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, 1996

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.)

119 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
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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 13, 1997 was $44,402,815 (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 13, 1997 was: 24,946,601 shares.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on May 13, 1997, are incorporated by reference into Part III of this Form 10-K.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Statements contained in this report, including Part I, Item 1: Business, that are not historical facts may be forward-looking statements that are subject to a variety of risks and uncertainties. There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statements made by the Company. These factors include, but are not limited to: (i) the Company's ability to successfully complete product research and development, including pre-clinical and clinical studies, and commercialization; (ii) the Company's ability to obtain substantial additional funding; (iii) the Company's ability to obtain required governmental approvals; (iv) the Company's ability to attract manufacturing, sales, distribution and marketing partners and other strategic alliances; and (v) the Company's ability to develop and commercialize its products before its competitors.

PART I

Item 1. BUSINESS

A. General

T Cell Sciences, Inc. ("T Cell " or "TCS") is a biopharmaceutical company engaged in the discovery and development of innovative drugs targeting diseases of the immune, inflammatory and vascular systems. The Company's technology platforms are based on its understanding of the ways in which the body triggers its natural defense mechanisms. The Company's lead therapeutic program is focused on developing compounds that inhibit the inappropriate activation of the complement cascade, a vital part of the body's immune defense system. The

Company has also established programs for the discovery and development of small-molecule immunoregulatory therapeutic compounds, for the prevention of immune rejection of transplanted organs and the treatment of autoimmune disorders, and for the development of a therapeutic vaccine for the treatment of atherosclerosis. As described below, in 1996 the Company realigned certain of its operations to focus on these three ongoing therapeutic drug discovery programs.

In March 1996, the Company sold the operations and research product line of its wholly owned subsidiary, T Cell Diagnostics, Inc. ("TCD") to Endogen, Inc. ("Endogen"), while retaining the TRAx(R) diagnostic product franchise (see Section C: "Diagnostic Business"). T Cell has outsourced distribution and manufacture of TRAx products, which are used primarily in the monitoring of T cell levels in HIV-infected individuals.

Also in March 1996, T Cell announced a series of collaboration agreements designed to utilize the Company's proprietary T cell screening and functional assay technology platform to identify small-molecule immunoregulatory therapeutic compounds (see Section B: "Therapeutic Drug Discovery Programs", Item 2. "Small-Molecule Immunoregulators"). The Company entered into a strategic alliance with ArQule, Inc., which provides access to ArQule's proprietary, non-peptidic small-molecule arrays. The Company signed a collaborative agreement with MYCOsearch, Inc. (which was subsequently acquired by Oncogene Sciences, Inc.), which enables T Cell to screen that company's natural products libraries.

In May 1996, the Company completed a reorganization of senior management to reflect its focus on therapeutic drug discovery. T Cell appointed Una S. Ryan, Ph.D., as President and Chief Operating Officer and announced that Norman W. Gorin had joined the Company as Vice President, Finance and Chief Financial Officer. Subsequently, in August, the Company also named Dr. Ryan Chief Executive Officer.

In August 1996, the Company completed a financing, raising approximately $10.9 million through the sale of 5.0 million shares of common stock in a public follow-on offering.

In September 1996, the National Institutes of Health ("NIH") awarded the Company a $100,000, phase I Small Business Innovation Research ("SBIR") grant for the development of its cholesterol-lowering cholesteryl ester transfer protein ("CETP") vaccine for the prevention of atherosclerosis. (See Section B: "Therapeutic Drug Discovery Programs" Item 3. "CETP Vaccine"). The funds will be used to develop a rat atherosclerosis model. In February 1997, the NIH awarded T Cell a second phase I SBIR grant to develop a novel DNA vaccine. In preclinical studies, rabbits treated with the vaccine showed an increase in HDL (high-density lipoprotein, or

"good" cholesterol) and exhibited significantly fewer atherosclerotic lesions in their blood vessels compared with untreated rabbits.

In December, the Company amended its collaboration with Astra AB, initiated in 1992 to develop products based on the Company's T cell antigen receptor ("TCAR") program (see Section B: "Therapeutic Drug Discovery Programs" Item 4. "T Cell Antigen Receptor"). The program has identified several compounds for evaluation as potential treatments for multiple sclerosis. Under the amended agreement, the Company has discontinued internal funding of the program and could receive royalties from product sales, as well as upfront and milestone payments which may total up to $4 million as certain clinical and commercial milestones are achieved.

B. Therapeutic Drug Discovery Programs

1. Complement Inhibition

T Cell's lead therapeutic program is focused on 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, however, 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 organ transplants, other surgeries and treatment for heart attacks. Many independent published studies have reported that the Company's lead compound, TP10, a soluble form of naturally occurring Complement Receptor 1 (sCR1), effectively inhibits the activation of the complement cascade in animal models. The Company believes that regulation of the complement system could have therapeutic and prophylactic applications in several acute and chronic conditions, including adult respiratory distress syndrome ("ARDS"), reperfusion injury, organ transplant, multiple sclerosis, Alzheimer's disease, rheumatoid arthritis and lupus. In the United States, several million people are afflicted with these complement-mediated conditions.

T Cell started the complement program 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 amendments to 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 and Taiwan that are retained by SB and YPC.

Under T Cell's direction, in 1995, the first phase I clinical trial of TP10 in 24 patients at risk for ARDS was completed. Results of this trial were presented in October 1995 at The American College of Chest Physicians meeting. A second phase I safety trial for reperfusion injury was completed in December 1995 in 25 patients with first-time myocardial infarctions. This study was presented at the American Heart Association's Joint Conference on Thrombosis, Arteriosclerosis and Vascular Biology in February 1996. In each trial, TP10 demonstrated excellent safety and pharmacokinetic profiles with no drug- related adverse events, had a terminal phase half-life of at least 72 hours and was able to inhibit complement activity in a dose-dependent, escalating activity profile.

Based on these favorable results, in January 1996 TCS initiated a phase IIa trial in patients with established ARDS. This trial is an open-label, single-dose feasibility trial to determine the potential for efficacy of TP10 in reducing neutrophil accumulation in the lung and improved clinical outcome of patients with ARDS. During the second half of 1996, the Company initiated a series of steps, including broadening enrollment criteria, to modify this trial to improve the rate of patient accrual. The Company also began enrolling patients in a Phase I/II clinical trial in patients with reperfusion injury following lung transplantation in August 1996. This study is a randomized, placebo-controlled, double-blind trial consisting of single dosages of 10 mg/kg of TP10 as an intravenous infusion over 30 minutes. The trial is being conducted at multiple centers in North America and is intended to include a total of 60 patients with end-stage pulmonary disease who are undergoing lung transplant surgery. The Company anticipates completing both of these trials in the second half of 1997.

In addition to TP10, TCS has identified other product candidates to inhibit activation of 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. sLe(x) is a sugar structure which mediates binding to selectin proteins, which appear on the surface of activated endothelial cells as a pre-inflammatory event. Selectin-mediated binding of neutrophils to activated endothelial cells is a critical event in inflammation. The combined sCR1sLe(x) molecule has demonstrated increased functional benefits in in vitro and early in vivo experiments. During 1996, the Company confirmed the presence of the desired carbohydrate structures and their function in in vivo experiments and confirmed the presence of both anti-complement and selectin-binding functions in in vitro experiments.

sCR1sLe(x) may create new and expanded opportunities for the Company in complement and selectin-dependent indications such as stroke and myocardial infarction. The Company believes that this sCR1sLe(x) has the ability to target the complement-inhibiting CR1 to the site of inflammation and, at the same time, inhibit the leukocyte/endothelial cell adhesion process.

2. Small Molecule Immunoregulators (SMIR)

As a direct result of over thirteen years of experience working with T cells and building on the Company's evaluation capabilities in molecular and cellular immunology and small-animal immunology models, the Company has developed a proprietary screening platform that it uses to identify small-molecule compounds which can regulate T cell activation. These whole cell screens are based on signal transduction and gene regulation directed to cytokine gene targets. T cell activation plays an important role in solid organ transplant rejection as well as in certain autoimmune diseases. The Company is seeking to develop an alternative treatment to existing immunosuppressants such as Cyclosporin and FK506 which, due to their toxicity, have limited application in chronic conditions. Despite this limitation, worldwide sales of Cyclosporin in 1995 exceeded $1 billion. TCS' basic approach is to combine the biological skills and proprietary screens it has developed with the small-molecule libraries created by other biotechnology companies.

In March 1996, T Cell announced a series of collaboration agreements designed to utilize the Company's proprietary T cell screening and functional assay technology platform to identify small-molecule immunoregulatory therapeutic compounds. The Company entered into a strategic alliance with ArQule, Inc., which provides access to ArQule's proprietary non-peptidic small-molecule arrays. The Company also signed a collaborative agreement with MYCOsearch, Inc., (which was subsequently acquired by Oncogene Sciences, Inc.) which enables T Cell to screen that company's natural products libraries. Under each agreement, T Cell and its partners will share rights to compounds identified using T Cell's screens. As of March 14, 1997, the Company has identified one immunostimulator hit and 20 immunosuppressor hits from screening activities with four distinct compound libraries from these two companies. Further research directed to pinpointing the mechanisms of activity and optimizing potency is underway.

3. CETP Vaccine

The Company is developing a therapeutic vaccine against endogenous cholesteryl ester transfer protein ("CETP") which may be useful in reducing risk factors for atherosclerosis. CETP is a key intermediary in the balance of high-density lipoprotein ("HDL" or "good" cholesterol) and low-density lipoprotein ("LDL" or "bad" cholesterol). T Cell is developing a vaccine to stimulate an immune response against CETP which it believes may improve the ratio of HDL to LDL and reduce the potential of atherosclerosis. The Company has conducted studies of rabbits which had been administered the CETP vaccine and fed a high-cholesterol, high-fat diet. In these studies, vaccine-treated rabbits exhibited an increase in the level of HDL over 70-day and 108-day periods and exhibited relatively lesion-free blood vessels, while a control group of untreated rabbits showed no increase in HDL levels and developed significant blood vessel lesions. These studies have demonstrated, in animal models, the Company's ability to break immune tolerance, produce autoreactive antibodies to CETP, elevate HDL levels and reduce lesions.

Atherosclerosis is one of the leading causes of morbidity and mortality in the United States and most of the Western world. Current pharmacologic treatments require daily administration and can result in high costs and poor patient compliance. In 1995, the market for cholesterol-lowering drugs exceeded $4 billion worldwide. A vaccine directed at lowering CETP activity, such as the one being developed by the Company, may offer several advantages over conventional approaches, including not requiring daily dosing, lessened expense, reduced side effects, and improved patient compliance.

In September 1996, the National Institutes of Health (NIH) awarded the Company a $100,000, phase I Small Business Innovation Research (SBIR) grant for the development of a rat atherosclerosis model, affording better comparison to human atherosclerosis. In February 1997, the NIH awarded T Cell a second phase I SBIR grant to develop a novel DNA vaccine to reduce CETP.

4. T Cell Antigen Receptor (TCAR)

In early 1992, TCS entered into a joint development program with Astra AB to develop products resulting from TCS' proprietary TCAR technology, which utilizes the T cell antigen receptor for selectively targeting the T cells involved in autoimmune diseases such as multiple sclerosis and rheumatoid arthritis. 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 agreements, 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, T Cell had received substantially all of the original funding payments.

In June 1996, the Company suspended further internal funding of the research and development of the TCAR program. In December 1996, the Company amended its agreement with Astra to transfer certain of its rights to the TCAR technology, including two therapeutic products, TM27-monoclonal and TP12-peptide, to Astra, who will be solely responsible for further clinical development and commercialization. Under the amended agreement, TCS could receive royalties from product sales, as well as upfront and milestone payments which may total up to $4 million as certain clinical milestones are achieved.

C. Diagnostic Business

In March 1996, the Company realigned certain of its operations and sold the operations and research product line of its wholly owned subsidiary, T Cell Diagnostics, Inc. ("TCD") to Endogen, Inc. ("Endogen") for $3.0 million, while retaining the Company's TRAx(R) diagnostic product franchise. T Cell received a five year convertible subordinated note for $2.0 million combined with a buy-out of approximately $1 million of facility and equipment lease obligations. The note was convertible to Endogen stock at T Cell's option at a price of $4.63 per share. T Cell recognized a gain on this transaction of $0.3 million. On February 10, 1997, T Cell received approximately $1.8 million following the conversion of the remaining balance of the Endogen note into shares of Endogen common stock, which were subsequently sold.

T Cell retained all rights to the TRAx product franchise and has agreed to source the manufacture of TRAx kits from Endogen in a separate supply contract. TCD signed a 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. The Company has deferred filing a 510(K) application with the Food and Drug Administration (FDA) for clearance to market TRAx CD8 in the United States while it focuses on establishing a partnership for the TRAx technology.

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 and diagnostic technologies, and is the owner or exclusive

licensee of numerous patents and pending applications around the world, including 11 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, 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 & 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 active fragments, and pharmaceutical uses of CR1. TCS also owns or has rights to a number of other patent applications relating to CR1, sCR1sLe(x) and other complement inhibitor molecules.

In April 1996, the Company announced that it had licensed portions of its patent and technology rights regarding CR1 (Complement Receptor 1) to CytoTherapeutics, Inc. for use in CytoTherapeutics' cell-based products for the delivery of therapeutic substances to the central nervous system.

In December 1996, the Company amended its agreement with Astra AB to transfer certain of its patent rights and licenses to the TCAR technology to Astra AB. This transfer includes patent applications which 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 transferred recent filings 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 CD4 and CD8 products was issued on June 11, 1996.

The Company is aware that others, including universities and companies, have filed patent applications and have been granted patents in the United States 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 the 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 and 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 product testing, manufacture, safety and efficacy requirements, 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 (IND) and clearance to begin human clinical trials, (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 correlate assay results with 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. Under a 510(k) or PMA, the facility in which products are produced must comply with Good Manufacturing Practices.

The Company's present and future business activities 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. The Company also will be subject to widely varying foreign regulations governing clinical trials and pharmaceutical sales. Whether or not FDA approval has been obtained, approval of a product by the comparable regulatory authorities of foreign countries must be obtained prior to the commencement of marketing of the product in those countries. The approval process varies from country to country and the time may be longer or shorter than that required for FDA approval. The Company intends to rely on foreign licensees to obtain regulatory approvals to market products in foreign countries.

Regulatory approval often takes a number of years and involves the expenditure of substantial resources. Approval times also depend on a number of factors, including the severity of the disease in question, the availability of alternative treatments and the risks and benefits demonstrated in clinical trials.

G. Employees; Scientific Consultants

As of March 15, 1997, the Company employed 43 full time persons, 16 of whom have doctoral degrees. Of these employees, 33 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

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. In October 1994, TCD relocated to Woburn, Massachusetts under a five-year lease 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.

In May 1996, TCS entered into a long term lease for its headquarters and therapeutic research operations space in Needham, Massachusetts. Under this agreement, the Company leased approximately 54,000 square feet of which it subleased 13,000 square feet to a tenant. The Company is obligated to pay base annual rent and occupancy costs of approximately $676,000 until June 1997 and of approximately $756,000 until the end of the initial term of April 2002. Aggregate rental payments for the year ended December 31, 1996 for this facility were approximately $672,000 and for December 31, 1995 were approximately 590,000. Concurrent with the May 1996 lease agreement, the Company entered into an agreement to sublease excess space for a four-year term. Under the sublease agreement, the Company will receive base annual subrental income of approximately $110,000 until June 1998 and approximately $134,000 until the end of the initial term of April 2000.

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. In August 1996, the court ordered a bifurcated non-jury trial on the limited issues of whether the fireproofing in the building degraded and whether it contaminated the space. The bifurcated trial commenced on November 20, 1996, and closing arguments were heard on January 13, 1997. The judge has not yet entered his findings on the bifurcated issues. Until the Court enters its findings, the Company is unable to assess what impact the findings will have on the trial of the issue of T Cell's liability under the lease.

The Company's insurance carrier had agreed to reimburse the Company for certain legal expenses associated with defense of certain of the counterclaims, under a reservation of rights. On March 14, 1996, the insurance carrier moved to intervene in this action for a declaration that the allegations contained in the pleadings are not covered under the Company's policy of insurance. The Court allowed the motion to intervene on May 20, 1996. The judge allowed the carrier's motion for summary judgment over T Cell's opposition on November 21, 1996. The Court has not yet entered the order on the docket. Once such order is entered, T Cell expects to appeal the ruling.

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 was denied by the court.

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.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

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 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, 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
Year Ended December 31, 1996		
1Q (Jan. 1 - March 31, 1996)	$3.38	$2.50
2Q (April 1 - June 30, 1996)	4.38	2.63
3Q (July 1 - Sep. 30, 1996)	3.75	1.94
4Q (Oct. 1 - Dec. 31, 1996)	2.38	1.59

As of March 13, 1997, there were approximately 692 shareholders of record of the Company's common stock. The price of the Common Stock was $1.8125 as of the close of March 13, 1997. 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, 1996, 1995, 1994 and 1993, and for the year ended April 30, 1992, 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,
	1996	1995	1994	1993	1992
OPERATING REVENUE:					
Product Sales, Product Development and Distribution Agreements	$ 1,115	$ 3,963	$ 6,968	$ 9,018	$ 8,916
OPERATING EXPENSE:					
Research and Development	6,036	8,005	8,697	9,438	7,956
Other Operating Expense	6,832	7,821	9,365	8,841	7,417
Total Operating Expense	12,868	15,826	18,062	18,279	15,373
Non-Operating Income (Expense), Net	963	3,605	(490)	1,193	1,562
Net Loss Before Minority Interest	(10,790)	(8,258)	(11,584)	(8,068)	(4,895)
Minority Interest Share of Loss	--	--	--	310	246
Net Loss	$(10,790)	$ (8,258)	$ (11,584)	$ (7,758)	$ (4,649)
Net Loss Per Common Share	$ (0.50)	$ (0.47)	$ (0.68)	$ (0.56)	$ (0.35)
Weighted Average Common Shares Outstanding	21,693	17,482	17,053	13,931	13,109

CONSOLIDATED BALANCE SHEET DATA	December 31,				April 30,
	1996	1995	1994	1993	1992
Working Capital	$ 11,673	$ 11,208	$ 15,027	$ 26,088	$ 20,880
Total Assets	17,224	18,532	20,685	33,067	27,023
Other Long Term Obligation	--	182	500	500	--
Accumulated Deficit	(57,129)	(46,339)	(38,081)	(26,497)	(15,107)
Total Stockholders' Equity	15,619	16,000	17,586	29,134	23,090

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Statements contained in the following, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, that are not historical facts may be forward-looking statements that are subject to a variety of risks and uncertainties. There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statements made by the Company. These factors include, but are not limited to: (i) the Company's ability to successfully complete product research and development, including pre-clinical and clinical studies, and commercialization; (ii) the Company's ability to obtain substantial additional funding; (iii) the Company's ability to obtain required governmental approvals; (iv) the Company's ability to attract manufacturing, sales, distribution and marketing partners and other strategic alliances; and (v) the Company's ability to develop and commercialize its products before its competitors.

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 pharmaceutical 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.

OVERVIEW

The Company initiated efforts during the first half of 1996 to focus its business operations on the development of proprietary therapeutic products. On March 5, 1996, the Company sold the operations and research product line of its wholly owned subsidiary, T Cell Diagnostics, Inc. ("TCD"), excluding the TRAx(R) product franchise and related assets, to Endogen, Inc. ("Endogen") for a purchase price of approximately $2,900,000. In June 1996, the Company reorganized its senior management with the appointment of Una S. Ryan, Ph.D., its Chief Scientific Officer, to the position of President and Chief Operating Officer. Dr. Ryan was subsequently appointed to the position of Chief Executive Officer in August 1996. The Company also appointed Norman W. Gorin as Vice President, Finance and Chief Financial Officer.

In an effort to strengthen the Company's financial position and to provide additional resources to focus on the discovery and development of innovative drugs targeting the immune and inflammatory systems, the Company successfully completed a public offering of 5,000,000 shares of its common stock in August 1996. The public stock offering yielded net proceeds of $10,069,000 which the Company anticipates using to fund ongoing clinical trials for its lead therapeutic program, research and development programs for its preclinical product candidates and for general working capital requirements.

The Company's lead therapeutic program is focused on developing compounds that inhibit complement activation which is part of the body's immune defense system. In January 1996, the Company initiated a Phase IIa clinical trial for the evaluation of the Company's lead therapeutic compound, TP10, in patients with adult respiratory distress syndrome. In July 1996, the Company initiated a Phase I/II clinical trial, using TP10, to prevent reperfusion injury in patients receiving lung transplants. The Company is also engaged in the discovery and development of T cell activation inhibitors for the prevention of transplant rejection and autoimmune diseases, and a vaccine for the management of atherosclerosis. In September 1996, the Company was awarded a $100,000 Phase I Small Business Innovation Research (SBIR) grant from the National Institute of Health (NIH).

The funds from the grant will contribute to the development of a rat atherosclerosis model. A second Phase I SBIR grant from the NIH was awarded to the Company in February 1997. Funding from the grant will contribute to the development of a novel DNA vaccine. Both grants are contributing to the Company's program for the development of a vaccine for the management of atherosclerosis.

The Company has in the past developed and produced both therapeutic and diagnostic products. While the Company will continue the development of its proprietary TRAx technology, it has deferred filing a 510(K) application with the Food and Drug Administration (FDA) for clearance to market TRAx CD8 in the United States, and is focusing its efforts on establishing a partnership for the TRAx technology. In June 1996, the Company suspended further internal funding of the research and development of its T cell antigen receptor ("TCAR") therapeutics program, developed jointly with its partner Astra AB ("Astra"). The Company amended its agreement with Astra, in December 1996, to transfer certain of its rights to the TCAR technology to Astra who will be solely responsible for further clinical development and commercialization. Under the amended agreement, the Company could receive future milestone and royalty payments upon Astra's successful development and commercialization of the TCAR technology. In conjunction with these developments, the Company wrote off certain capitalized patent costs related to the TCAR technology, incurring a $1,752,000 charge to earnings in the second quarter of 1996.

RESULTS OF OPERATIONS

The Company reported a net loss of $10,790,000 or $0.50 per share for the year ended December 31, 1996, compared with a net loss in 1995 of $8,258,000 or $0.47 per share and a net loss of $11,584,000 or $0.68 per share in 1994. The operating results for 1996 reflect total revenue, including interest income, of $1,795,000 (a 60.7% decrease compared to the same period in 1995) offset by total operating costs of $12,868,000 (an 18.7% decrease compared to 1995). The operating results for 1995 reflect total revenue, including interest income, of $4,568,000 (a 45.2% decrease compared to the same period in 1994) offset by total costs of $15,826,000 (a 12.4% decrease compared to the same period in 1994). The net operating results for 1996 include a charge to earnings of $1,752,000 for the write-off of certain capitalized patent costs relating to the Company's TCAR program and a $425,000 charge to earnings resulting from a severance agreement with the Company's former President and Chief Executive Officer. Excluding these charges, the net operating loss for 1996, including interest income, decreased 21.0% or $2,362,000 compared to 1995.

In 1996, revenue from collaborative product development and distribution agreements of $591,000 decreased 63.3% from $1,609,000 in 1995 and 84.2% from $3,737,000 in 1994. The declines are primarily due to reductions in funding from Astra in accordance with the 1992 agreement for the joint development and marketing of therapeutic products resulting from T Cell Sciences' proprietary TCAR technology. As part of the agreement, as amended in December 1993, the responsibility for future development and manufacturing of the two initial monoclonal antibody candidates shifted to Astra while the Company continued to be responsible for the initial peptide candidate. In December 1996, the agreement was further amended, transferring certain of the Company's rights to the TCAR technology to Astra who will be solely responsible for further clinical development and commercialization. The Company received a $100,000 non-refundable execution fee in connection with the amended agreement which is included in product development revenue in 1996. Also, included in product development revenue in 1996 is a $100,000 non-refundable execution fee associated with an agreement granting CytoTherapeutics, Inc. a worldwide, nonexclusive license to the Company's technology and patent rights relating to Compliment Receptor 1 in return for a series of milestone payments and royalties. In 1996 the Company did not have any distribution agreement revenue compared to $175,000 in 1995 and $715,000 in 1994. These revenues represent signing fees or milestone payments related to distribution and marketing agreements for TRAx products with Diamedix Corporation ("Diamedix") in 1995 and Yamanouchi Pharmaceutical Co., Ltd. and INCSTAR Corporation in 1994.

Product sales revenue for 1996, 1995 and 1994 was $523,000, $2,354,000 and $3,231,000, reflecting a decline of 77.8% and 27.1%, respectively, when compared to the prior year. The decrease in product sales for 1996 compared to the prior year is attributable to the sale of the research products and operations of TCD to Endogen in

March 1996 which resulted in research product sales for the first two months of the year only, compared to twelve months in 1995. Sales of research products decreased in 1995 compared to 1994 due to a shift in the Company's sales focus toward the launch of TRAx CD4, combined with increasing competition with certain preclinical products and continued weakness in the international diagnostic product market. TRAx CD4 received marketing clearance from the U.S. Food and Drug Administration in May 1995. Sales growth has continued to be slow with minimal TRAx product sales for 1996 and 1995.

Cost of product sales amounted to $359,000, 68.5% of product sales, $1,879,000, 79.8% of product sales and $2,008,000, 62.2% of product sales for 1996, 1995 and 1994, respectively. The fluctuation in gross margin is the result of several factors including: 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 expenses to increase manufacturing proficiency in anticipation of increased sales volume associated with the TRAx CD4 test kit.

Research and development expense was $6,036,000 for 1996 compared to $8,005,000 for 1995, reflecting a 24.6% decrease. The decrease is primarily due to the sale of the research products and operations of TCD in March 1996, combined with the full-year impact of a restructuring program implemented in the third quarter of 1995, and was partially offset by costs associated with a Phase IIa clinical trial initiated in January 1996 and a Phase I/II clinical trial which began patient accrual in August 1996. Both clinical trials are evaluating the Company's lead product candidate, TP10. Research and development expense decreased 8.0% 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. 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.

General and administrative expense of $5,957,000 increased 37.1% for the year ended December 31, 1996 compared to 1995. Excluding the $425,000 charge resulting from the severance agreement with the Company's former President and Chief Executive Officer in June 1996 and the $1,752,000 write-off of certain capitalized patent costs, general and administrative costs decreased 13.0% or $563,000 compared to last year. General and administrative expense for the year ended December 31, 1995 was $4,344,000 compared to $4,346,000 in 1994.

Marketing and sales costs decreased 67.7% in 1996 to $516,000 compared to $1,598,000 in 1995. The decrease is primarily due to the sale of the research products and operations of TCD to Endogen in March 1996 which resulted in two months of marketing and sales costs relating to research product sales, compared to twelve months in 1995. Marketing and sales costs in 1996 included marketing costs relating to the TRAx product franchise. Marketing and sales costs increased 13.2% for 1995 compared to 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.

Facility relocation expense represents costs incurred directly associated with the forced evacuation of the Company's former Cambridge facility due to air quality problems. 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 amount recorded in 1994 was $688,000. Also included in 1994 is $911,000 to write off the net book value of leasehold improvements at the Cambridge facility.

Other non-operating income of $963,000 in 1996 includes a $283,000 gain recognized from the sale of the research products and operations to Endogen and interest income of $680,000. 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 and interest and dividend income of $1,362,000.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at December 31, 1996 is $12,592,000 compared to $12,275,000 (including short-term restricted cash of $958,000) at December 31, 1995. Cash used in operations was $9,676,000 in 1996 , compared with $7,948,000, which was partially offset by $2,900,000 received from the settlement of the lawsuit, and $8,633,000, adjusted to exclude facility relocation expense, during the twelve months ended December 31, 1995 and 1994, respectively.

The Company received a convertible subordinated note receivable in the principal amount of $2,003,000 in connection with the sale of the research products and operations of TCD to Endogen. Payments were due in ten semi-annual installments commencing September 1, 1996 with interest receivable thereon at the rate of 7% per annum. A principal payment of $200,000 was received, in accordance with the terms of the note, on September 1, 1996, reducing the outstanding principal amount to $1,803,000 at December 31, 1996. The outstanding principal amount of the note was convertible at any time at the option of the Company into shares of common stock of Endogen. On February 10, 1997 the Company converted the outstanding principal balance of $1,803,000 into shares of common stock of Endogen and subsequently sold the shares.

During 1994, the Company entered into an agreement providing the Company with the right to lease up to $2,000,000 of equipment for up to a five-year term. The lease arrangement requires that the Company maintain certain restrictive covenants, determined at the end of each fiscal quarter. At September 30, 1995 the Company's cash, cash equivalents and short-term investment balance was below the $10,000,000 minimum covenant requirement. As a result, and in accordance with the lease agreement, the Company pledged cash as collateral 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. Total cash on deposit, and considered restricted at December 31, 1996 was $685,000 compared to $1,808,000 at December 31, 1995. In March 1996, the Company repaid approximately $980,000 of the outstanding cash payments due under the lease in conjunction with the sale of the research products and operations of its subsidiary.

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. In a separate lawsuit, the landlord's mortgagee has filed claims against the Company for payment of the same rent alleged to be owed. A motion for summary judgment filed by the bank was denied by the court. Due to the current stage of the lawsuits, a range of potential losses, 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. A significant adverse settlement could have a negative impact on the future operating results of the Company.

The Company believes its current cash and cash equivalents, combined with anticipated net cash provided by operations will be sufficient to meet working capital requirements into 1998. 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

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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, 1996 and 1995, and the results of their operations and their cash flows for each of the three years ended December 31, 1996 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
February 18, 1997

CONSOLIDATED BALANCE SHEET

	December 31, 1996	December 31, 1995
ASSETS		
Current Assets:		
Cash and Cash Equivalents, Including Restricted Cash of $0 and $958,025	$ 12,591,770	$ 12,275,217
Accounts Receivable, Net of the Allowance for Doubtful Accounts of $0 and $17,187	19,541	339,167
Current Portion Convertible Note Receivable	400,596	--
Inventories	23,947	403,293
Prepaid and Other Current Assets	241,527	541,411
Total Current Assets	13,277,381	13,559,088
Property and Equipment, Net	511,640	1,172,137
Restricted Cash	685,000	850,000
Convertible Note Receivable	1,402,085	--
Other Assets	1,347,579	2,951,062
Total Assets	$ 17,223,685	$ 18,532,287
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 325,970	$ 724,944
Accrued Expenses	1,278,488	1,504,586
Deferred Revenue	--	121,083
Total Current Liabilities	1,604,458	2,350,613
Collaborator Advance	--	181,573
Commitments and Contingent Liabilities (Notes 3 and 14)		
Stockholders' Equity:		
Common Stock, $.001 Par Value; 50,000,000 Shares Authorized; 24,965,416 and 24,946,601 Issued and Outstanding in 1996, respectively; 19,904,706 and 19,882,730 Issued and Outstanding in 1995, respectively	24,966	19,905
Additional Paid-In Capital	72,791,819	62,399,255
Less: 18,815 and 21,976 Common Treasury Shares at Cost	(68,938)	(80,523)
Accumulated Deficit	57,128,620)	(46,338,536)
Total Stockholders' Equity	15,619,227	16,000,101
Total Liabilities and Stockholders' Equity	$ 17,223,685	$ 18,532,287

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

CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended December 31, 1996	Year Ended December 31, 1995	Year Ended December 31, 1994
OPERATING REVENUE:			
Product Development and Distribution Agreements	$ 591,246	$ 1,608,677	$ 3,737,143
Product Sales	523,254	2,354,377	3,230,815
Total Operating Revenue	1,114,500	3,963,054	6,967,958
OPERATING EXPENSE:			
Cost of Product Sales	358,644	1,879,387	2,008,279
Research and Development	6,036,498	8,004,598	8,697,174
General and Administrative	5,956,619	4,343,764	4,345,972
Marketing and Sales	516,001	1,597,888	1,411,420
Facility Relocation	--	--	1,598,609
Total Operating Expense	12,867,762	15,825,637	18,061,454
Operating Loss	(11,753,262)	(11,862,583)	(11,093,496)
Non-Operating Income (Expense), Net	963,178	3,604,634	(490,055)
Net Loss	$ (10,790,084)	$(8,257,949)	$(11,583,551)
Net Loss Per Common Share	$ (0.50)	$ (0.47)	$ (0.68)
Weighted Average Common Shares Outstanding	21,693,351	17,482,143	17,053,443

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

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Treasury Stock Cost	Accumulated Deficit	Total Stockholders' Equity
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
Issuance at $.60 to $3.56 per Share upon Exercise of Stock Options	60,710	61	161,643	--	--	161,704
Employee Stock Purchase Plan Issuance at $2.71 per Share	--	--	(3,019)	11,585	--	8,566
Net Proceeds from Stock Issuance	5,000,000	5,000	10,063,652	--	--	10,068,652
Compensation Expense Associated with Stock Options	--	--	170,288	--	--	170,288
Net Loss for the Year Ended December 31, 1996	--	--	--	--	(10,790,084)	(10,790,084)
Balance at December 31, 1996	24,965,416	$24,966	$72,791,819	$(68,938)	$(57,128,620)	$15,619,227

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, 1996	Year Ended December 31, 1995	Year Ended December 31, 1994
Cash Flows From Operating Activities:			
Net Loss	$ (10,790,084)	$ (8,257,949)	$(11,583,551)
Adjustments to Reconcile Net Loss to Cash used by Operating Activities:			
Depreciation and Amortization	464,756	719,573	844,741
Write-off of Leasehold Improvements	--	--	910,812
Losses on Short-term Investments	--	--	1,851,782
Decrease in Collaborator Advance	(181,573)	(318,427)	--
Write-off of Capitalized Patent Costs	1,751,626	--	--
Compensation Expense Associated with Stock Options	170,288	--	--
Gain on Sale of Research Products and Operations of T Cell Diagnostics, Inc.	(282,980)	--	--
Changes in Assets and Liabilities:			
Accounts Receivable	(24,364)	132,657	22,429
Inventories	14,135	5,973	(7,288)
Prepaid and Other Current Assets	119,686	18,734	(270,753)
Accounts Payable and Accrued Expenses	(796,203)	(369,322)	(401,237)
Deferred Revenue	(121,083)	121,083	(433,000)
Net Cash Used by Operating Activities	(9,675,796)	(7,947,678)	(9,066,065)
Cash Flows From Investing Activities:			
Purchase of Short-term Investments	--	--	(1,190,608)
Redemption of Short-term Investments	--	8,539,666	13,983,558
Acquisition of Property and Equipment	(135,246)	(577,263)	(770,344)
Increase in Patents and Licenses	(507,463)	(1,216,884)	(493,885)
(Increase) Decrease in Long-Term Restricted Cash	165,000	(850,000)	--
Payment Received on Convertible Note Receivable	200,297	--	--
Other	30,839	10,352	(4,435)
Net Cash Provided (Used) by Investing Activities	(246,573)	5,905,871	11,524,286
Cash Flows From Financing Activities:			
Net Proceeds from Stock Issuance	10,077,218	6,129,577	21,707
Proceeds from Exercise of Stock Options	161,704	244,753	13,306
Proceeds from Exercise of Stock Warrants	--	349,497	--
Purchases of Treasury Stock	--	(51,456)	--
Net Cash Provided by Financing Activities	10,238,922	6,672,371	35,013
Increase in Cash and Cash Equivalents	316,553	4,630,564	2,493,234
Cash and Cash Equivalents at Beginning of Period	12,275,217	7,644,653	5,151,419
Cash and Cash Equivalents at End of Period	$ 12,591,770	$ 12,275,217	$ 7,644,653
Cash, Cash Equivalents, Short-term Investments and Marketable Securities at End of Period	$ 12,591,770	$ 12,275,217	$ 16,184,319

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Nature of Business

T Cell Sciences, Inc. (the "Company") is a biopharmaceutical company engaged in the discovery and development of innovative drugs targeting diseases of the immune, inflammatory and vascular systems. The Company develops and commercializes products on a proprietary basis and in collaboration with established pharmaceutical partners, including Astra AB and Yamanouchi Pharmaceutical Co., Ltd.

In March 1996, the Company sold substantially all of the assets of its wholly-owned subsidiary, T Cell Diagnostics, Inc. ("TCD") while retaining all rights to the TRAx(R) product franchise. The Company will continue to commercialize the TRAx line of diagnostic products which are used in the detection and monitoring of immune-related disorders.

(B) Basis of Presentation

The financial statements include the accounts of T Cell Sciences, Inc. and its wholly owned subsidiary, T Cell Diagnostics, Inc. All intercompany transactions have been eliminated. Certain prior year information was reclassified to conform with the current year presentation.

(C) Cash Equivalents and Investments

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Short-term investments are those with maturities in excess of three months but less than one year. All cash equivalents and short-term investments have been classified as available for sale and are reported at fair market value with unrealized gains and losses included in stockholders' equity.

The Company invests its nonoperating cash in debt instruments of financial institutions, government entities and corporations, and mutual funds. The Company has established guidelines relative to credit ratings, diversification and maturities that maintain safety and liquidity.

Included in cash and cash equivalents at December 31, 1995 is $958,000 of short-term restricted cash (see Note 3).

(D) Fair Value of Financial Instruments

The Company enters into various types of financial instruments in the normal course of business. Fair values for cash, cash equivalents, short-term investments, accounts and notes receivable, accounts payable and accrued expenses approximate carrying value at December 31, 1996 and 1995, due to the nature of these instruments and the relatively short maturity of these instruments.

(E) Revenue Recognition

The Company has entered into separate agreements with corporate collaborators for the performance of certain specified product developments. The product development agreements 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. The Company has received nonrefundable fees at the time of signing agreements as payment for entering into the agreement. These signing fees are recognized as revenue when received. Revenues from product sales are recorded when the product is shipped.

(F) Research and Development Costs

Research and development costs are expensed as incurred.

(G) Inventories

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

(H) 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.

(I) Licenses, Patents and Trademarks

Included in other assets are the costs of purchased licenses and certain costs associated with patents and trademarks which are capitalized and amortized over the shorter of the estimated useful lives or ten years using the straight-line method. The Company periodically evaluates the recoverability of these assets in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of ("SFAS 121")."

(J) 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.

(K) Stock Compensation

The Company's employee stock option plans are accounted for in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." In January 1996, the Company adopted the disclosure requirements of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation" (see Note 9).

(L) 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, 1996 and 1995 and the reported amounts of revenue and expense for the years ended December 31, 1996, 1995 and 1994. Actual results could differ from those estimates.

2. SHORT-TERM INVESTMENTS AND RESTRICTED CASH

The Company currently invests in only high quality, short-term investments which are considered highly liquid and are available to support current operations. At December 31, 1996 and 1995, the Company's investments met the definition of cash equivalents and were recorded at cost, which approximated fair value in all material respects. At December 31, 1994, the Company's investments were comprised of certain debt and equity securities and were classified as available-for-sale.

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 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.

In accordance with the terms of the Company's operating lease agreement, the Company has pledged as collateral $685,000 and $1,808,000 at December 31, 1996 and 1995, respectively. At December 31, 1996, the amount

pledged as collateral is recorded as long-term restricted cash and at December 31, 1995 $958,000 is recorded as short-term restricted cash and is included in cash equivalents and $850,000 is recorded as long-term restricted cash. In March 1996, the Company repaid a portion of the outstanding obligation under the operating lease in conjunction with the of the research products and operation of TCD (see Note 16). As a result, the amount required as collateral was reduced to $850,000.

3. PROPERTY, EQUIPMENT AND LEASES

Property and equipment includes the following:

	December 31, 1996	December 31, 1995
Laboratory Equipment	$ 2,054,966	$ 2,800,649
Office Furniture and Equipment	751,547	953,189
Leasehold Improvements	219,496	614,616
Property and Equipment, Total	3,026,009	4,368,454
Less Accumulated Depreciation and Amortization	(2,514,369)	(3,196,317)
Property and Equipment, Net	$ 511,640	$ 1,172,137

Depreciation expense related to equipment and leasehold improvements was approximately $291,000, $465,000 and $649,000 for the years ended December 31, 1996, 1995 and 1994, respectively.

In May 1996, the Company entered into a six-year lease for laboratory and office space in Needham, Massachusetts. The lease replaced two-year lease and sublease agreements entered into in March 1995 for the same location and increased the amount of office and laboratory space available. Concurrent with the May 1996 lease, the Company entered into an agreement to sublease excess space for a four-year term and provided the subtenant with the right to extend the sublease for up to an additional two years. In March 1996, the Company sold certain property and equipment to Endogen as part of the sale of the research products and operations of TCD. In addition, certain lease obligations of the Company were assigned to Endogen in conjunction with the sale (see Note 16).

Obligations for base rent, net of sublease income, under these and other noncancelable operating leases as of December 31, 1996 are approximately as follows:

Year ending December 31,	1997	$ 829,000
	1998	849,000
	1999	846,000
	2000	819,000
	2001	763,000
	Thereafter	252,000
	Total minimum lease payments	$ 4,358,000

The Company's total rent expense was approximately $903,000, $1,100,000 and $1,100,000 for the years ended December 31, 1996, 1995 and 1994, respectively.

In August 1994, the Company entered into a lease agreement providing the Company with the right to lease up to $2,000,000 of equipment for up to a five-year term. The lease agreement requires that the Company maintain certain restrictive covenants determined at the end of each fiscal quarter. At September 30, 1995 the Company's cash and cash equivalents balance was below the $10,000,000 minimum covenant requirement. As a result, in accordance with the lease agreement, the Company pledged cash as collateral to the lessor 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, 1996, $685,000 is recorded as long-term restricted cash and at December 31, 1995, $958,000 and $850,000 is recorded as short-term and long-term restricted cash,

respectively. In March 1996, the Company repaid approximately $980,000 of the outstanding payments due under the lease in conjunction with the sale of the research products and operations of TCD.

4. OTHER ASSETS

Other assets include the following:

	December 31, 1996	December 31, 1995
Capitalized Patent Costs	$1,570,530	$3,272,109
Accumulated Amortization	(397,907)	(577,624)
Capitalized Patent Costs, Net	1,172,623	2,694,485
Other Non Current Assets	174,956	256,577
	$1,347,579	$2,951,062

During the second quarter of 1996, as part of the Company's realignment of certain of its operations, the Company suspended internal funding of the research and development of its T cell antigen receptor program pending completion of negotiations to transfer certain of its patent and license rights related to such technology to Astra AB. In June 1996, in accordance with SFAS 121, the Company evaluated and subsequently wrote off approximately $1,752,000 of capitalized patent costs relating to its T cell antigen receptor program which is included in the Company's operating expense in general and administrative.

Amortization expense for the years ended December 31, 1996, 1995 and 1994 relating to the capitalized costs of purchased licenses and patents and trademarks was approximately $174,000, $254,000 and $196,000, respectively.

5. ACCRUED EXPENSES

Accrued expenses include the following:

	December 31, 1996	December 31, 1995
Accrued License Fees	$ 55,000	$ 47,584
Accrued Funded Research	--	19,350
Accrued Royalties	--	13,809
Accrued Payroll and Employee Benefits	208,444	210,961
Accrued Relocation Expenses	--	79,725
Accrued Clinical Trials	364,765	195,944
Accrued Patent Costs	58,614	228,981
Accrued Consulting	95,958	--
Other Accrued Expenses	495,707	708,232
	$1,278,488	$1,504,586

6. INCOME TAXES

	Year Ended December 31,		
	1996	1995	1994
Income tax benefit:			
Federal	$ 3,696,048	$ 2,984,812	$3,705,826
State	388,031	354,821	1,013,701
	4,084,079	3,339,633	4,719,527
Deferred tax assets valuation allowance	(4,084,079)	(3,339,633)	(4,719,527)
	$ --	$ --	$ --

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

	December 31, 1996	December 31, 1995
Net Operating Loss Carryforwards	$ 21,346,733	$ 17,207,019
Tax Credit Carryforwards	3,043,880	2,921,484
Other	981,784	1,159,815
Gross Deferred Tax Assets	25,372,397	21,288,318
Deferred Tax Assets Valuation Allowance	(25,372,397)	(21,288,318)
	$ --	$ --

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

	1996	1995	1994
Loss at Statutory Rates	$ (3,776,529)	$(2,890,282)	$(4,054,243)
Research and Development Credits	(189,381)	(255,752)	(165,657)
State tax benefit, net of federal tax liabilities	(337,425)	(231,249)	(573,354)
Other	219,256	37,650	73,727
Benefit of losses and credits not recognized, increase in valuation allowance	4,084,079	3,339,633	4,719,527
	$ --	$ --	$ --

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, 1996, the Company has U.S. net operating loss carryforwards of $55,460,217, U.S. capital loss carryforwards of $1,852,324, and U.S. tax credits of $2,508,351 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 August 26, 1996, the Company completed a public offering of 5,000,000 newly issued shares of common stock. Net proceeds were approximately $10,069,000 after deducting all associated expenses.

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.

(B) Preferred Stock

At December 31, 1996 and 1995, the Company had authorized preferred stock comprised of 1,163,102 shares of convertible Class B and 3,000,000 shares of convertible Class C of which 350,000 shares has been designated as Class C-1 Junior Participating Cumulative, the terms of which are to be determined by the Company's Board of Directors. There was no preferred stock outstanding at December 31, 1996 and 1995.

(C) Stock Options and Employee Stock Purchase Plans

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).

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.

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.

A summary of the Stock Compensation Plan option activity for the years ended December 31, 1996, 1995 and 1994 is as follows:

	1996		1995	
		Weighted Average Exercise		Weighted Average Exercise
	Shares	Price	Shares	Price
Outstanding at January 1,	2,516,313	$5.82	2,559,820	$6.42
Granted	472,600	2.82	620,523	3.06
Exercised	(60,710)	2.66	(88,668)	2.45
Canceled	(625,007)	3.39	(575,362)	6.05
Outstanding at December 31,	2,303,196	$5.94	2,516,313	$5.82
At December 31,				
Options exercisable	1,740,310		1,498,401	
Available for grant	678,762		571,516	
Weighted average fair value of options granted during year		$1.26		$1.36

The following table summarizes information about the stock options outstanding at December 31, 1996:

	Options Outstanding			
Range of Exercise Prices	Number Outstanding at December 31, 1996	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$ 2.03 - 2.75	555,650	7.28	$ 2.46
2.94 - 3.19	621,308	6.36	3.03
3.25 - 6.13	492,238	4.97	4.53
6.25 - 12.38	434,000	2.77	9.70
20.00 - 20.00	200,000	0.41	20.00
$ 2.03 - 20.00	2,303,196		

	Options Exercisable	
Range of Exercise Prices	Number Exercisable at December 31, 1996	Weighted Average Exercise Price
$ 2.03 - 2.75	338,834	$ 2.46
2.94 - 3.19	345,873	3.03
3.25 - 6.13	428,228	4.54
6.25 - 12.38	427,375	9.74
20.00 - 20.00	200,000	20.00
$ 2.03 - 20.00	1,740,310	

Fair Value Disclosures

Had compensation cost for the Company's option plans been determined based on the fair value at the grant dates, consistent with SFAS 123, the Company's net loss, and net loss per share for the years ending December 31, 1996 and 1995 would be as follows:

	1996	1995
Net Loss:		
As reported	$10,790,084	$8,257,949
Pro forma	$11,269,924	$8,471,362
Net Loss Per Share:		
As reported	$0.50	$0.47
Pro forma	0.52	0.48

The fair value of the option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	1996	1995
Expected dividend yield	0%	0%
Expected stock price volatility	51%	51%
Risk-free interest rate	4.9% - 6.7%	5.4% - 7.5%
Expected option term	2.6 Years	2.6 Years

Because the determination of the fair value of all options granted includes an expected volatility factor in addition to the factors detailed in the table above and, because additional option grants are expected to be made each year, the above pro forma disclosures are not representative of pro forma effects of reported net income for future years.

(D) 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, 1996 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.

(E) Severance Agreement Charge

On May 29, 1996 the Company announced changes in it senior management. As part of the reorganization, the Company recorded a $425,000 charge to earnings resulting from a severance agreement with the Company's former President and Chief Executive Officer. The charge included a $255,000 severance payment and a non-cash charge of approximately $170,000 relating to the acceleration of certain stock option vesting rights.

8. RESEARCH AND LICENSING AGREEMENTS

The Company has entered 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 $205,000, $200,000 and $336,000 for the years ended December 31, 1996, 1995 and 1994, respectively.

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, 1996, 1995 and 1994 were approximately $600,000, $1,600,000 and $3,700,000, 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 developed exclusively and jointly with Astra were monoclonal antibodies and protein-derived immunomodulators that may have efficacy in treating autoimmune diseases such as multiple sclerosis, Crohn's disease, and rheumatoid arthritis. Revenue recognized for the years ended December 31, 1996, 1995 and 1994 was $272,000, $1,400,000 and $3,000,000, respectively.

In June 1996, the Company suspended further internal funding of the research and development of the TCAR program. In December 1996, the Company further amended its agreement with Astra to transfer certain of its rights to the TCAR technology to Astra, who will be solely responsible for further development and commercialization. Under the amended agreement, the Company has received an initial signing fee of $100,000 and could receive future milestone and royalty payments upon Astra's successful development and commercialization of the TCAR technology.

Included in revenue for the years ended December 31, 1996 and 1995, is $182,000 and $318,000, respectively, 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.

(B) CytoTherapeutics

In April 1996, the Company licensed portions of its patent and technology rights regarding CR1 (Complement Receptor 1) to CytoTherapeutics, Inc. for use in CytoTherapeutics' cell-based products for the delivery of therapeutic substances to the central nervous system. Under the agreement, the Company granted non-exclusive rights for the use of CR1 in any encapsulated-cell product. The license does not include rights to use CR1 for therapeutic effects. The Company received a $100,000 signing fee and will receive additional milestone payments and royalty payments from commercialized products resulting from the license.

(C) 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 year ended December 31, 1994.

(D) Diamedix Corporation

In December 1995, the Company received a $175,000 signing fee associated with a 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.

(E) 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.

(F) 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,		
	1996	1995	1994
Interest and Dividend Income	$680,198	$604,634	$1,361,727
Gain on Sale of Portion of Diagnostic Business	282,980	--	--
Settlement of Lawsuit	--	2,900,000	--
Gain on Sale of Investments	--	100,000	--
Realized Loss on Sale of Investments	--	--	(878,924)
Other than Temporary Loss on Writedown of Investment	--	--	(972,858)
	$963,178	$3,604,634	$(490,055)

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 $9,500, of their total salary in 1996. 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 $33,000, $39,000 and $42,000 for the years ended December 31, 1996, 1995 and 1994.

12. FOREIGN SALES

Foreign Sales:

Product sales were generated geographically as follows:

Net Product Sales for the Twelve Months Ended	Europe	USA	Asia	Other	Total
December 31, 1996	$ 145,000	$ 240,000	$130,000	$ 8,000	$ 523,000
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

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 a significant number of 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 in operating expense 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. The court ordered a limited trial between the Company and the landlord on certain factual issues which began on November 20, 1996. Closing arguments for the limited trial were heard on January 13, 1997. The court has not yet entered its findings on the limited trial. Until the court enters its findings, the Company is unable to assess what impact the findings will have on the trial of the issue of the Company's liability under the lease. In a separate lawsuit, the landlord's mortgagee has filed claims against the Company for payment of the same rent alleged to be owed. A motion for summary judgment filed by the bank was denied by the court. Due to the current stage of the lawsuits, a range of potential losses, 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. A significant adverse settlement could have a negative impact on the future operating results of the Company.

The Company's insurance carrier was reimbursing the Company for certain legal expenses associated with the counterclaims, under a reservation of rights. The Company's insurance carrier filed a motion for summary judgment seeking a determination of noncoverage. The Company filed an opposition to the insurer's motion for summary judgment. On November 21, 1996, the court allowed the carrier's motion for summary judgment over the Company's opposition. The Company expects to appeal the ruling once it has been entered into the court records.

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 $2,003,000 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 Convertible Note was 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. A principal payment of $200,000 was received, in accordance with the terms of the note, on September 1, 1996, reducing the outstanding principal amount to $1,803,000 at December 31, 1996. The outstanding principal balance of the Convertible Note was convertible at any time at the option of the Company into shares of common stock of Endogen. On February 10, 1997, the Company converted the outstanding principal balance, or $1,803,000, of the Convertible Note into shares of Endogen commons stock which it subsequently sold. Additionally, the Company may receive a royalty on certain of Endogen's sales of research products.

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 13, 1997, 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 13, 1997 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 13, 1997, 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 13, 1997, 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	Incorporate by reference to the Company's Annual Report on Form 10K for the fiscal year ended December 31, 1995

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, 1997	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 and SmithKline Beecham p.l.c. relating to sCR1 dated April 7, 1995, portions of which are subject to confidential treatment	Incorporated by reference to the Company's report on Form 8-K filed April 27, 1995
10.10	Pledge Agreement between the Company and Fleet Credit Corporation dated October 24, dated September 30, 1995	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for September 1995
10.11	Employment Agreement between the Company and Una S. Ryan, Ph.D. dated May 28, 1996	Page ____
10.12	Severance Agreement between the Company and Norman W. Gorin dated June 1, 1996	Page ____
10.13	Consulting Agreement between the Company and James D. Grant dated May 28, 1996	Page ____
10.14	Second Amended and Restated Product Development and Distribution Agreement between Astra AB and the Company dated May 1, 1996 portions of which are subject to a request for confidential treatment	Page ____
10.15	Commercial Lease Agreement of May 1, 1997 between the Company and Fourth Avenue Ventures Limited	Incorporated by reference to the Company's report on Form 10-Q for the quarterly period ended September 30, 1996
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
23.0	Consent of Independent Accountants	Page ___
27.0	Financial Data Schedule	Page ____

(B) Reports on Form 8-K.

During 1996, the following reports on Form 8-K were filed: Form 8-K dated March 5, 1996 and Form 8-K dated May 29, 1996.

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/ Una S. Ryan March 21, 1997

Una S. Ryan
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/ Una S. Ryan --- (Una S. Ryan)	President, Chief Executive Officer	March 21, 1997
/s/ Norman W. Gorin --- (Norman W. Gorin)	Vice President, Finance and Chief Financial Officer	March 21, 1997
/s/ James D. Grant --- (James D. Grant)	Chairman of the Board and Director	March 21, 1997
/s/ Patrick C. Kung --- (Patrick C. Kung)	Vice Chairman of the Board and Director	March 21, 1997
/s/ John P. Munson --- (John P. Munson)	Director	March 21, 1997
/s/ Thomas R. Ostermueller --- (Thomas R. Ostermueller)	Director	March 21, 1997
/s/ John Simon --- (John Simon)	Director	March 21, 1997
/s/ Harry H. Penner, Jr. --- (Harry H. Penner, Jr.)	Director	March 21, 1997

Exhibit 10.7

CONSULTING AGREEMENT

THIS AGREEMENT, dated this 1st of January 1997, 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 119 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 services 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 in establishing business contact in Southeast Asia; and

(d) Interact with 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) The Company agrees to pay the costs of continuing medical and dental benefits elected by the Consultant until April 30, 1997 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 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 an 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"). Consultant 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 restriction as to disclosure by a third party.

(c) Any and all inventions and discoveries, whether or not patentable, which Consultant conceives or makes during the 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 and 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 prosecution of all such patent applications in the United States Patent Office an 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 venture, 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 Sciences' programs.

(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 this breach, or threatened or attempted breach, of any provision of this Paragraph 5 would cause irreparable harm to the Company, no compensation in money damages, and that the Company shall be entitled in addition to 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 of 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 Consulting Agreement dated January 1, 1996 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 Consultant 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.

T CELL SCIENCES, INC.	DR. PATRICK C. KUNG
By:	By:
Una S. Ryan, Ph.D. President and CEO	

Exhibit 10.11

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement"), made as of the 28th day of May 1996 (the "Effective Date"), by and between T Cell Sciences, Inc., a Massachusetts corporation with its main office in Needham, Massachusetts (the "Company") and Una S. Ryan, Ph.D. (the "Executive").

WITNESSETH

In consideration of the mutual covenants contained herein, the Company and the Executive agree as follows:

1. Employment. The Company agrees to employ the Executive and the Executive agrees to be employed by the Company on the terms and conditions hereinafter set forth.

2. Capacity. The Executive shall initially serve the Company as its President, Chief Operating Officer and Chief Scientific Officer and shall serve the Company in such other or additional offices in which the Executive may be requested to serve by the Board of Directors of the Company (the "Board"). In such capacity or capacities, the Executive shall perform such services and duties in connection with the business, affairs and operations of the Company as may be assigned or delegated to her from time to time by or under the authority of the Board.

3. Term. Subject to the provisions of Section 6, the term of employment pursuant to this Agreement (the "Term") shall be one (1) year from the Effective Date and shall be renewed automatically for periods of one (1) year commencing on the anniversary of the Effective Date and on each subsequent anniversary thereafter, unless either the Executive or the Company gives written notice to the other not less than sixty (60) days prior to the date of any such anniversary of such party's election not to extend the Term.

4. Compensation and Benefits. The regular compensation and benefits payable to the Executive under this Agreement shall be as follows:

a. Salary. For all services rendered by the Executive under this Agreement, the Company shall pay the Executive a salary (the "Salary") at the annual rate of Two Hundred Forty Thousand Dollars ($240,000), subject to increase from time to time in the discretion of the Board or the Compensation Committee of the Board (the "Compensation Committee"). The Salary shall be payable in periodic installments in accordance with the Company's usual practice for its senior executives.

b. Bonus. The Executive shall be entitled to participate in the Performance Incentive Plan as established by the Board in accordance with and subject to the terms and conditions established in the sole discretion of the Board. The Executive will be eligible to earn up to an amount equal to thirty percent (30%) of her then current Salary each year under the Performance Incentive Plan.

c. Regular Benefits. The Executive shall be entitled to participate in any employee benefit plans, medical insurance plans, life insurance plans, disability income plans, retirement plans, vacation plans, expense reimbursement plans and other benefit plans which the Company may from time to time have in effect for all or most of its senior executives. Such participation shall be subject to the terms of the applicable plan documents, generally applicable policies of the Company, applicable law and the discretion of the Board, the Compensation Committee or any administrative or other committee provided for in or contemplated by any such plan. Nothing contained in this Agreement shall be construed to create any obligation on the part of the Company to establish any such plan or to maintain the effectiveness of any such plan which may be in effect from time to time.

d. Stock Options. The Executive shall be eligible to participate in the T Cell Sciences, Inc. Amended and Restated 1991 Stock Compensation Plan (the "Stock Plan"), as adopted by the Board and as approved by the stockholders of T Cell and as may be amended, modified or terminated from time to time, in accordance with its terms and the terms of any individual Stock Option Agreement entered into by and between the Company and the Executive in accordance with the Stock Plan.

e. Exclusivity of Salary and Benefits. The Executive shall not be entitled to any payments or benefits other than those provided under this Agreement.

5. Extent of Service. During the Executive's employment under this Agreement, the Executive shall, subject to the direction and supervision of the Board, devote the Executive's full business time, best efforts and business judgment, skill and knowledge to the advancement of the Company's interests and to the discharge of the Executive's duties and responsibilities under this Agreement. The Executive shall not engage in any other business activity, except as may be approved by the Board; provided, that nothing in this Agreement shall be construed as preventing the Executive from:

a. investing the Executive's assets in any company or other entity in a manner not prohibited by Section 7(e) and in such form or manner as shall not require any material activities on the Executive's part in connection with the operations or affairs of the companies or other entities in which such investments are made; or

b. engaging in religious, charitable or other community or non-profit activities that do not impair the Executive's ability to fulfill the Executive's duties and responsibilities under this Agreement.

6. Termination and Termination Benefits. Notwithstanding the provisions of Section 3, the Executive's employment under this Agreement shall terminate under the following circumstances set forth in this Section 6.

a. Termination by the Company for Cause. The Executive's employment under this Agreement may be terminated for cause without further liability on the part of the Company effective immediately upon a vote of the Board and written notice to the Executive. Only the following shall constitute "cause" for such termination:

(i) dishonest statements or acts of the Executive with respect to the Company or any affiliate of the Company;

(ii) the commission by or indictment of the Executive for (A) a felony or (B) any misdemeanor involving moral turpitude, deceit, dishonesty or fraud ("indictment," for these purposes, meaning an indictment, probable cause hearing or any other procedure pursuant to which an initial determination of probable or reasonable cause with respect to such offense is made);

(iii) gross negligence, willful misconduct or insubordination of the Executive with respect to the Company or any affiliate of the Company; or

(iv) material breach by the Executive of any of the Executive's obligations under this Agreement, which breach results in a material injury to the Company.

b. Termination by the Executive. The Executive's employment under this Agreement may be terminated by the Executive by written notice to the Board at least sixty (60) days prior to such termination. Upon receipt of such notice, the Company may elect to provide the Executive with pay in lieu of notice. For purposes of this Section 6(b), the Company is only required to pay the Executive an amount equal to her Salary pro rated for the period of time for which the Company waives notice.

c. Termination by the Company Without Cause. Subject to the payment of Termination Benefits pursuant to Section 6(e), the Executive's employment under this Agreement may be terminated by the Company without cause upon written notice to the Executive.

d. Change in Control. The Executive's employment under this Agreement may be terminated by the Executive for Good Reason within one (1) year of a Change in Control by written notice to the Board; provided, that the Executive shall provide the Board with written notice of any such Good Reason at least thirty (30) days in advance of a voluntary

termination of employment and the Company shall have the opportunity to remedy or cure the asserted basis for any such Good Reason voluntary termination within such thirty-day period.

(i) "Change in Control" shall have the meaning set forth in Section 1.2 of the Stock Plan, without regard to the Board's right to revoke a resolution declaring that a Change in Control has occurred.

(ii) "Good Reason" shall mean:

(A) the assignment to the Executive of any duties substantially inconsistent with the Executive's position or status as an officer immediately prior to the Change in Control or any alteration in the nature or status of the Executive's responsibilities to a significantly lesser position;

(B) material reduction in the Executive's Salary, incentive compensation, or benefits or perquisites as in effect immediately prior to the Change in Control;

(C) the relocation of the principal place of the Executive's employment after the Change in Control to a location more than 50 miles from the principal place of the Executive's employment as of the Effective Date without the Executive's written consent; or

(D) the failure by the Company to assign this Agreement to any successor pursuant to Section 14.

e. Certain Termination Benefits. Unless otherwise specifically provided in this Agreement or otherwise required by law, all compensation and benefits payable to the Executive under this Agreement shall terminate on the date of termination of the Executive's employment under this Agreement. Notwithstanding the foregoing, in the event of termination of the Executive's employment with the Company pursuant to Section 6(c) or (d) above, the Company shall provide to the Executive the following termination benefits ("Termination Benefits"):

(i) continuation of the Executive's Salary at the rate then in effect pursuant to Section 4(a); and

(ii) continuation of group health plan benefits to the extent authorized by and consistent with 29 U.S.C. ss.1161 et seq. (commonly known as "COBRA"), with the cost of the regular premium for such benefits shared in the same relative

proportion by the Company and the Executive as in effect on the date of termination, unless the termination of employment pursuant to Section 6(c) or 6(d) occurs within one year of a Change in Control, in which case the Company shall pay all premiums.

The Termination Benefits set forth in (i) and (ii) above shall continue for twelve (12) months after the date of termination; provided, that in the event that the Executive is terminated pursuant to Section 6(c) at any time other than within one (1) year after a Change in Control and the Executive thereafter commences any employment or self-employment during the period during which the Executive is entitled to receive Termination Benefits (the "Termination Benefits Period"), the remaining amount of Salary due pursuant to Section 6(e)(i) for the period from the commencement of such employment or self-employment to the end of the Termination Benefits Period shall be reduced by an amount equal to the amount the Executive earns as a result of such employment or self-employment and the payments provided under Section 6(e)(ii) shall cease effective as of the date the Executive becomes eligible for health benefits pursuant to such other employment or self-employment. The Company's liability for Salary continuation pursuant to Section 6(e)(i) shall be reduced by the amount of any severance pay due or otherwise paid to the Executive pursuant to any severance pay plan or stay bonus plan of the Company. Notwithstanding the foregoing, nothing in this Section 6(e) shall be construed to affect the Executive's right to receive COBRA continuation entirely at the Executive's own cost to the extent that the Executive may continue to be entitled to COBRA continuation after the Executive's right to cost sharing under Section 6(e)(ii) ceases. The Executive shall be obligated to give prompt notice of the date of commencement of any employment or self-employment during the Termination Benefits Period and shall respond promptly to any reasonable inquiries concerning any employment or self-employment in which the Executive engages during the Termination Benefits Period.

It is the intention of the Executive and of the Company that no payments by the Company to or for the benefit of the Executive under this Agreement or any other agreement or plan, if any, pursuant to which the Executive is entitled to receive payments or benefits shall be nondeductible to the Company by reason of the operation of Section 280G of the Internal Revenue Code ("Code") relating to parachute payments or any like statutory or regulatory provision. Accordingly, and notwithstanding any other provision of this Agreement or any such agreement or plan, if by reason of the operation of said Section 280G or any like statutory or regulatory provision, any such payments exceed the amount which can be deducted by the Company, such payments shall be reduced to the maximum amount which can be deducted by the Company. To the extent that payments exceeding such maximum deductible amount have been made to or for the benefit of the Executive, such excess payments shall be refunded to the Company with interest thereon at the applicable Federal rate determined under Section 1274(d) of the Internal Revenue Code, compounded annually, or at such other rate as may be required in order that no such payments shall be nondeductible to the Company by reason of the operation of said Section 280G or any like statutory or

regulatory provision. To the extent that there is more than one method of reducing the payments to bring them within the limitations of said Section 280G or any like statutory or regulatory provision, the Executive shall determine which method shall be followed, provided that if the Executive fails to make such determination within forty-five (45) days after the Company has given notice of the need for such reduction, the Company may determine the method of such reduction in its sole discretion.

f. Disability. If the Executive shall be disabled so as to be unable to perform the essential functions of the Executive's then existing position or positions under this Agreement with or without reasonable accommodation, the Board may remove the Executive from any responsibilities and/or reassign the Executive to another position with the Company for the remainder of the Term or during the period of such disability. If the period of disability extends for more than six (6) months, the Company may terminate the Executive's employment without further liability on the part of the Company. If any question shall arise as to whether during any period the Executive is disabled so as to be unable to perform the essential functions of the Executive's then existing position or positions with or without reasonable accommodation, the Executive may, and at the request of the Company shall, submit to the Company a certification in reasonable detail by a physician selected by the Company to whom the Executive or the Executive's guardian has no reasonable objection as to whether the Executive is so disabled or how long such disability is expected to continue, and such certification shall for the purposes of this Agreement be conclusive of the issue. The Executive shall cooperate with any reasonable request of the physician in connection with such certification. If such question shall arise and the Executive shall fail to submit such certification, the Company's determination of such issue shall be binding on the Executive. Nothing in this Section 6(f) shall be construed to waive the Executive's rights, if any, under existing law including, without limitation, the Family and Medical Leave Act of 1993, 29 U.S.C. ss.2601 et seq. and the Americans with Disabilities Act, 42 U.S.C. ss.12101 et seq.

g. Death or Retirement. The Executive's employment under this Agreement will be deemed to have terminated without further liability on the part of the Company if the Executive dies or retires.

7. Confidential Information, Noncompetition and Assignment.

a. Confidential Information. As used in this Agreement, "Confidential Information" means information belonging to the Company which is of value to the Company in the course of conducting its business and the disclosure of which could result in a competitive or other disadvantage to the Company. Confidential Information includes, without limitation, financial information, reports, and forecasts; inventions, improvements and other intellectual property; trade secrets; know-how; designs, processes or formulae; research data or results, inventions, cell lines or products; software; market or sales information or plans; customer lists; and business plans, prospects and opportunities (such as possible acquisitions or

dispositions of businesses or facilities) which have been discussed or considered by the management of the Company. Confidential Information includes information developed by the Executive in the course of the Executive's employment by the Company, as well as other information to which the Executive may have access in connection with the Executive's employment. Confidential Information also includes the confidential information of others with which the Company has a business relationship. Notwithstanding the foregoing, Confidential Information does not include information in the public domain, unless due to breach of the Executive's duties under Section 7(a). The Executive understands and agrees that the Executive's employment creates a relationship of confidence and trust between the Executive and the Company with respect to all Confidential Information. At all times, both during the Executive's employment with the Company and after its termination, the Executive will keep in confidence and trust all such Confidential Information, and will not use or disclose any such Confidential Information without the written consent of the Company, except as may be necessary in the ordinary course of performing the Executive's duties to the Company.

b. Assignment of Rights. Any and all information, data, inventions, discoveries, materials, notebooks and other work product which the Executive conceives, develops or acquires during her employment with the Company or within six (6) months after the termination of Executive's employment with the Company, which directly or indirectly relates to work performed for the Company shall be the sole and exclusive property of the Company. The Executive shall promptly execute any and all documents necessary and take such further actions as the Company may deem necessary to assign any and all of the Executive's right, title and interest in such property to the Company. The Executive may publish research results after the Company, in its sole discretion, has reviewed, for purposes of determining patentability and maintaining trade secrets, and has approved the proposed publication.

c. Intellectual Property. During the Executive's employment at the Company, the Executive shall promptly assist with and execute any and all applications, assignments or other documents which an officer or director of the Company shall deem necessary or useful in order to obtain and maintain patent, trademark or other intellectual property protection for the Company's products or services. After the termination date of her employment with the Company, the Executive shall use reasonable efforts to assist the Company on intellectual property matters as they relate to her employment, and the Company shall reasonably compensate the Executive for her time and expense.

d. Documents, Records, etc. All documents, records, data, apparatus, equipment and other physical property, whether or not pertaining to Confidential Information, which are furnished to the Executive by the Company or are produced by the Executive in connection with the Executive's employment will be and remain the sole property of the Company. The Executive will return to the Company all such materials and property as and when requested by the Company. In any event, the Executive will return all such materials and property

immediately upon termination of the Executive's employment for any reason. The Executive will not retain with the Executive any such material or property or any copies thereof after such termination.

e. Noncompetition and Nonsolicitation. During the Term and for one (1) year thereafter, the Executive (i) will not, directly or indirectly, whether as owner, partner, shareholder, consultant, agent, employee, co-venturer or otherwise, engage, participate, assist or invest in any Competing Business (as hereinafter defined); (ii) will refrain from directly or indirectly employing, attempting to employ, recruiting or otherwise soliciting, inducing or influencing any person to leave employment with the Company (other than terminations of employment of subordinate employees undertaken in the course of the Executive's employment with the Company); and (iii) will refrain from soliciting or encouraging any customer or supplier to terminate or otherwise modify adversely its business relationship with the Company. The Executive understands that the restrictions set forth in this Section 7(e) are intended to protect the Company's interest in its Confidential Information and established employee, customer and supplier relationships and goodwill, and agrees that such restrictions are reasonable and appropriate for this purpose. For purposes of this Agreement, the term "Competing Business" shall mean a business enterprise, whether for profit or not for profit, engaged in the research, development or marketing or products or services in or relating to T Cell antigen receptor, complement receptor or other technology fields or business in which the Company is engaged or the Company has investigated entering during the Executive's employment. Notwithstanding the foregoing, the Executive may own up to one percent (1%) of the outstanding stock of a publicly held corporation which constitutes or is affiliated with a Competing Business.

8. Third-Party Agreements and Rights. The Executive hereby confirms that the Executive is not bound by the terms of any agreement with any previous Company or other party which restricts in any way the Executive's use or disclosure of information or the Executive's engagement in any business. The Executive represents to the Company that the Executive's execution of this Agreement, the Executive's employment with the Company and the performance of the Executive's proposed duties for the Company will not violate any obligations the Executive may have to any such previous Company or other party. In the Executive's work for the Company, the Executive will not disclose or make use of any information in violation of any agreements with or rights of any such previous Company or other party, and the Executive will not bring to the premises of the Company any copies or other tangible embodiments of non-public information belonging to or obtained from any such previous employment or other party.

9. Litigation and Regulatory Cooperation. During and after the Executive's employment, the Executive shall cooperate fully with the Company in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company which relate to events or occurrences that transpired

while the Executive was employed by the Company. The Executive's full cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company at mutually convenient times. During and after the Executive's employment, the Executive also shall cooperate fully with the Company in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while the Executive was employed by the Company. The Company shall reimburse the Executive for any reasonable out-of-pocket expenses incurred in connection with the Executive's performance of obligations pursuant to this Section 9.

10. Injunction. The Executive agrees that it would be difficult to measure any damages caused to the Company which might result from any breach by the Executive of the promises set forth in Section 7, and that in any event money damages would be an inadequate remedy for any such breach. Accordingly, subject to Section 11 of this Agreement, the Executive agrees that if the Executive breaches, or proposes to breach, any portion of this Agreement, the Company shall be entitled, in addition to all other remedies that it may have, to an injunction or other appropriate preliminary equitable relief to restrain any such breach without showing or proving any actual damage to the Company.

11. Arbitration of Disputes. Any controversy or claim arising out of or relating to this Agreement or the breach thereof or otherwise arising out of the Executive's employment or the termination of that employment (including, without limitation, any claims of unlawful employment discrimination whether based on age or otherwise) shall, to the fullest extent permitted by law, be settled by arbitration in any forum and form agreed upon by the parties or, in the absence of such an agreement, under the auspices of the American Arbitration Association ("AAA") in Boston, Massachusetts in accordance with the Employment Dispute Resolution Rules of the AAA, including, but not limited to, the rules and procedures applicable to the selection of arbitrators, except that the arbitrator shall apply the law as established by decisions of the U.S. Supreme Court, the Court of Appeals for the First Circuit and the U.S. District Court for the District of Massachusetts in deciding the merits of claims and defenses under federal law or any state or federal anti-discrimination law, and any awards to the Executive for violation of any anti-discrimination law shall not exceed the maximum award to which the Executive could be entitled under the applicable (or most analogous) federal anti-discrimination or civil rights laws. In the event that any person or entity other than the Executive or the Company may be a party with regard to any such controversy or claim, such controversy or claim shall be submitted to arbitration subject to such other person or entity's agreement. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. This Section 11 shall be specifically enforceable. Notwithstanding the foregoing, this Section 11 shall not preclude either party from pursuing a court action for the sole purpose of obtaining a temporary restraining order or other preliminary equitable relief in circumstances in which such relief is appropriate, including,

without limitation, pursuant to Section 10; provided, that any other relief shall be pursued through an arbitration proceeding pursuant to this Section 11.

12. Consent to Jurisdiction. To the extent that any court action is permitted consistent with or requested to enforce Section 7, 10 or 11 of this Agreement, the parties hereby consent to the jurisdiction of the Superior Court of the Commonwealth of Massachusetts and the United States District Court for the District of Massachusetts. Accordingly, with respect to any such court action, the Executive (a) submits to the personal jurisdiction of such courts; (b) consents to service of process; and (c) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction or service of process.

13. Integration. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements between the parties with respect to any related subject matter.

14. Assignment; Successors and Assigns, Etc. Neither the Company nor the Executive may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party; provided, that the Company may assign its rights under this Agreement without the consent of the Executive in the event that the Company shall effect a reorganization, consolidate with or merge into any other corporation, partnership, organization or other entity, or transfer all or substantially all of its properties or assets to any other corporation, partnership, organization or other entity. This Agreement shall inure to the benefit of and be binding upon the Company and the Executive, their respective successors, executors, administrators, heirs and permitted assigns.

15. Enforceability. If any portion or provision of this Agreement (including, without limitation, any portion or provision of any section of this Agreement) shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

16. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

17. Notices. Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by a nationally recognized overnight courier service or by registered or certified mail, postage prepaid, return

receipt requested, to the Executive at the last address the Executive has filed in writing with the Company or, in the case of the Company, at its main offices, attention of the Chief Executive Officer, and shall be effective on the date of delivery in person or by courier or three (3) days after the date mailed.

18. Amendment. This Agreement may be amended or modified only by a written instrument signed by the Executive and by a duly authorized representative of the Company.

19. Governing Law. This is a Massachusetts contract and shall be construed under and be governed in all respects by the laws of the Commonwealth of Massachusetts, without giving effect to the conflict of laws principles of such Commonwealth.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be taken to be an original; but such counterparts shall together constitute one and the same document.

IN WITNESS WHEREOF, this Agreement has been executed as a sealed instrument by the Company, by its duly authorized officer, and by the Executive, as of the Effective Date.

T CELL SCIENCES, INC.

By:

- ----------
Date

James D. Grant, Chairman

- ----------
Date

Executive

SEVERANCE AGREEMENT

This SEVERANCE AGREEMENT (this "Agreement"), made as of the 28th day of May 1996 (the "Effective Date"), by and between T CELL SCIENCES, INC., a Massachusetts corporation with its main office in Needham, Massachusetts (the "Company") and NORMAN W. GORIN (the "Executive").

WHEREAS the Company wishes to retain the services of the Executive as its Chief Financial Officer subject to the terms of this Agreement; and

WHEREAS the Executive wishes to perform such services for the Company subject to the terms of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein, the Company and the Executive hereby agree as follows:

1. Termination by the Company Without Cause. Subject to the payment of Termination Benefits pursuant to Section 4, the Executive's employment with the Company may be terminated by the Company without cause upon written notice to the Executive.

2. Change in Control. The Executive's employment may be terminated by the Executive for Good Reason within one (1) year of a Change in Control by written notice to the Board; provided, that the Executive shall provide the Board with written notice of any such Good Reason at least thirty (30) days in advance of a voluntary termination of employment and the Company shall have the opportunity to remedy or cure the asserted basis for any such Good Reason voluntary termination within such thirty-day period.

   (i) "Change in Control" shall have the meaning set forth in Section 1.2 of the T Cell Sciences, Inc. Amended and Restated 1991 Stock Compensation Plan, without regard to the Board's right to revoke a resolution declaring that a Change in Control has occurred.

   (ii) "Good Reason" shall mean:

      (A) the assignment to the Executive of any duties substantially inconsistent with the Executive's position or status as an officer immediately prior to

      the Change in Control or any alteration in the nature or status of the Executive's responsibilities to a significantly lesser position;

      (B) material reduction in the Executive's salary, incentive compensation, or benefits or perquisites as in effect immediately prior to the Change in Control;

      (C) the relocation of the principal place of the Executive's employment after the Change in Control to a location more than 50 miles from the principal place of the Executive's employment as of the Effective Date without the Executive's written consent; or

      (D) the failure by the Company to assign this Agreement to any successor pursuant to Section 9.

3. Termination by the Executive. The Executive's employment may be terminated by the Executive by written notice to the Board at least thirty (30) days prior to such termination. Upon receipt of such notice, the Company may elect to provide the Executive with pay in lieu of notice. For purposes of this Section 3, the Company is only required to pay the Executive an amount equal to his salary pro rated for the period of time for which the Company waives notice. Upon termination of employment under this Section 3, the Company shall not be required to provide the Executive with the benefits set forth in Section 4.

4. Termination Benefits. Unless otherwise specifically provided in this Agreement or otherwise required by law, all compensation and benefits payable to the Executive shall terminate on the date of termination of the Executive's employment with the Company. Notwithstanding the foregoing, in the event of termination of the Executive's employment with the Company pursuant to Section 1 or 2 above, the Company shall provide to the Executive the following termination benefits ("Termination Benefits"):

   a. continuation of the Executive's Salary at the rate in effect at the date of termination;

   b. continuation of group health plan benefits to the extent authorized by and consistent with 29 U.S.C.ss.1161 et seq. (commonly known as "COBRA"), with the cost of the regular premium for such benefits shared in the same relative proportion by the Company and the Executive as in effect on the date of termination, unless the termination of employment pursuant to Section 1 or 2 occurs

within one year of a Change in Control, in which case the Company shall pay all premiums; and

c. outplacement counseling and other services to be provided by Drake, Beam & Morin or such other firm as the Company may reasonably determine, for a period not to exceed six (6) months following the date of termination of the Executive's employment with the Company, up to a maximum amount of $7,500.

The Termination Benefits set forth in (a) and (b) above shall continue for twelve (12) months after the date of termination; provided, that in the event that the Executive is terminated pursuant to Section 1 at any time other than within one (1) year after a Change in Control and the Executive thereafter commences any employment or self-employment during the period during which the Executive is entitled to receive Termination Benefits (the "Termination Benefits Period"), the remaining amount of Salary due pursuant to Section 4(a) for the period from the commencement of such employment or self-employment to the end of the Termination Benefits Period shall be reduced by an amount equal to the amount the Executive earns as a result of such employment or self-employment and the payments provided under Section 4(b) shall cease effective as of the date the Executive becomes eligible for health benefits pursuant to such other employment or self-employment. The Company's liability for Salary continuation pursuant to Section 4(a) shall be reduced by the amount of any severance pay due or otherwise paid to the Executive pursuant to any severance pay plan or stay bonus plan of the Company. Notwithstanding the foregoing, nothing in this Section 4 shall be construed to affect the Executive's right to receive COBRA continuation entirely at the Executive's own cost to the extent that the Executive may continue to be entitled to COBRA continuation after the Executive's right to cost sharing under Section 4(b) ceases. The Executive shall be obligated to give prompt notice of the date of commencement of any employment or self-employment during the Termination Benefits Period and shall respond promptly to any reasonable inquiries concerning any employment or self-employment in which the Executive engages during the Termination Benefits Period.

It is the intention of the Executive and of the Company that no payments by the Company to or for the benefit of the Executive under this Agreement or any other agreement or plan, if any, pursuant to which the Executive is entitled to receive payments or benefits shall be nondeductible to the Company by reason of the operation of Section 280G of the Internal Revenue Code ("Code") relating to parachute payments or any like statutory or regulatory provision. Accordingly, and notwithstanding any other provision of this Agreement or any such agreement or plan, if by reason of the operation of said Section 280G or any like statutory or regulatory provision, any such payments exceed the amount which can be deducted by the Company, such payments shall be reduced to the maximum amount which can be deducted by the Company. To the extent that payments exceeding such maximum deductible amount have been made to or for the benefit of the Executive, such excess

payments shall be refunded to the Company with interest thereon at the applicable Federal rate determined under Section 1274(d) of the Internal Revenue Code, compounded annually, or at such other rate as may be required in order that no such payments shall be nondeductible to the Company by reason of the operation of said Section 280G or any like statutory or regulatory provision. To the extent that there is more than one method of reducing the payments to bring them within the limitations of said Section 280G or any like statutory or regulatory provision, the Executive shall determine which method shall be followed, provided that if the Executive fails to make such determination within forty-five (45) days after the Company has given notice of the need for such reduction, the Company may determine the method of such reduction in its sole discretion.

5. Litigation and Regulatory Cooperation. After the Executive's employment, the Executive shall cooperate fully with the Company in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company which relate to events or occurrences that transpired while the Executive was employed by the Company. The Executive's full cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company at mutually convenient times. After the Executive's employment, the Executive also shall cooperate fully with the Company in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while the Executive was employed by the Company. The Company shall reimburse the Executive for any reasonable out-of-pocket expenses incurred in connection with the Executive's performance of obligations pursuant to this Section 5.

6. Arbitration of Disputes. Any controversy or claim arising out of or relating to this Agreement or the breach thereof or otherwise arising out of the termination of the Executive's employment (including, without limitation, any claims of unlawful employment discrimination whether based on age or otherwise) shall, to the fullest extent permitted by law, be settled by arbitration in any forum and form agreed upon by the parties or, in the absence of such an agreement, under the auspices of the American Arbitration Association ("AAA") in Boston, Massachusetts in accordance with the Employment Dispute Resolution Rules of the AAA, including, but not limited to, the rules and procedures applicable to the selection of arbitrators, except that the arbitrator shall apply the law as established by decisions of the U.S. Supreme Court, the Court of Appeals for the First Circuit and the U.S. District Court for the District of Massachusetts in deciding the merits of claims and defenses under federal law or any state or federal anti-discrimination law, and any awards to the Executive for violation of

any anti-discrimination law shall not exceed the maximum award to which the Executive could be entitled under the applicable (or most analogous) federal anti-discrimination or civil rights laws. In the event that any person or entity other than the Executive or the Company may be a party with regard to any such controversy or claim, such controversy or claim shall be submitted to arbitration subject to such other person or entity's agreement. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. This Section 6 shall be specifically enforceable. Notwithstanding the foregoing, this Section 6 shall not preclude either party from pursuing a court action for the sole purpose of obtaining a temporary restraining order or other preliminary equitable relief in circumstances in which such relief is appropriate; provided, that any other relief shall be pursued through an arbitration proceeding pursuant to this Section 6.

7. Consent to Jurisdiction. To the extent that any court action is permitted consistent with or requested to enforce Section 6 of this Agreement, the parties hereby consent to the jurisdiction of the Superior Court of the Commonwealth of Massachusetts and the United States District Court for the District of Massachusetts. Accordingly, with respect to any such court action, the Executive (a) submits to the personal jurisdiction of such courts; (b) consents to service of process; and (c) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction or service of process.

8. Integration. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements between the parties with respect to any related subject matter.

9. Assignment; Successors and Assigns, Etc. Neither the Company nor the Executive may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party; provided, that the Company may assign its rights under this Agreement without the consent of the Executive in the event that the Company shall effect a reorganization, consolidate with or merge into any other corporation, partnership, organization or other entity, or transfer all or substantially all of its properties or assets to any other corporation, partnership, organization or other entity. This Agreement shall inure to the benefit of and be binding upon the Company and the Executive, their respective successors, executors, administrators, heirs and permitted assigns.

10. Enforceability. If any portion or provision of this Agreement (including, without limitation, any portion or provision of any section of this Agreement) shall to

any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

11. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

12. Notices. Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by a nationally recognized overnight courier service or by registered or certified mail, postage prepaid, return receipt requested, to the Executive at the last address the Executive has filed in writing with the Company or, in the case of the Company, at its main offices, attention of the Chief Executive Officer, and shall be effective on the date of delivery in person or by courier or three (3) days after the date mailed.

13. Amendment. This Agreement may be amended or modified only by a written instrument signed by the Executive and by a duly authorized representative of the Company.

14. Governing Law. This is a Massachusetts contract and shall be construed under and be governed in all respects by the laws of The Commonwealth of Massachusetts, without giving effect to the conflict of laws principles of such Commonwealth.

15. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be taken to be an original; but such counterparts shall together constitute one and the same document.

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IN WITNESS WHEREOF, this Agreement has been executed as a sealed instrument by the Company, by its duly authorized officer, and by the Executive, as of the Effective Date.

T CELL SCIENCES, INC.

By:

- ----------
Date

Una S. Ryan, President

- ----------
Date

Executive

CONSULTING AGREEMENT

This CONSULTING AGREEMENT (this "Agreement"), made as of the 28th day of May, 1996 by and between T CELL SCIENCES, INC., a Delaware corporation (the "Company") and JAMES D. GRANT (the "Consultant").

WITNESSETH

In consideration of the mutual covenants contained herein, the Company and the Consultant hereby agree as follows:

1. Consulting Responsibilities.

Effective as of May 28, 1996, the Company hereby retains the Consultant as a consultant to the Company. This consulting capacity shall be in addition to the Consultant's responsibilities as Chairman of the Board and outside director of the Company's Board of Directors. The Consultant's consulting duties shall be under the direction of the President and Chief Executive Officer and shall include, without limitation:

(a) Advising the Company on relationships with the FDA in connection with the preparation for clinical trials and other matters.

(b) Working with the NIH and other government agencies on behalf of the Company.

(c) Serving on the IBA Board of Directors in an individual capacity and as a representative of the Company.

(d) Meeting with investor groups about the Company.

(e) Undertaking specific projects for the Company at the request of the Company's Board of Directors.

The Consultant agrees to devote as much time to the Company as is reasonably necessary for the performance of these duties.

2. Compensation; Expenses.

(a) In consideration for serving as an outside director, the Consultant shall receive the same monetary and stock option compensation as that received by other outside directors of the Company.

(b) In consideration for serving as Chairman of the Board for so long as the Consultant shall so serve, the Consultant shall receive the sum of $30,000 per year or such other amount as shall be determined by the Board of Directors from time to time, in its sole discretion.

(c) In consideration for serving as consultant to the Company in accordance with this Agreement, the Consultant shall receive the sum of $30,000 per year payable in twelve equal installments of $2,500 on the first business day of each month. At any time during the term of this Agreement, the Board of Directors, in its sole discretion, may increase or decrease the amount of consideration paid to the Consultant for his consulting duties.

(d) The Company shall reimburse the Consultant for reasonable travel, lodging and meal expenses incurred by him in connection with the performance of his consulting duties in accordance with the Company's reimbursement policies applicable at the time, and shall be entitled to the use of secretarial services at the Company consistent with his consulting duties for the Company.

3. Confidentiality; Inventions.

(a) Beginning on the date hereof and at any time hereafter, the 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 secrets, projects, research data or result, inventions, trade secrets, 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"). Beginning on the date hereof and at any time hereafter, the Consultant 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. The provisions of

this Subparagraph (a) shall not apply to any Confidential Information which is (i) publicly known under circumstances involving no breach of this Agreement or (ii) lawfully and in good faith made available to the Consultant by a third party without restrictions as to disclosure.

(b) Any and all inventions and discoveries, whether or not patentable, which the Consultant conceives or makes during the 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. The Consultant shall promptly execute any and all applications, assignments or other instruments which an officer of the Company or its Board of Directors 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 and in order to assign and convey to the Company the sole and exclusive right, title and interest in and to said 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.

4. Conflict of Interest.

The Consultant represents that execution of this Agreement and the performance of the consulting services hereunder does not and will not breach any other agreement, arrangement, obligation, understanding or employment relationship with a third party. During the term of this Agreement, the Consultant agrees not to enter into any consulting or employment relationship with a third party that directly relates to the products under development at the Company.

5. Term and Termination.

This Agreement shall be effective as of May 28, 1996 and shall expire on May 29, 1999 (the "Expiration Date") unless extended by mutual agreement in writing. The Consultant, in his sole discretion, may terminate this Agreement upon sixty (60) days written notice to the Company. The Company may not terminate this Agreement before the Expiration Date. Expiration or termination of this Agreement for consulting services shall have no impact on the Consultant's rights and obligations as a member of the Board of Directors of the Company.

6. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts.

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

James D. Grant

T CELL SCIENCES, INC.

By:_____
Una S. Ryan, Ph.D.
President and
Chief Executive Officer

*** Indicates portions subject to a request for confidential treatment and filed separately with the Commission.

SECOND AMENDED AND RESTATED PRODUCT DEVELOPMENT AND DISTRIBUTION AGREEMENT

This Second Amended and Restated Product Development and Distribution Agreement (the "Agreement") is made as of this 1st day of May, 1996,

by and between

ASTRA AB, formerly known as AB ASTRA, a corporation organized under the laws of Sweden, having its principal office at Vastra Malarehamnen 9, S-151 36 Sodertalje, Sweden ("ASTRA"),

and

T CELL SCIENCES INC., a corporation organized under the laws of the State of Delaware, U.S.A., having its principal place of business at 119 Fourth Avenue, Needham, MA 02194-0771 U.S.A. ("TCS").

R E C I T A L S:

This Agreement was originally made as of January 30, 1992, amended by Amendment No. 1 dated as of June 30, 1992, and amended and restated by the First Amended and Restated Product Development and Distribution Agreement dated as of December 10, 1993 ("First Amended and Restated Agreement"). The parties intend in this Agreement to further amend and restate the prior Agreement and to supersede the prior Agreement, as amended and restated, including the TCAR Division Amendment.

TCS possesses rights to developments and technology, patents, patent applications and know-how (including without limitation patents, patent applications and know-how relating to compounds described in Exhibit F hereto) and certain biological processes, all of which constitute TCAR Technology.

ASTRA and TCS have been and are working jointly and exclusively with one another, using their respective skilled personnel and facilities for the further development of TCAR Technology into Products suitable for commercial sale in the Field of Use.

The parties have been and are cooperating with each other and using their resources, expertise and capabilities to assist in the discovery and development of Agents and Products, and they have been and are using their regulatory, manufacturing and marketing expertise and capabilities in the pharmaceutical industry to develop, manufacture, market and distribute Products as described herein.

The parties now desire to restructure the collaboration by transferring with exception for certain retained rights all rights in TCAR Technology held by TCS to ASTRA and by ASTRA assuming responsibility for (a) maintaining and expanding TCAR Technology, (b) developing Agents and Products, and (c) otherwise employing its regulatory, manufacturing, marketing and sales expertise to develop, manufacture, market and sell Products, subject to the rights of and obligations to TCS and to the other conditions set forth herein.

Each party intends to perform its obligations under this Agreement in good faith, in a commercially reasonable, diligent and workmanlike manner.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

1 CERTAIN DEFINITIONS

Certain capitalized terms used herein are defined as follows:

"Affiliate" shall mean, with reference to a particular Person, (i) any Person owning or controlling, directly or indirectly, fifty-one percent (51%) or more of the voting capital shares or similar voting rights of such Person; and (ii) any Person fifty-one percent (51%) or more of the voting capital shares or similar voting rights of which is owned or controlled, directly or indirectly, by such Person. For the purpose of this Agreement the term ASTRA shall include Affiliates of ASTRA and the term TCS shall include Affiliates of TCS.

"Agent" shall mean a TCAR molecule or an antibody, particularly a monoclonal antibody reacting against a TCAR, as well as any fragment, derivative, conjugate, analogue, salt or salt complex of either of the foregoing and leading to inactivation, elimination or reduction of body levels of T cells carrying the TCAR, such as the proteins conceptually described in the various TCS Patents and University Patents.

"Effective Date" shall mean May 1, 1996.

"Exclusive" shall mean, when used in connection with a specific grant of a right hereunder, that the granting party shall have no further right to grant to Third Parties or Affiliates the same right, and itself retains no such rights in respect of same, and for the term of the grant, unless such rights are specifically retained by the grantor.

"Field of Use" shall mean the therapeutic or prophylactic use of Agents and Products for all indications of use. Field of Use shall not include diagnostic uses of Agents, Products or TCAR Technology.

"IND" shall mean an Investigational New Drug application, as defined by the United States Food and Drug Act, or its equivalent under the laws of any other country.

"Institutes Standby License" shall mean the Stand-by licenses referred to in Exhibit D.

"NDA" shall mean a New Drug application as defined by the United States Food and Drug Act, or the equivalent application for approval to market and/or sell Product under the laws of any other country.

"Net Sales" shall mean the gross amounts (i) invoiced by ASTRA for sales of Products to any Person unrelated to ASTRA, such as a wholesaler or hospital, and (ii) invoiced by ASTRA for royalty and lump-sum payments from licensing/sub-licensing rights under the TCS Patents and/or University Patents to any Person unrelated to ASTRA, all less the following:

- trade and/or quantity discounts actually allowed and taken
- returns and cash discounts
- retroactive price reductions
- sales and similar taxes
- freight handling, distribution costs separately billed

"Patent Period" shall mean on a country by country basis and with respect to each Product or Agent the expiration of the last to expire of any issued TCS Patent and University Patent in the market where the Product or Agent is intended to be administrated to a patient and where such patent contains a valid claim covering (i) Product or such Agent per se or (ii) a composition of matter containing a therapeutically effective amount of such Product or Agent or (iii) one or more genes or genetic material from which the Product or Agent is expressed or (iv) the therapeutic use of such Agent or Product, as opposed to

claims merely covering, e.g. production methods or pharmaceutical formulations.

"Person" shall mean any individual, estate, trust, partnership, joint venture, association, firm, corporation, company or other legal entity.

"Product" shall mean each and any form of an Agent or combinations of Agents or solely for purposes of Article 8 any other product covered by a valid claim in the TCS Patents or University Patents anywhere in the Territory for which material for non-exploratory, non-clinical or clinical documentary studies has been produced not later than December 31, 2005 and which before or thereafter has been approved by a regulatory authority of any country for commercial marketing and sale in that country (including price approval if necessary) for any indication in the Field of Use.

"Protected Agent" shall mean an Agent covered by a valid claim in the TCS Patents or University Patents anywhere in the Territory prior to or after the Effective Date.

"Service Agreement" shall mean the Agreement between the parties exhibited to this Agreement as Exhibit E.

"TCAR" shall mean a T cell antigen receptor, which is a heterodimeric protein molecule expressed by human T cells that is capable of recognition both of antigens and major histocompatility proteins. The gene encoding the T cell antigen receptor protein is encoded by DNA possessing at least three of the following four gene segments: Variable, Joining, Diversity and Constant (as such terms are defined in the Encyclopedia of Human Biology published by Academic Press U.S.A (copyright 1991)).

"TCAR Technology" shall mean TCS Patents, University Patents and any and all information, know-how, material or living material including without limitation biological, pharmacological, preclinical, clinical, chemical, biochemical, toxicological, formulation, manufacturing and production information and know-how (in the form of laboratory notebooks, reports or in any other form and whether or not patentable) developed, acquired or licensed to date by TCS and relevant to an Agent or Product, or relevant to the manipulation or other use, production or manufacture of either TCARs, Agents or Products. TCAR Technology shall include, but not be limited to, all items listed in Exhibits A, B, C, D and F.

"TCS Licenses" means the licenses referenced on Exhibit D hereto. It is specifically agreed that the T Cell Antigen Receptor Monoclonal Antibody License Agreement of February 6, 1990 between Dr. Arthur Boylston and T Cell

Sciences, Inc is not included in the TCS Licenses.

"TCS Patents" shall mean issued patents and patent applications listed in Exhibit A and future patents resulting from such applications as well as any and all divisions, continuations, continuations-in-part, extensions including Supplementary Protection Certificates and reissues of all such patents and patent applications.

"Term" shall have the meaning set forth in Paragraph 9.1 hereof.

"Territory" shall mean the entire world.

"Third Party" shall mean any Person other than the parties to this Agreement and their Affiliates.

"University Patents" shall mean issued patents and patent applications listed in Exhibit B and future patents resulting from such applications as well as any and all divisions, continuations, continuations-in-part, extensions including Supplementary Protection Certificates and reissues of all such patents and patent applications.

2 SCOPE OF THE AGREEMENT

2.1 Product Development Within the Field of Use

ASTRA and TCS desire that ASTRA uses the technology, information and know-how (a) developed by the parties' cooperative effort, skilled personnel and facilities as of and prior to the Effective Date, or (b) contributed by the parties to the collaboration, including, but not limited to, the TCAR Technology, for the further development of Agents and Products suitable for commercial sale in the Field of Use, including, but not limited to:

(a) conducting research and development to identify and select Agents; and

(b) developing such selected Agents into Products; and

(c) developing Agents and Products for different indications for use; and

(d) selecting indications for use of Agents and Products consistent with market potential; and
(e) manufacturing, marketing and selling such Products.

3 TRANSFER OF RIGHTS

3.1 Assignment of Rights - TCAR Technology

TCS hereby transfers and assigns to ASTRA all of TCS' right, title and interest in and to the TCAR Technology subject to Sections 3.5 and 3.6 herein. TCS further agrees to execute and deliver without delay at its own cost unless herein explicitly otherwise set forth all instruments and to perform all acts necessary to carry this transfer and assignment into full effect.

3.2 Delivery of Data and Materials included in TCAR Technology

As expeditiously as possible, and in no event later than May 31, 1997, TCS shall deliver to ASTRA the complete existing materials, documents, reports, SOPs and reports of QA/QC prepared for the TCAR Project, information and data (whether in written, electronic or digital form) encompassing, describing or otherwise relating to TCAR Technology, including but not limited to items in Exhibit C. Items in Exhibit C that can not be found before May 31, 1997, shall be transferred to ASTRA free of charge excluding shipping costs if found at a later date. TCS may retain reserve samples of items in Exhibit C for use according to the Agreement. If TCS provides copies of any such materials, documents, information and data, TCS shall maintain the originals as well as the retained samples of items in Exhibit C free of charge excluding shipping costs to ASTRA in secure and proper storage, available to ASTRA under the Service Agreement as from time to time reasonably requested by ASTRA. If TCS decides not to maintain the original documents, information and data or the retained samples TCS shall offer to transfer them to ASTRA free of charge excluding shipping costs. TCS shall provide ASTRA as part of the transfer of TCAR Technology as defined in the First Amended and Restated Agreement originals or verified and accurate copies of laboratory notebooks containing information from all work carried out by TCS and copies of all reports of work carried out for TCS by contract laboratories or any other Third Party relating to such TCAR Technology. TCS shall have no obligation to complete or repeat any experiments or perform any new studies.

Delivery of materials, data, documents and information under this section 3.2 shall be on a date mutually agreed upon by the parties. Such materials shall be provided to ASTRA or its designate representatives free of charge excluding shipping costs. TCS shall be responsible for packaging, storing and handling these materials under adequate and appropriate conditions prior to delivery. ASTRA shall be responsible for all shipping costs and risk of loss shall pass to ASTRA upon delivery to ASTRA or its designated carrier F.O.B. TCS's place of business located at 119 Fourth Avenue, Needham, Massachusetts, 02194, U.S.A.

3.3 Summary Reports

With regard to existing scientific data, results, records and relevant histories of studies TCS shall, to the extent not already done, prepare and deliver to ASTRA as expeditiously as possible, and in no event later than May 31, 1997, summary reports of the studies, experiments or activities which have generated information regarding the items listed in Attachment 1 to Exhibit C. The summary reports will only include information that currently exists and shall be sufficiently extensive in TCS's judgement to describe the rationale for these studies, the main results and conclusions, and references to where the raw data and other pertinent information can be found.

3.4 Reports prepared by ASTRA

If required, TCS will review ASTRA prepared reports, and will have them, or assist ASTRA in having them, signed by the appropriate personnel at TCS if the report is a proper and accurate representation of work completed by TCS personnel. The costs for this will be reimbursed by ASTRA in accordance with the Service Agreement.

3.5 TCS Licenses

a) TCS hereby grants to ASTRA an Exclusive license under the TCAR Technology and TCS Patents and University Patents subject to the provisions of any license granted to TCS with respect to any applicable University Patent to research and develop, make, have made, use, sell and have sold products in all fields, subject to Section 3.6.

b) TCS shall at its own cost cooperate with and assist ASTRA in (i) assigning the TCS Licenses to ASTRA or (ii) instituting the Institutes Standby Licenses or (iii) granting ASTRA a sub-license, all as

requested by ASTRA in its sole discretion. If any Person who has granted a TCS License does not agree and consent to the assignment of the applicable TCS License to ASTRA, then TCS shall cooperate with and assist ASTRA in obtaining a direct license corresponding to the TCS License granted to TCS in the Field of Use. Upon the effective date of each Institutes Standby License or direct license secured by ASTRA, TCS' rights under the parallel TCS License shall cease and terminate except to the extent required for TCS to exercise its retained rights according to Article 3.6. Pending the assignment of the TCS Licenses, the Standby Licenses being instituted or ASTRA securing direct licenses, (i) TCS agrees not to terminate or surrender any TCS Licenses without ASTRA's prior consent, and (ii) to the extent permitted under each TCS License, TCS hereby grants to ASTRA an Exclusive sublicense under each of the TCS Licenses to research and develop, make, have made, use, sell and have sold Agents and Products in the Field of Use in the Territory.

Regardless of the above, ASTRA may at its sole discretion and at any time terminate any TCS License for any or all parts of the Territory, subject to any provisions in any TCS License granted to ASTRA or TCS.

3.6 Retained Rights

ASTRA hereby grants to TCS for the Term of this Agreement a royalty-free license, with a right to sublicense, in the TCAR Technology (to the extent permitted due to limitations in Third Party licenses granted to ASTRA) to make, have made, use, sell and have sold products in the field of diagnostic use. The license shall be Exclusive, save that ASTRA and its sublicensees shall always have non-exclusive royalty-free rights to use TCAR Technology to make, have made and use products for diagnostic purposes in connection with research and development of Agents and Products in the Field of Use. ASTRA further hereby grants to TCS a non-exclusive royalty-free license to make, have made and use TCAR Technology for the research and development of non-TCAR technologies, agents and products.

3.7 Non-Compete

TCS agrees that it prior to December 31, 2005, will not compete with ASTRA in the development of TCAR Technology in the Field of Use or in the development of Products and Agents, including that TCS shall not prior to December 31, 2005, conduct any research, development,

manufacture, use or sales within the Field of Use of TCAR Technology or of any TCAR molecule, including a TCAR gene or a TCAR nucleic acid or an antibody, particularly a monoclonal antibody reacting against a TCAR, or any fragment, derivative, conjugate, analogue, salt or salt complex of either of the foregoing.

4 DEVELOPMENT IN GENERAL

4.1 General Standards

During the Term hereof and subject to the terms of the Service Agreement attached as Exhibit E, TCS shall cooperate with ASTRA in good faith, particularly with respect to unknowns or contingencies, in order to achieve the objectives of this Agreement.

The Service Agreement will continue to be valid after the Effective Date for ten years from the Effective Date.

4.2 ASTRA's Efforts

ASTRA shall use reasonable diligence in employing its skilled personnel and facilities for the further development of TCAR Technology into at least one Product suitable for commercial sale in the Field of Use and to use reasonable diligence in exploiting the TCS Patent and University Patents. Upon developing a Product or Products, ASTRA shall use reasonable diligence to commercialize and market such Product or Products, subject to ASTRA's reasonable judgment and discretion in determining appropriate marketing plans, budgets and strategies. ASTRA's obligations under this provision are subject to ASTRA's right, in its sole discretion, to terminate development of any Agent or commercialization and marketing of any Product, if ASTRA determines that a commercially exploitable Product may not be developed or marketed, as the case may be, at reasonable cost and rate of return in light of market potential and market conditions.

4.3 Annual Reports

Until December 31, 2005, ASTRA agrees to provide TCS within sixty (60) days of the close of each calendar year with a summary report of the status of the development of Agents and Products, regulatory approval of all Agents and Products.

5 INTELLECTUAL PROPERTY RIGHTS

5.1 Ownership of Intellectual Property Rights

As of the Effective Date, all rights to TCS TCAR Technology shall be the sole and exclusive property of ASTRA except those rights explicitly otherwise retained as set forth herein. Other technology which is proprietary to TCS and was used to enable the TCAR Technology shall remain TCS property and shall only be used by ASTRA for TM27 and TP12.

5.2 Filing, Prosecuting and Maintaining Patents

5.2.1 Subject to the provisions of the direct license or Stand-by License to ASTRA for the University patents, ASTRA shall, from and after the Effective Date, at its sole cost, prosecute, maintain and enforce all TCS Patents and University Patents listed in Exhibits A and B; provided, ---------- however, that ASTRA shall not be responsible for reimbursing TCS for prorated costs incurred or paid by TCS prior to the Effective Date in connection with prosecuting, maintaining or enforcing the TCS Patents and University Patents.

Regardless of the above, ASTRA may at its sole discretion and at any time abandon any TCS patent or University Patent in any or all parts of the Territory, provided however, that ASTRA shall notify TCS at least sixty (60) days prior to such abandonment, and ASTRA shall, in such notice, offer TCS the right to acquire, without charge, any such TCS Patent or University Patent, subject to the provisions of any license granted to ASTRA with respect to any applicable University Patent.

5.2.2 TCS shall not oppose ASTRA prosecuting present and future patents relating to TCAR and TCAR technology using patent agents used by TCS in the prosecution of the TCS Patents and the University Patents.

5.3 Enforcement of Patents

5.3.1 The parties shall promptly advise each other upon becoming aware of:

a) any activities which such party believes may be an infringement of any TCS Patent, University Patent or other proprietary right transferred under this Agreement related to the production, use or

sale of Agents or Products (collectively, "Proprietary Rights");

b) any attack on or appeal of the grant of any TCS Patent or University Patent included in the Proprietary Rights;

c) any application made for letters patent by, or the grant of a patent to, a Third Party in respect of rights which may claim the same subject matter as or conflict with a TCS Patent or University Patent included in the Proprietary Rights;

d) any application made for a compulsory license under any TCS Patent or University Patent included in the Proprietary Rights.

5.3.2 ASTRA shall have the initial right to take or cause to be taken whatever legal or other action is required to defend, maintain or enforce the TCS Patents and University Patents, to revoke or obtain a declaration of non- infringement under Third Party rights or to resist a compulsory license (the "Protective Action"). If ASTRA engages in such Protective Action, TCS shall cooperate fully with ASTRA in such action at ASTRA's expense. TCS may be represented by separate counsel of its own selection at its own expense in such Protective Action, but ASTRA shall have the right to control such action.

5.3.3 If ASTRA fails to take any such Protective Action within three months of receipt from TCS of such notice, then (subject to the rights of Third Parties), TCS may, upon notice to ASTRA, institute its own Protective Action. In such event, TCS may bring such action in its name and/or that of ASTRA.

5.3.4 All expenses incurred by either party in connection with any Protective Action shall be borne by such party. Any recovery actually received (or, where the rights which are the subject of the Protective Action have demonstrated utility outside the scope of this Agreement, that portion of the recovery actually received which is attributable to the practice of rights within the scope of this Agreement) as a result of such Protective Action, whether by judgement, award, decree or settlement, shall be applied:

a) first to repay to each party all of its expenses, fees and costs (including without limitation all expenses, fees and costs of expert witnesses, attorneys or other experts, court costs, internal and external travel and living expenses for all necessary parties, collectively the "Costs") incurred in connection with the Protective Action; and

b) second to compensate the party which initiates or defends the Protective Action, an amount equal to twice its Costs.

c) The balance of the recovery, if any, shall be deemed to reflect ASTRA's Net Sales in the countries wherein the Protective Action was successful. There shall be deducted and paid to TCS from such balance an amount determined by multiplying the portion of such balance allocable to each country covered by the Protective Action by the applicable Royalty Percentage as described in Section 8 payable to TCS in such country. The remainder of the recovery, after such payments have been made to TCS, shall be paid to ASTRA.

5.4 Confidentiality

5.4.1 Non-Disclosure Agreement

Each party recognizes that the TCAR Technology and other information received by it from the other party in the course of the collaboration constitute highly valuable, proprietary, confidential information (collectively the "Secret Information"). Each party agrees that during the Term and for five (5) years thereafter it will keep confidential, and will cause its Affiliates, officers, employees, consultants and agents to keep confidential, all Secret Information received from the other party and disclose it only to those with a need to know. Neither party shall disclose, or permit any of its Affiliates, officers, employees, consultants and agents to disclose, Secret Information received from the other party to any other Person, nor use the same for any purpose, except as expressly permitted in this Agreement or in a separate written agreement with the other party regarding such disclosure or except as reasonably required for ASTRA research, development, registration, supply and commercialization of an Agent or Product in accordance herewith and except that TCS shall have the right to disclose such Secret Information to its licensee in the diagnostic field to conduct research and to make, use and sell products for diagnostic purposes subject to an undertaking of confidentiality by such licensee in accordance with the undertakings by TCS in this Agreement.

5.4.2 Information in Public Domain

The restrictions contained in this Article 5.4 shall not apply to any Secret Information that (i) is, at the time of its disclosure to the receiving party, generally available to the public or otherwise part of the public domain, or as evidenced by written records of such party, is otherwise previously known to the receiving party, (ii) becomes generally available to the public or otherwise part of the public domain after its disclosure to the receiving party, through no act or omission of the receiving party or any other person owing an obligation of confidentiality to the receiving party hereto, or (iii) is required to be disclosed by any court or governmental agency having proper jurisdiction, provided that the other party is given prior notice of such disclosure to the extent reasonably practicable.

5.5 TCS non-disclosure of TCAR Technology

As of the Effective Date, TCS shall not disclose nor permit any of its Affiliates, officers, employees, consultants or agents to disclose to any Third Party any TCAR Technology, except that TCS shall have the right to disclose TCAR Technology to its licensee(s) in the diagnostic field to conduct research and to make, use and sell products for diagnostic purposes provided however, that such licensee(s) are subject to an agreement not to use TCAR Technology for purposes other than use in the diagnostic field and are subject to an agreement not to disclose TCAR Technology to any Third Party during the Term..

6 FUNDING

As of the Effective Date, ASTRA shall have sole responsibility for all costs and expenses of any development program with respect to Agents or Products. TCS shall have no further financial responsibility with respect to such development programs, manufacturing, or marketing of Products, except as otherwise explicitly set forth in this Agreement and ASTRA shall have no obligation to reimburse TCS for any costs incurred on or before the Effective Date, nor shall ASTRA have an obligation to reimburse TCS for any costs on or after the Effective Date except as provided in the Service Agreement.

6.1 Costs For Acquiring Rights Under Third Party Patents

As of the Effective Date, ASTRA shall be responsible for and bear all

costs to Third Parties for acquiring necessary rights under Third Party patents including royalty and other payments for the licenses listed in Exhibit D hereto, provided however that ASTRA shall not be responsible for reimbursing TCS for prorated costs incurred or paid by TCS prior to the Effective Date.

6.2 Non-Defined Costs

All costs incurred by either party not otherwise allocated in this Agreement or defined or provided for herein, or by separate agreement between the parties, shall be borne solely by the party incurring such cost.

6.3 Payment Schedule

Other than royalties, as provided in Section 8 and payments, if any, under the Service Agreement, ASTRA shall be responsible to pay TCS a total of four million ($4.000.000) USD to be paid in installments upon the occurrence of the following events relating to Agents and Products developed by or on behalf of ASTRA and in the following amounts:

	Event	Amount
6.3.1	Within five business days after the Execution of this Second Amended and Restated Product Development and Distribution Agreement	***
6.3.2	a) Within thirty days after TCS has (i) signed and delivered to ASTRA all documents appropriate for the change of registered ownership of the TCS Patents to ASTRA and (ii) delivered to ASTRA all materials, documents, information and data as provided in Paragraphs 3.2 and 3.3 and (iii) January 1, 1997, whichever is later.	***
	b) Within thirty days within the milestone completion in 6.3.2.(a) provided ASTRA is satisfied of such completion.	***
6.3.3	Within thirty days after (i) approval of	***

the first IND in any country for the first Protected Agent or (ii) within thirty days after injection of the first patient with clinical grade material of the first Protected Agent, whichever occurs first.

6.3.4 Within thirty days after (i) approval of the first IND in any country for the second Protected Agent (i.e a Protected Agent other than the first Protected Agent) or (ii) within thirty days after injection of the first patient with clinical grade material of the second Protected Agent, whichever occurs first. ***

6.3.5 Within thirty days after submission of the first NDA in any country for the first Protected Agent. ***

6.3.6 Within thirty days after submission of the first NDA in any country for the second Protected Agent (i.e a Protected Agent other than the first Protected Agent). ***

6.3.7 Within thirty days after approval of the first NDA in any country of the world for the first Product ***

6.3.8 Within thirty days after approval of the first NDA in any country of the world for the second Product (i.e a Product containing a Protected Agent other than the Protected Agent included in the first Product) ***

7 REGULATORY APPROVAL AND COMMERCIALIZATION OF PRODUCTS

7.1 Regulatory Approval of Products

7.1.1 ASTRA shall, at its sole cost, proceed reasonably diligently and in a commercially reasonable manner to compile, analyze and file in its own name (or its subdistributor's name) all applications for regulatory

approval (including all reports and submissions under any applicable PLA), consistent with any Product's market potential, as determined in ASTRA's sole discretion, ASTRA shall have complete control of the management and direction of clinical trials conducted by it necessary to obtain all regulatory approvals, including selection of clinical investigators, sites for trials and the monitoring of such clinical investigations.

7.2 Marketing and Distribution

7.2.1 Subject to special provisions in this Section 7, ASTRA shall proceed reasonably diligently in a commercially reasonable manner upon issuance of all necessary regulatory approvals to market Products consistent with each Product's market potential in such markets as ASTRA deems appropriate.

7.2.2 ASTRA shall have Exclusive right to use, sell and market all Agents and Products for all indications in the Territory within the Field of Use.

7.2.3 In countries where ASTRA has Affiliates for marketing of pharmaceutical products, ASTRA shall market the Agents and Products solely through such Affiliates. In other countries, ASTRA shall market the Products through customary marketing channels.

7.2.4 The obligation on ASTRA under Paragraphs 7.2.1 and 7.2.3 will not be applicable on sales of Agents and Products containing Agents invented by Third Parties.

8 SCHEDULE OF ROYALTY PAYMENTS

8.1 Royalties during the Patent Period

With respect to sales of Product during the Patent Period ASTRA shall pay TCS a royalty on Net Sales of each Product (on a country by country and Product by Product basis), based on the following percentages:

Market	Royalty Percentage
United States and Canada	***
Japan	***
All other Countries	***

ASTRA shall be entitled to a credit against the royalty payments due to TCS in an amount equal to one-half the royalty payments paid under any Third Party license, including but not limited to the licenses listed on Exhibit D; provided, however, that in no event shall the royalty percentage due to TCS be reduced to less than 50% of the royalty percentage set forth above.

8.2 Royalties after the Patent Period

With respect to sales of Products after the Patent Period and for the remaining Term, ASTRA shall pay TCS a royalty (on a country by country and Product by Product basis) on Net Sales of each Product based on the following percentages:

Market	Royalty Percentage
United States and Canada	***
Japan	***
All other Countries	***

ASTRA shall be entitled to a credit against the royalty payments due to TCS in an amount equal to one-half the royalty payments paid under any Third Party license, including but not limited to the licenses listed on Exhibit D; provided, however, that in no event shall the royalty percentage due to TCS be reduced to less than 50% of the royalty percentage set forth above.

8.3 Combination Products

In the event that a product is sold in a combination dosage form (e.g., in a single vial) together with a pharmaceutical Product which is not a Product or in a package or kit comprising separate dosage forms (e.g., vials) containing other active products, such as one or more active products manufactured by ASTRA, the royalty shall be calculated by subtracting from the Net Sales of the Combination ASTRA's manufacturing cost of the other active products (including any royalty costs which under the relevant royalty agreement are based upon net sales by ASTRA of the Combination) and then multiplying the remainder by the royalty percentage of the Products set forth in paragraph 8.1 or 8.2, as applicable, and then multiplying the result by a factor determined as the ratio of (A/A+B), where A is the documented

development costs of the Product(s) and B is the documented allocable development costs of all other products included in the Combination.

8.4 If a pharmaceutical formulation contains several Products covered by one or more TCS Patents and/or University Patents or if a pharmaceutical formulation contains only one Product but is covered by several TCS Patents and/or University Patents, ASTRA shall pay royalty to TCS only as if such formulation contains one Product and is covered by one TCS Patent or one University Patent.

8.5 As from and including the calendar month of first sales of Product in any country of the Territory, ASTRA shall provide TCS with quarterly accounts containing the Net Sales of the Product in each country of the Territory within 45 days after the end of each calender quarter. At the same time, ASTRA shall pay to TCS the royalty as stipulated above. Payment shall be made in the currency of United States Dollars (USD) to a bank account designated by TCS.

8.6 If ASTRA sells the Product in any other currency than USD, then such payments shall for the purpose of calculating Net Sales be converted to USD using the rate of exchange prevailing at a first class foreign exchange bank in Sweden on the last working day in the calendar quarter in question.

8.7 ASTRA shall keep accurate records of its Net Sales of the Products. In order to permit verification of Net Sales of the Product under this Agreement, such records shall be open to inspection at any reasonable time within two (2) years after the royalty period to which such records relate, by an independent certified public accountant selected by and paid by TCS to whom ASTRA shall have no reasonable objection.

9 TERM, EXPIRATION AND TERMINATION

9.1 Term and expiration

This Agreement shall be for a term (the "Term") commencing on the "Effective Date" and expiring on December 31, 2027 unless sooner terminated in accordance with any provision of this Agreement.

Upon expiration of the Term, ASTRA's obligation to pay TCS the royalty on Net Sales of any Product shall expire and the license granted by TCS to ASTRA in Paragraph 3.5 shall be converted to a fully paid

up, perpetual, royalty-free, non-exclusive license.

9.2 ASTRA - Voluntary Termination

ASTRA may at any time, in ASTRA's sole discretion, upon written notice to TCS, terminate this Agreement, in which event ASTRA shall offer to transfer to TCS at its own costs the TCAR Technology and the TCS Licenses (subject to any approval necessary from any Third Party) and ASTRA shall not be obligated to make any payments under this Agreement not due and payable to TCS prior to the date of the written notice.

9.3 Breach of the Agreement

Paragraphs 12 and 17.2 of the First Amended and Restated Product Development and Distribution Agreement shall be applicable on any Event of Termination or non-performance as defined in that Agreement until the transfer of rights as provided in Paragraph 3 has been completed and the payment according to Section 6.3.2 has been made. After the transfer of rights as provided in Paragraph 3 in this Second Amended and Restated Product Development and Distribution Agreement has been completed, each party's remedy for any breach of any obligation or warranty under this Agreement shall be limited to money damages, to be determined in arbitration as provided in paragraph 13.2.

9.4 Existing Obligations

No termination of this Agreement shall affect any obligation of any party which arose prior to the effective date of such termination with respect to monies owed or as to Secret Information. The right of any party to terminate this Agreement, as hereinabove provided, shall not be affected in any way by its waiver of, or failure to, take action with respect to any previous Event of Termination.

10 REPRESENTATIONS AND WARRANTIES

10.1 General Representations

Each party hereby represents and warrants for itself as follows:

10.1.1 Duly Organized

It is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, is qualified to do business and is in good standing as a foreign corporation in each jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification and has all requisite power and authority, corporate or otherwise, to conduct its business as now being conducted, to own, lease and operate its properties and to execute, deliver and perform this Agreement.

10.1.2 Due Execution

The execution, delivery and performance by it of this Agreement have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of its stockholders, (ii) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it or any provision of its charter or by-laws or (iii) result in a breach of or constitute a default under any material agreement, mortgage, lease, license, permit or other instrument or obligation to which it is a party or by which it or its properties may be bound or affected.

10.1.3 No Government Approval

No authorization, consent, approval, license, exemption of, or filing or registration with, any court or governmental authority or regulatory body is required for the due execution, delivery or performance by it of this Agreement, except as provided herein.

10.1.4 Binding Agreement

This Agreement is a legal, valid and binding obligation of such party, enforceable against it in accordance with its terms and conditions. It is not under any obligation to any Person, contractual or otherwise, that is conflicting or inconsistent in any respect with the terms of this Agreement or that would impede the diligent and complete fulfilment of its obligations hereunder.

10.1.5 Governmental Status

It is not debarred or suspended from receiving contracts from the U.S. or Swedish government or other governmental authority or agency.

10.1.6 Full Disclosure

Each party has disclosed to the other in good faith any and all material information relevant to the subject matter of this Agreement and to such party's ability to observe and perform its obligations hereunder.

10.2 TCS warrants that the T Cell Antigen Receptor Monoclonal Antibody License Agreement of February 6, 1990 between Dr. Arthur Boylston and T Cell Sciences, Inc does not cover ATM-027/TM27 and that therefore Boylston will not be entitled to any royalty on Net Sales of Product containing this Agent.

11 EXPORT CONTROL

11.1 Technical Data and Commodities

The parties hereby agree that any "Technical Data" (as that term is defined in section 779.1 of the U.S. Export Administration Regulations) exported from the United States pursuant to this Agreement and any other related agreements, and any direct product thereof, shall not be shipped, either directly or indirectly, to the People's Republic of China or Afghanistan or any Group Q, S, W, Y or Z countries (as specified in Supplement No. 1 to part 770 of the Export Administration Regulations), unless (i) separate specific authorization to re-export such Technical Data or such direct products is provided by the U.S. Office of Export Administration or (ii) such specific authorization is not required pursuant to Section 779.8 of the U.S. Export Administration Regulations. The parties further agree that the export and re-export of commodities pursuant to this Agreement and any other related agreements shall be subject to the licensing requirements of the U.S.
Export Regulations.

11.2 Laws of Other Countries

In the event that a specific authorization of, or a validated license from, a government other than that of the exporting party is required, the party within the jurisdiction of such other government shall, upon the request of the party proposing to make the export, use reasonable efforts to obtain as expeditiously as practicable, the requisite authorization or license.

12 INDEMNIFICATION

12.1 Indemnification

For purposes of this Section 12 "Indemnified Parties" refers to TCS, its Affiliates and the officers, directors, employees, agents and grantors under Third Party licenses of TCS and its Affiliates when ASTRA is the indemnitor, and "Indemnified Parties" refers to ASTRA its Affiliates and the officers, directors, employees, agents and grantors under Third Party licenses of ASTRA and its Affiliates when TCS is the indemnitor.

12.1.1 TCS, as indemnitor on behalf of itself and its officers, directors, employees, agents and representatives (including all contractors for which TCS is responsible undertaking work in any Program) shall indemnify and hold harmless the ASTRA Indemnified Parties and each of them from any and all liability arising out of any suit, action, legal proceeding, claim or demand of whatever kind or character based upon

(a) a claim or occurrence arising from any acts, whether of omission or commission, by said officers, directors, employees, agents or representatives prior to the Effective Date; or

(b) any breach of any representation, warranty or agreement made by TCS hereunder; or

(c) the failure by TCS in performing its obligations under this Agreement.

12.1.2 ASTRA, as indemnitor on behalf of itself and its officers, directors, employees, agents and representatives (including all contractors for which ASTRA is responsible undertaking work in any Program) shall indemnify and hold harmless the TCS Indemnified Parties and each of them from any and all liability arising out of any suit, action, legal proceeding, claim or demand of whatever kind or character based upon

(a) a claim or occurrence arising from any acts, whether of omission or commission, by said officers, directors, employees, agents or representatives in connection with the obligations undertaken by ASTRA or in connection with the manufacture, use or sale of any Agent or Product prior to or after the Effective Date by ASTRA; or

(b) any breach of any representation, warranty or agreement made by

ASTRA hereunder; or

(C) the failure by ASTRA in performing its obligations under this Agreement.

12.1.3 Anything to the contrary in this Paragraph 12 notwithstanding, neither party shall be obligated to indemnify an Indemnified Party for such Indemnified Party's own acts of negligence or wilful misconduct or for any violation of any warranty, representation or agreement made by such Indemnified Party hereunder.

12.2 Scope of Indemnification

12.2.1 The agreement to indemnify and hold harmless from liability set forth herein shall include, without limitation, all damages of every kind, reasonable attorney fees, all costs and expenses which may be levied against and out of pocket costs incurred by the Indemnified Parties in connection with any suit, action, legal proceeding, claim or demand.

12.2.2 Each party acknowledges and hereby agrees that the obligations set forth in this Paragraph 12 shall survive the termination or expiration of this Agreement until the expiration of any applicable statute of limitations.

12.2.3 The Indemnified Parties will cooperate with the indemnitor at the indemnitor's expense in the defence of any suit. Neither party shall be liable for any costs resulting from any settlement made without its consent.

13 MISCELLANEOUS

13.1 Notices

All notices or other written communications hereunder shall be given in English and sent via certified mail, return receipt requested, or commercial courier or shall be given by facsimile transmission, confirmed by letter sent as provided above, or by personal delivery, addressed as follows, or to such other address as may be designated from time to time by notice given in the manner provided in this Paragraph 13.1.

If to ASTRA:
To ASTRA at its address as set forth at the beginning of this Agreement
Attention: Legal Affairs
Fax No,: 011-46-8-553-28812
If to TCS:
To TCS at its address as set forth at the beginning of this Agreement
Attention: President
Fax No.: 01-01-617-433-0262

Notices given personally shall be deemed delivered as of the date delivered. All other notices shall be deemed delivered as of the date of receipt for the notice by a messenger service, or on the date of the first attempted delivery of the mailed notice, as shown on the postal service return receipt, or by facsimile transmission which produces a dated message of completed confirmation. Notwithstanding any other provision of this Paragraph 13 to the contrary, any notice shall be effective from and after the date actually received by an addressee, however addressed or delivered.

13.2 Governing Law; Arbitration

This Agreement is made and delivered in Boston, Massachusetts, USA and shall 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 the Commonwealth of Massachusetts. In the event of any dispute under this Agreement, whether as to validity, construction, enforceability or performance of this Agreement or any of its provisions or otherwise, both parties shall endeavour to settle such dispute amicably between themselves. In the event that the parties fail to agree, such dispute shall be settled by arbitration as follows. Either party may by notice in writing to the other require any issue in dispute to be submitted to arbitration in accordance with this Paragraph 13.2. Such notice shall contain a statement of the arbitrable issue forming the basis of the dispute and the position of the moving party as to the proper resolution of that issue. Within 30 days after receipt of such notice, the responding party shall submit to the moving party a statement of its conception of the arbitrable issue in question and of its position as to the proper resolution of that issue. Within 45 days of the responding party's response, each party shall appoint an arbitrator and give the other party written notice thereof. In the event a party shall fail to appoint an arbitrator and provide written notice thereof to the other party within such 45 day period, an arbitrator shall be appointed for such party by the American Arbitration

Association as promptly as practicable after request by the other party. Thereafter, the two appointed arbitrators shall select a third arbitrator within 30 days after receipt of a list of arbitrators proposed by the American Arbitration Association. If the two arbitrators designated by the parties are unable to agree on the third arbitrator within 30 days, then either party with notice to the other party, may call for such appointment by the American Arbitration Association of the third arbitrator. Each arbitrator shall agree prior to his or her appointment to hear the dispute promptly and render a decision as soon as practicable thereafter. Said arbitration shall be conducted in English in Boston, Massachusetts, in accordance with the commercial arbitration rules or successor rules then obtaining of the American Arbitration Association to the extent not inconsistent with this Paragraph 13.2. The agreement of 2 of the 3 arbitrators shall be sufficient to render a decision. The decision of the panel shall be final and binding upon the parties and enforcement thereof may be obtained in any court of competent jurisdiction. The unsuccessful party to such arbitration shall pay to the successful party all costs and expenses, including reasonable attorney's fees incurred therein by such successful party.

13.3 Binding Effect

This Agreement, and the rights and duties of the parties herein contained, shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective legal representatives, successors and permitted assigns.

13.4 Entire Agreement

This Agreement sets forth the entire agreement and understanding of the parties with respect to the matters covered herein and as of the Effective Date supersedes all prior agreements, arrangements and understandings between them with respect to said matters, including the First Amended and Restated Product Development and Distribution Agreement dated as of December 10, 1993 and the TCAR Division Amendment and all rights and obligations of either party therein.

13.5 Counterparts

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.6 Headings

Headings are inserted herein for convenience of reference only and do not form a part of this Agreement, and shall be given no effect or meaning in the construction or interpretation of this Agreement.

13.7 Amendment; Waiver

This Agreement may be amended, modified, superseded or cancelled, and any of the terms hereof may be waived, only by a written instrument executed by each party hereto or, in the case of waiver, by the party or parties waiving compliance. The delay or failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the rights of such party at a later time to require any performance. No waiver by any party of any condition or of the breach of any term contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such breach or the breach of any other term of this Agreement.

13.8 No Third Party Beneficiaries

Except as otherwise specifically set forth in Paragraph 12 (Indemnification) hereof, no Person not a party to this Agreement, including any employee of any party to this Agreement, shall have or acquire any rights by reason of this Agreement, nor shall any party hereto have any obligations or liabilities to such other Person by reason of this Agreement. Nothing contained in this Agreement shall be deemed to constitute the parties partners with each other or any Person.

13.9 No Joint Venture

The relationship of the parties hereto is that of independent contractors. Nothing in this Agreement shall be construed to constitute, create, give effect or otherwise imply a joint venture, agency, partnership or other formal business organization or any employer/employee relationship of any kind between the parties.

13.10 Force Majeure

If either party shall be delayed, interrupted in or prevented from the performance of any obligation hereunder (other than the payment of money due) by reason of the occurrence of an event beyond the control

of such party including fire, flood, other nature disasters, war (declared or undeclared), public disaster, strike or labour differences, governmental enactment, rule or regulation, or any other cause beyond such party's control, such party shall not be liable to the other therefor; and the time for performance of such obligation shall be extended for a period equal to the duration of the contingency which occasioned the delay, interruption or prevention. The party invoking such Force Majeure rights of this Paragraph 13.10 must notify the other party within a period of fifteen (15) days following the first and the last day of the Force Majeure unless the Force Majeure renders such notification impossible, in which case notification will be made as soon as possible.

13.11 English Language

This Agreement has been executed in the English language, the official language of the Agreement shall be English, and any interpretation or construction of this Agreement shall be based solely on the English language official text. All notices, documents and information to be delivered in connection with or pursuant to the Agreement shall be in English.

13.12 Publicity

The parties will agree with each other in advance of the public release of information with respect to the transactions contemplated herein, except that either party may release information to the public regarding such transactions to allow such party to meet its legal obligations.

13.13 Exhibits

All exhibits attached hereto are made a part of this Agreement and the terms thereof are incorporated into this Agreement by reference.

13.14 Drafts

This Agreement shall not be binding or effective until properly executed and delivered by both TCS and ASTRA.

13.15 Interest

Interest shall accrue on any delinquent amounts owed by ASTRA hereunder at ten percent (10%) per annum.

13.16 No Assignment

This Agreement shall not be assignable without the prior written approval of the other party except that (i) either TCS or ASTRA may assign this Agreement to an Affiliate and (ii) TCS may assign this Agreement to an assignee of all of its good will, business and assets; provided however, that in case of any assignment permitted by this Paragraph 13.16 and notwithstanding any such assignment, the assigning party shall remain fully liable for all of its obligations under this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be amended and restated by their duly authorized representatives as of the 1st day of May, 1996.

ASTRA AB
(publ)
By:

Hakan Mogren, President and
Chief Executive Officer
hereunto duly authorized

T CELL SCIENCES, INC.

By:

Una S Ryan, President and
Chief Executive Officer
hereunto duly authorized

Exhibit 23.0

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8, as amended, (Nos. 33-43840, 33-54372, 33-80036 and 33-80048) and on Form S-3 (Nos. 33-72172, 33-69950, 33-64021 and 333-08607) of T Cell Sciences, Inc. of our report dated February 18, 1997 appearing in this Form 10-K.

Price Waterhouse LLP
Boston, Massachusetts
March 26, 1997

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This schedule contains summary financial information extracted from the condensed financial statements of T Cell Sciences, Inc. for the Year ended December 31, 1996 and is qualified in its entirety by reference to such financial statements.

U.S. DOLLARS

12-MOS	
DEC-31-1996	
JAN-01-1996	
DEC-31-1996	
1	
12,591,770	
0	
19,541	
0	
23,947	
13,277,381	
3,026,009	
(2,514,369)	
17,223,685	
1,604,458	
0	
0	
0	
24,966	
15,594,261	
15,619,227	
591,246	
1,114,500	
358,644	
12,867,762	
(282,980)	
0	
(680,198)	
(10,790,084)	
0	
(10,790,084)	
0	
0	
0	
(10,790,084)	
(0.50)	
(0.50)	