall be evidenced by a single Option agreement in the form approved by the Committee.

3.2 Terms and Conditions of Options. Each Director's Option granted under the Plan shall be subject to the following express terms and conditions and to such other terms and conditions consistent therewith as the Committee may deem appropriate:

(A) Option Period. The Director's Option period for each Director shall be ten (10) years from the date of grant and shall expire at the end of such period.

(B) Purchase Price. The purchase price per Common Share shall be the fair market value (as such term is defined in Section 2.2(B)) of the Common Shares on the date of grant.

(C) Exercise of Option. Except as otherwise provided under the Plan, no part of any Director's Option may be exercised until the Participant shall have remained as anon-employee director of the Corporation for one year from the date of grant.

(D) Payment of Purchase Price upon Exercise. Each Director's Option shall provide that the purchase price of the Common Shares as to which an Director's Option shall be exercised shall be paid to the Corporation at the time of exercise either in cash or in Common Shares already owned by the non-employee director having a total fair market value, as determined by the Committee, equal to the purchase price, or a combination of cash and Common Shares having a total fair market value, as so determined, equal to the purchase price. The purchase price may also be paid by delivering a properly executed exercise notice in a form approved by the Committee together with irrevocable instructions to a broker to promptly deliver to the Corporation the amount of applicable sale or loan proceeds to pay the purchase price.

(E) Exercise in the Event of Death, Disability, Retirement or Other Termination of Service, or Change in Control. (1) If a non-employee director's service as a director shall terminate because of his or her death, permanent disability or retirement with the consent of the Corporation, the Participant, Beneficiary or legal representative shall have the right to exercise all Director's Options regardless of whether vested, for a period of three (3) years following the date of death, disability or retirement, or the expiration date specified in Section 3.2(A), whichever is earlier. (2) If a non-employee director's service shall terminate for any reason other than death, disability or retirement as aforesaid, all right to exercise the Option shall terminate at the earlier of the expiration date specified in Section 3.2(A) or three (3) months after termination of service.

(F) Transferability of Options. No Director's Option granted under this Section shall be transferable other than by will or by the laws of descent and distribution. During the

lifetime of the non-employee director, a Director's Option shall be exercisable only by him or her.

(G) Non-employee Directors to Have no Rights as Shareholders. No non-employee director shall have any rights as a shareholder with respect to any shares subject to his or her Director's Option prior to the date of issuance to him or her of such shares.

(H) Sequential Exercise of Options Not Required. Options granted under this Section may be exercised in any order, regardless of the date of grant or the existence of any other outstanding Director's Option.

SECTION 4. RESTRICTED COMMON SHARES.

4.1 Awards of Restricted Common Shares. Restricted Common Shares awarded under this Plan are subject to certain conditions and restrictions as provided below. All conditions and restrictions imposed on any such Award shall be made by and at the discretion of the Committee, subject to the provisions of the Plan, and are binding on the Corporation and the Participants, their Beneficiaries and legal representatives. Any non-employee director may elect to receive Restricted Common Shares in lieu of all or a portion of the annual retainer or other cash compensation payable for serving on the Board of Directors or a Committee thereof, provided such election is made in writing at least six (6) months before the applicable due date of the compensation and that such election is not revoked or changed thereafter except as to compensation due at least six (6) months after the written revocation or change. The Restricted Common Shares shall be equal to the number of shares obtained by dividing the compensation amount by the fair market value (as determined in Section 2.2(B)) of unrestricted Common Shares on the date on which compensation would have been paid, rounded up to the nearest whole share.

4.2 Restricted Period. At the time each Award of Restricted Common Shares is granted, the Committee shall establish a period within which Restricted Common Shares awarded to the Participants may not be sold, assigned, transferred, made subject to gift, or otherwise disposed of, mortgaged, pledged or otherwise encumbered. The Committee may impose such other restrictions on any Restricted Common Shares as it may deem advisable.

4.3 Rights as Shareholders. Except for the Restrictions outlined in Section 4.2, and the forfeiture conditions described in Section 4.5, each Participant will have all rights of a holder of Common Shares including the right to receive all dividends or other distributions made or paid in respect of such shares and the right to vote such shares at regular or special meetings of the shareholders of the Corporation.

4.4 Delivery of Shares. Restricted Common Share awarded to a Participant under the Plan will be held under the Participant's name in an account maintained by the Corporation. At the conclusion of the Restricted Period imposed on any Award granted to a Participant, or upon the prior approval of the Committee as described in Section 4.5, and subject to the satisfaction of the Corporation's withholding obligations described in Section 6.8, certificates representing Restricted Common Shares will be delivered to the Participant, or the Beneficiary or legal representative of the Participant, free of the Restrictions set forth in Section 4.2. Restricted or unrestricted Common Share Awards can be paid, in the sole discretion of the Compensation Committee, in lieu of cash bonuses under the Corporation's bonus Performance Plan or any other bonus arrangement based on

the fair market value (as determined in Section 2.2(B)) of unrestricted Common Shares on the date of transfer.

4.5 Termination of Employment. In the event of the termination of employment of any Participant, all Restricted Common Shares awarded under the Plan which are then subject to Restrictions will be forfeited by the Participant and become the property of the Corporation. However, the Committee may, if the Committee in its sole discretion determines that the circumstances warrant such action, approve the release of all or any part of the Restricted Common Shares which would otherwise be forfeited pursuant to this Section, upon such conditions as it shall determine.

4.6 Section 83(b) Elections. A Participant who files an election with the Internal Revenue Service to include the fair market value of any Restricted Common Shares in gross income while they are still subject to Restrictions shall promptly furnish the Corporation with a copy of such election together with the amount of any federal, state, local or other taxes required to be withheld to enable the Corporation to claim an income tax deduction with respect to such election.

4.7 Change in Control. In the event of a Change in Control, all Restricted Periods shall end, the Restrictions applicable to all previously granted Awards of Restricted Common Shares shall lapse and such shares shall be delivered to the Participants free from such Restrictions as soon as practicable following such Change in Control.

SECTION 5. PERFORMANCE SHARE UNITS.

5.1 Awards of Performance Share Units. The Committee may make awards in the form of Performance Share Units to any Participant. Awards of Performance Share Units will be earned on the basis of performance measured against preestablished Performance Goals which will be determined by the Committee for each Performance Cycle. The Committee shall have the authority to adjust Performance Goals, or performance measurement standards for any Performance Cycle as it deems equitable in recognition of (i) extraordinary or nonrecurring events experienced by the Corporation during the Performance Cycle, (ii) changes in applicable accounting rules or principles or changes in the Corporation's or in any other such corporation's methods of accounting during the Performance Cycle, or (iii) the occurrence of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering, or any other change in the capital structure of the Corporation, or of any other such corporation.

The amount allocated to each Participant shall be expressed in cash and shall then be converted into and expressed in Performance Share Units by dividing the dollar value of the cash amount so allocated by the average fair market value (for purposes of this Section, average fair market value means average of high bid and low asked Common Share price in the over-the-counter market, as reported with respect to securities listed in the National Market System ("NMS") of the National Association of Securities Dealers, Inc. Automated Quotation (NASDAQ) System), of one Common Share either during the thirty (30) day period preceding the month in which the Performance Cycle begins or, in the case of a Employee who becomes a Participant in a Performance Cycle after it has begun, during the thirty (30) day period selected by the Committee and completed on or prior to the date such participation commenced.

5.2 Amount of Payment. The amount payable to a Participant with respect to an Award of Performance Share Units earned under the Plan shall be equal to (i) the number of Performance Share Units to which such Participant shall have become entitled by reason of the level of attainment of Performance Goals, multiplied by (ii) the average fair market value (determined as provided in Section 5.1) of one Common Share during the thirty (30) day period in which the Performance Cycle ends. The Committee may, in its sole discretion, establish the amount of payment by the amount of the appreciation of the fair market value of the Performance Share Units from the date of Award to the date of payment.

5.3 Deferral Elections. A Participant may file a written election with the Committee to defer the payment of any amount payable on account of an Award to a period commencing at such future date as specified in the election. Such election must be filed with the Committee no later than the last day of the month which is two-thirds of the way through the Performance Cycle during which such Award is earned unless the Committee specifies an earlier filing date.

5.4 Payment of Non-deferred Awards. The portion of an amount payable on account of an Award of Performance Share Units which is not deferred shall be paid as soon as practicable after the end of the Performance Cycle in cash or in Common Shares as the Committee shall determine in its sole discretion.

5.5 Separate Accounts. At the conclusion of each Performance Cycle, the Committee shall cause a separate account to be maintained in the name of each Participant with respect to whom all or a portion of an Award of Performance Share Units earned under the Plan has been deferred. Such account shall be credited with the number of shares earned and deferred ("Stock Equivalents").

5.6 Dividend Equivalents. Within thirty (30) days from the payment of a dividend by the Corporation on its Common Shares, the Stock Equivalents of each Participant's account shall be credited, as of the date such dividend was paid, with additional Stock Equivalents, the number of which shall be determined by (i) multiplying the dividend per share paid on the Common Shares by the number of Stock Equivalents credited to his or her account at the time such dividend was declared, then (ii) dividing such amount by the average fair market value (determined as provided in Section 5.1) of one Common Share on the payment date for such dividend.

5.7 Payment of Deferred Awards. Payment with respect to amounts credited to the account of a Participant shall be made in a series of annual installments over a period of ten (10) years. Payments shall commence on the date specified by the Participant in his or her deferral election or on the date determined initially by the Committee, whichever is applicable, unless the Committee in its sole discretion determines that payment shall be made over a shorter period or in more frequent installments, or commence on an earlier date, or any or all of the above. If a Participant dies prior to the date on which payment with respect to all amounts credited to his or her account shall have been completed, payment with respect to such amounts shall be made to the Participant's Beneficiary in a series of annual installments over a period of five (5) years, or, if shorter, the participant's remaining payment period, unless the Committee in its sole discretion determines that payment shall be made over a shorter period or in more frequent installments, or both.

5.8 Composition of Payment. Payment with respect to the Stock Equivalent Portion of a Participant's account shall be made in Common Shares. One Common Share shall be distributed to the

Participant for each Stock Equivalent for which payment is being made. Fractional shares shall be paid in cash.

5.9 Partial Awards. An Employee who is a Participant for less than a full Performance Cycle, whether by reason of commencement or termination of employment or otherwise, shall receive such portion of an Award of Performance Share Units, if any, for that Performance Cycle as the Committee shall determine in its sole discretion.

5.10 Change in Control. In the event of a Change in Control, all incomplete Performance Cycles in effect on the date the Change in Control occurs shall end on the date of such change, and the Performance Goals with respect to each such Performance Cycle which is more than 1/2 completed shall be deemed to have been attained to the full and maximum extent. The Committee shall (i) cause to be paid to each Participant full Awards with respect to Performance Goals for each such Performance Cycle, and (ii) cause all previously deferred Awards to be settled in full. All Awards of Performance Share Units which are deemed to have been earned to the full and maximum extent upon the Change in Control shall be payable in a single cash lump sum (reduced by any taxes withheld pursuant to Section 6.8), determined by multiplying the number of Performance Share Units corresponding to such full Awards by the Determined Value of one Common Share. All settlements of previously deferred Awards shall be payable in single cash lump sums or in Common Shares or in a combination of single cash lump sums and Common Shares as the Committee shall determine in its sole discretion. The amount to be paid for Stock Equivalents shall be determined by multiplying the number of Stock Equivalents with respect to which payment is being made by the Determined Value of one Common Share. All such amounts shall be payable as soon as practicable following the Change in Control.

SECTION 6. GENERAL PROVISIONS.

6.1 Certain Adjustments to Plan Shares. In the event of any change in the Common Shares by reason of any stock dividend, recapitalization, reorganization, merger, consolidation, split-up, combination or exchange of shares, or any rights offering to purchase Common Shares at a price substantially below fair market value, or of any similar change affecting the Common Shares, the number and kind of shares available for Awards under the Plan, the number and kind of shares represented by Performance Share Units or Stock Equivalents and the number and kind of shares subject to Restrictions or subject to Options in outstanding Option agreements and the purchase price per share thereof shall be appropriately adjusted consistent with such change in such manner as the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, the Participants hereunder; provided, however, that no fractional Common Shares shall be subject to such adjustment and that any adjustment will be adjusted downward to the nearest full share. Any adjustment of an Incentive Stock Option pursuant to this Section shall be made only to the extent not constituting a "modification" within the meaning of Section 424(h) (3) of the Code, unless the holder of such Option shall agree otherwise. The Committee shall give notice to each Participant of any adjustment made pursuant to this Section and, upon notice, such adjustment shall be effective and binding for all purposes of the Plan.

6.2 Successor Corporation. The obligations of the Corporation under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Corporation, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Corporation. The Corporation agrees

that it will make appropriate provision for the preservation of Participants' rights under the Plan in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

6.3 Non-Alienation of Benefits. A Participant shall not assign, sell, encumber, transfer or otherwise dispose of any rights or interests under the Plan and any attempted disposition shall be null and void.

6.4 General Creditor Status. Participants shall have no right, title, or interest whatsoever in or to any investments which the Corporation may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Corporation and any Participant, Beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Corporation under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Corporation. All payments to be made hereunder shall be paid from the general funds of the Corporation and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan. In its sole discretion, the Compensation Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Shares or pay cash; provided, however, that, unless the Committee otherwise determines with the consent of the affected Participant, the existence of such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan.

6.5 No Claim or Right Under the Plan. Neither the Plan nor any action taken thereunder shall be construed as giving any employee any right to be retained in the employ of the Corporation or any subsidiary.

6.6 Awards Not Treated as Compensation Under Benefit Plans. No Award shall be considered as compensation under any employee benefit plan of the Corporation, except as specifically provided in any such plan or as otherwise determined by the Board of Directors.

6.7 Listing and Qualification of Common Shares. The Corporation, in its discretion, may postpone the issuance or delivery of Common Shares upon any exercise of an Option or pursuant to an Award of Restricted Stock or Performance Share Units until completion of such stock exchange listing or other qualification of such shares under any state or federal law, rule or regulation as the Corporation may consider appropriate, and may require any Participant, Beneficiary or legal representative to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules and regulations.

6.8 Taxes. The Corporation may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all federal, state and local taxes required by law to be withheld with respect to Awards granted pursuant to the Plan including, but not limited to (i) deducting the amount required to be withheld from any other amount then or thereafter payable to a Participant, Beneficiary or legal representative, and (ii) requiring a Participant, Beneficiary or legal representative to pay to the Corporation the amount required to be withheld as a condition of releasing Common Shares. In addition, subject to the discretion of the Committee and such rules and regulations as the Committee shall from time to time establish, Participants shall be permitted to

satisfy federal, state and local taxes, if any, imposed upon the payment of Awards in Common Shares at a rate up to such Participant's maximum marginal tax rate with respect to each such tax by (i) irrevocably electing to have the Corporation deduct from the number of Common Shares otherwise deliverable in payment of an Award such number of Common Shares as shall have a value equal to the amount of tax to be withheld, (ii) delivering to the Corporation such portion of the Common Shares delivered in payment of the Award as shall have a value equal to the amount of tax to be withheld, or (iii) delivering to the Corporation such number of Common Shares or combination of Common Shares and cash as shall have a value equal to the amount of tax to be withheld.

6.9 Designation and Change of Beneficiary. Each Participant shall file with the Committee a written designation of one or more persons as the Beneficiary who shall be entitled to receive the amount, if any, payable under the Plan upon his or her death. A Participant may, from time to time, revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt.

6.10 Payments to Persons Other Than Participant. If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal representative), may, if the Committee so directs the Corporation, be paid to his or her spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Corporation therefor.

6.11 No Liability of Committee Members. No member of the Committee shall be personally liable by reason of any contract or other instrument executed by such member or on his or her behalf in his or her capacity as a member of the Committee nor for any mistake of judgment made in good faith, and the Corporation shall indemnify and hold harmless each employee, officer or director of the Corporation to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Board of Directors) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or bad faith. The indemnification provided for in this Section shall be in addition to any rights of indemnification such Committee member has as a director or officer pursuant to law, under the Certificate of Incorporation or By-Laws of the Corporation.

6.12 Term and Termination; Amendment. Subject to earlier termination pursuant to the provisions of this Section, and unless the shareholders of the Corporation shall have approved an extension of the Plan beyond such date, no further Awards shall be made under the Plan after the expiration of ten (10) years from the effective date of the Plan specified in Section 6.15. Except as to matters that in the opinion of the Corporation's legal counsel require shareholder approval, any provision of the Plan may be modified as to a Participant by an individual agreement approved by the Committee. The Board of Directors may, with prospective or retroactive effect, amend, suspend

or terminate the Plan or any portion thereof at any time; provided, however, that (i) no amendment that would materially increase the cost of the Plan to the Corporation may be made by the Board of Directors without the approval of the shareholders of the Corporation and (ii) no amendment, suspension or termination of the Plan shall deprive any Participant of any rights to Awards previously made under the Plan without his or her written consent.

6.13 Unfunded Plan; Governing Law. The Plan is intended to constitute an unfunded deferred compensation arrangement and shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without reference to the principles of conflicts of law thereof.

6.14 Termination for Cause. Notwithstanding anything herein contained to the contrary, if a Participant's employment or service is terminated for cause, all awards shall be forfeited. Cause shall be defined to include the dissemination of trade secrets or similar information, fraud or willful misconduct or any activity which is materially prejudicial to the interests of the Corporation.

6.15 Supercesion; Effective Date. The Plan is effective as of December 1, 1990. In the event the Company's stockholders do not approve this Amended and Restated 1991 Stock Compensation Plan at the 1994 Annual Meeting of Stockholders, then such Awards granted to employees shall be deemed made under the Corporation's 1991 Stock Compensation Plan with any such Awards which exceed the amount of Awards available for grant under the 1991 Stock Compensation Plan to be deemed as canceled and all rights of Participants therein as ceased. Notwithstanding the foregoing, if the Plan has been approved by the Board of Directors prior to such shareholder approval, Awards may be made by the Committee as provided herein subject to such subsequent shareholder approval.

CONSULTING AGREEMENT

THIS AGREEMENT, dated this 1st of January 1996, between DR. PATRICK C. KUNG, residing at 5 Joseph Comee Road, Lexington, Massachusetts 02173 (the "Consultant"), and T CELL SCIENCES, INC., with its headquarters at 115 Fourth Avenue, Needham, Massachusetts 02194 (the "Company").

WHEREAS the Company wishes to retain the services of the Consultant as a consultant, to include the Consultant's service as Vice Chairman of the Company's Board of Directors (the "Board"), for the period and upon the terms and conditions hereinafter set forth; and

WHEREAS the Consultant desires to consult with the Company in such capacity upon such terms and conditions;

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the Company and the Consultant hereby agree to amend the Agreement as follows:

1. Consulting Duties.

The Consultant hereby agrees to consult exclusively with the Company in the following fields:

(a) Actively contribute to the further development and advancement of TCAR products by assisting the Company in meeting its obligation in the Company's agreements with Astra AB, providing scientific counsel to the Company's scientists, and helping the Company evaluate competitive technologies and products;

(b) Assist the Company's management in technical evaluation of new scientific and product opportunities in East Asia; and

(c) Assist the Company and its subsidiary in establishing business contacts in Southeast Asia; and

(d) Be an active member of the Company's Scientific Advisory Board and, provided he is duly nominated and elected, be an active Director of the Board.

2. Compensation and Expenses.

In consideration for Consultant's services hereunder (including his services as Director of the Board):

(a) The Company shall pay the Consultant a total of $2,500 per month, payable on a monthly basis.

(b) During the term of this Agreement, the Company agrees to pay the costs of continuing medical and dental benefits elected by the Consultant under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA").

(c) The Consultant shall be reimbursed by the Company for reasonable travel, lodging and meal expenses incurred by him in connection with performing his services hereunder in accordance with the Company's policy at the time.

(d) The Company will furnish the Consultant with office space and secretarial and other services at the Company's Needham office reasonably commensurate with his position and work schedule at the Company.

(e) The Consultant shall be eligible for non-employee Director stock option grants pursuant to the Company's Amended and Restated 1991 Stock Compensation Plan.

3. Termination.

The term of this Agreement shall be for a period of twelve (12) months, subject to renewal by mutual agreement in writing. Either party shall have the right to terminate this Agreement at any time after giving three (3) months written notice. The provisions of Paragraphs 4 and 5 shall survive any termination or expiration of this Agreement.

4. Confidentiality.

(a) Consultant shall treat as confidential any proprietary, confidential or secret information relating to the business or interests of the Company, including, without limitation, its organizational structure, operations, business plans, technical projects, research data or results, inventions, trade secrets, customer lists or other work product developed by or for the Company whether on the premises of the Company or elsewhere ("Confidential Information"). Employee shall not disclose in any manner or in any forum or make use of in any way or manner any Confidential Information other

than in performing the services required of him under this Agreement or as required by law, without the prior written consent of the Company.

(b) The provisions of this Paragraph 4 shall not apply to any proprietary, confidential or secret information which is, at the commencement of the Agreement or at some later date, publicly known under circumstances involving no breach of this Agreement or is lawfully and in good faith made available to Consultant without restrictions as to disclosure by a third party.

(c) Any and all inventions and discoveries, whether or not patentable, which Consultant conceives or makes during term of this Agreement and any extensions thereof, and which are a direct result of work performed hereunder, shall be the sole and exclusive property of the Company. Consultant shall promptly execute any and all applications, assignments or other instruments which an officer of the Company or its Board shall deem necessary or useful in order to apply for and obtain Letters Patent in the United States and all foreign countries for said inventions and discoveries an in order to assign and convey to his employment by the Company the sole and exclusive right, title and interest in and to said patent inventions, discoveries, patent applications and patents thereon. The Company will bear the cost of preparation of all such patent applications and assignments, and the cost of prosecution of all such patent applications in the United States Patent Office and in the patent offices of foreign countries.

(d) Consultant and the Company agree that any breach of this Paragraph 4 will cause the Company irreparable harm for which the Company will have no adequate remedy at law. As a result, the Company will be entitled to the issuance by an arbitrator or court of competent jurisdiction of an injunction, restraining order or other equitable relief in favor of itself restraining Consultant from committing or continuing in any such violation. Any right to obtain an injunction, restraining order or other equitable relief hereunder shall not be deemed to be a waiver of any right to assert a claim or remedy which the Company may have under this Agreement or otherwise at law or in equity.

(e) The Company acknowledges that the Consultant is employed by Global Pharma Ltd. and that this Paragraph 4 is not intended to compromise Consultant's relationship with Global Pharma Ltd.

5. Limitation on Competition.

(a) For so long as Consultant is consulting with the Company and for a period of one year thereafter, Consultant shall not, without the prior written

consent of the Board of Directors, participate, engage, or be interested in, whether as a director, officer, employee, advisor, consultant, stockholder, partner, joint venturer, owner or in any other capacity, whether directly or indirectly, any business engaged in the development, production or sale of any products or services related to the T Cell Antigen Receptor, complement system or TRAx product technology.

(b) During the term of this Agreement, and for a period of one year thereafter, Consultant shall not, directly or indirectly, solicit, raid, entice or otherwise induce any employee of the Company or any of its subsidiaries or affiliated companies to be employed by a competitor of the Company.

(c) Consultant acknowledges that the foregoing restrictions are fair and reasonable and that his breach, or threatened or attempted breach, of any provision of this Paragraph 5 would cause irreparable harm to the Company no compensable in money damages, and that the Company shall be entitled, in addition to all other applicable remedies, to a temporary and permanent injunction and a decree for specific performance of the terms of this Paragraph 5 without being required to prove damages or furnish any bond or other security.

(d) The Company agrees that the Consultant's employment by Global Pharma Ltd. does not apply to this Paragraph 5.

6. Miscellaneous

Enforceability.

If the provisions of this Agreement shall be deemed invalid or unenforceable as written, it shall be construed, to the greatest extent possible, or modified, to the extent allowable by law, in a manner which shall render it valid and enforceable and any limitation on the scope or duration of any such provision necessary to make it valid and enforceable shall be deemed to be part thereof; no invalidity or unenforceability shall affect any other portion of this Agreement unless the provision deemed to be so invalid or unenforceable is a material element of this Agreement, taken as a whole.

Notices.

All notices which either party is required or permitted to give to the other shall be given by express, registered or certified mail, addressed to the address referred to above, or at such other place as a party may from time to time designate in writing, or by personal delivery.

Waivers.

No waiver by either party of any breach or nonperformance of any provision or obligation of this Agreement shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision of this Agreement.

Entire Agreement; Amendments.

This instrument is the entire agreement of the parties with respect to the subject matter hereof and supersedes the Employment Agreement dated October 1, 1994 between the parties. This Agreement may not be amended, supplemented, canceled or discharged except by a written instrument executed by both of the parties hereto.

Nonassignability.

This Agreement and the rights and obligations hereunder are personal to the Company and Executive and are not assignable or transferable to any other person, firm or corporation.

Governing Law.

This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts applicable to agreements made and to be performed entirely within such state.

IN WITNESS WHEREOF, the parties below have executed this Agreement effective as of the date set forth above.

DR. PATRICK C. KUNG	T CELL SCIENCES, INC.
By: /s/ Patrick C. Kung	By: /s/ Alan W. Tuck
	Alan W. Tuck President and Chief Executive Officer

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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