FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

ONCOGENE SCIENCE INC

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FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(MARK ONE)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996 OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 0-15190

ONCOGENE SCIENCE, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	13-3159796
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
106 CHARLES LINDBERGH BOULEVARD, UNIONDALE, NEW YORK	11553
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (516) 222-0023

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
NONE	NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK, PAR VALUE $.01 PER SHARE
(TITLE OF CLASS)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _____

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

As of November 29, 1996, the aggregate market value of the Registrant's voting stock held by non-affiliates was $119,271,763. For purposes of this calculation, shares of Common Stock held by directors, officers and stockholders whose ownership exceeds five percent of the Common Stock outstanding at November 29, 1996 were excluded. 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 direction of the management or policies of the Registrant, or that such person is controlled by or under common control with the Registrant.

As of November 29, 1996 there were 22,179,994 shares of the Registrant's $.01 par value common stock outstanding.

PART I

ITEM 1. BUSINESS

Oncogene Science, Inc., a leader in the innovation of drug discovery technologies, combines core technologies in genetically engineered live-cell assays, proprietary small molecule libraries, and discovery chemistry with high throughput robotic screening to discover novel, small molecule pharmaceuticals. Independently and in collaboration with Pfizer Inc. ("Pfizer"), Hoechst Marion Roussel, Inc. ("HMRI"), Wyeth-Ayerst Laboratories Division of American Home Products Corporation ("Wyeth"), BioChem Pharma (International) Inc. ("BioChem Pharma") and Ciba-Geigy, Ltd. ("Ciba"), the Company is engaged in the discovery and development of drugs for 28 target proteins in a wide range of disease areas, including cancer, systemic and topical viral, bacterial, fungal diseases, diabetes, atherosclerosis, arthritis, neurological disorders and chronic anemias. These core capabilities and discovery and development programs have positioned the Company as a leading fully integrated drug discovery company. In April 1996, the Company completed a public offering of 3,118,750 shares of common stock at a price of $9.125 per share. Concurrent with the public offering, the Company sold an additional 500,000 shares at the same price to BioChem Pharma. The net proceeds from these transactions of approximately $30.5 million are being used for research and development expenses, including enhancement of the Company's drug discovery technologies, and for general corporate purposes.

BACKGROUND

Since the early 1980s, major advances in molecular biology have increased the scientific understanding of the complex regulatory and functional mechanisms that operate within the cell. Among these advances is the ability to isolate and manipulate the key genetic molecules DNA and RNA. Genes are composed of segments of DNA, which are located within the cell nucleus. Each gene contains the chemical information required for the production of a single protein. Generally, several thousand of the 100,000 genes contained in a human cell are actively involved in the production of specific proteins.

Proteins are molecules that either regulate or perform most of the physiological and structural functions of the body. Abnormalities in the cellular production or activity of proteins are the causes of many diseases. Most drugs work by binding to specific proteins to change their activity resulting in a therapeutic effect on the disease state.

Gene transcription is a key step in the production of proteins by the cell. Gene transcription occurs when a segment of DNA containing the coding sequence for an individual protein is copied into an intermediate template called messenger-RNA ("mRNA"). The DNA within a gene is divided into at least two types of sequences. Certain types of sequences encode the structural information for mRNA while other sequences, called response elements, regulate the production of mRNA. A subset of intra-cellular proteins, known as transcription factors, interact with response elements to regulate the production of mRNA and, therefore, the production of the corresponding protein. The conversion of mRNA into its corresponding protein takes place in a process called translation.

Changes in gene transcription occur in response to a wide variety of signals. Complex interactions between transcription factors and response elements control the rate with which gene transcription is carried out in response to these signals. The process by which the information contained in these signals is transmitted into the nucleus is called signal transduction. Activation of gene transcription increases the production of a protein while inhibition of gene transcription decreases production of a protein. Drug discovery at Oncogene Science is primarily focused on novel therapeutics which target changes in either gene transcription or signal transduction, in addition to other efforts focused on inhibiting key enzymes in live cells.

TRADITIONAL DRUG DISCOVERY

The traditional discovery method for small molecule pharmaceuticals involves the random testing of thousands of compounds in drug screens. These in vitro tests or assays typically employ single proteins, such as receptors, as targets for discovery of drug candidates. For each drug screen, the target protein is selected

because the scientist believes a compound that binds with this target may have a therapeutic benefit with respect to the disease under study. Lead compounds or "hits" are defined as compounds that bind to a target protein and either inhibit

or stimulate its activity. Medicinal chemists then focus on optimizing these initial lead compounds to improve potency and specificity. Nearly all drugs sold today (with the exception of recombinant proteins) were either discovered in drug screens or are derived from the lead compounds identified in such screens.

The simplified drug screens used in traditional drug discovery employ isolated components of the cell and are an inadequate representation of the complex, physiological environment that exists within living cells. Receptors, signal transduction proteins and transcription factors, which are targets for therapeutic intervention, do not exist in isolation in the cell, but occur as large complexes of multiple proteins bound together with specific structures. Lead compounds identified in the artificial environment of traditional drug screens are frequently found to be either ineffective or toxic in live cells, because these complex intra-cellular interactions are not reproduced in conventional in vitro screens. Consequently, drug companies often devote substantial resources to optimizing a traditional drug screen lead compound which is subsequently found to be ineffective in the more complex environment of live cells.

In addition, slow and labor intensive traditional screening methods have traditionally limited the number and chemical diversity of the compounds that can be tested in assays. Even though many millions of distinct chemical structures exist, it is not unusual that only a small fraction of available compounds are tested. This limitation of speed and scale often restricts both the quality and quantity of lead compounds available for further testing and development and hinders drug discovery.

The rising costs of health care and changes in health care management policies are applying increasing competitive pressure on the pharmaceutical industry, leading to an emphasis on the cost-effectiveness and quality of drug candidates and the speed with which novel classes of pharmaceuticals can be brought to the marketplace. In this environment, new discovery technologies that improve the number and quality of lead compounds have become critical in order to identify novel drug candidates and to conduct cost-effective clinical development.

ONCOGENE SCIENCE'S TECHNOLOGY PLATFORM

The Company's technologies have been designed to solve many of the limitations associated with conventional drug screens. The Company's technology platform consists of applying its understanding of the molecular biology of gene transcription and signal transduction to the development of proprietary live-cell assays. These assays are used to test diverse compounds derived from proprietary natural product sources and from medicinal chemistry libraries belonging to the Company and its collaborative partners using automated, high throughput robotic drug screening techniques. In addition, the Company has expanded its capabilities in discovery chemistry to include combinatorial chemistry, which allows for the rapid synthesis of analogs of lead compounds and generation of new compound libraries for drug discovery. The Company's technology platform is widely applicable to the identification of drug candidates to treat many different diseases, including diseases due to mutations or abnormalities in multiple genes. Utilizing its technology, the Company has been able to identify lead compounds that are potent and selective, possess minimal or no cellular toxicity and have activity in live cells and animal models and that have progressed to clinical evaluation in humans.

LIVE-CELL ASSAYS AND GENE TRANSCRIPTION

The Company's drug screens utilize live cells that express proteins believed to be associated with a particular disease. For any one target protein, there are multiple sites within the cell where a drug can act to exert a specific effect. Cell-based screens, therefore, provide multiple sites of therapeutic intervention, such as receptors, signal transduction proteins and transcription factors, which the Company believes increase the probability of finding promising lead compounds. Furthermore, live-cell assays provide data on the cytotoxicity and specificity of the compounds tested, allowing the Company to define key properties of a lead compound earlier in the development process. Therefore, the Company believes that its drug discovery technology fosters

the generation of high quality leads that are more likely to progress into clinical studies compared to lead compounds identified by traditional methods.

The Company believes its live-cell assays are effective in identifying

compounds that exert a therapeutic effect by altering transcription of particular target genes. Gene transcription-based drugs act by increasing or decreasing the amount of mRNA and, therefore, the amount of the corresponding protein associated with a particular disease. It has been demonstrated in recent years that a number of widely used drugs exert their primary clinical effect through a gene transcription-based mechanism. These include oral contraceptives, tamoxifen for breast cancer, retinoids for dermatology, cholesterol lowering drugs, and even aspirin. These drugs were discovered and developed prior to an understanding of gene transcription. Now that gene transcription is better understood, the Company believes its gene transcription technology provides an important mechanism for therapeutic intervention and a process through which drug discovery assays can be designed.

HIGH THROUGHPUT ROBOTIC SCREENING TECHNOLOGY

Since 1988, Oncogene Science has been a pioneer in the development of high throughput screening. High throughput screening is the practice of rapidly testing hundreds of thousands of test compounds against a target protein, and has become a major focus of leading pharmaceutical companies over the last few years. Competitive pressures in the pharmaceutical industry are requiring pharmaceutical companies to find ways to identify quality drug candidates more quickly and cost effectively. The Company believes that worldwide efforts to map and sequence the human genome will result in the identification of increasing numbers of new target genes. Moreover, new technologies, such as combinatorial chemistry, may generate millions of new compounds to test in in-vitro and live-cell assays.

The Company has developed proprietary hardware and software systems to automate the entire drug screening process, from the addition of the test substances to the cells to the analysis of the data generated from the tests. In its proprietary robotic screening facility, the Company can analyze up to 300,000 different test samples each week, depending on the complexity of the assays. The Company's robotic systems are not limited to any particular assay format and can be reconfigured to run a wide variety of assays. In addition to transcription-based, live-cell assays, the Company's robotic systems can perform conventional in-vitro assays and live-cell assays not focusing on gene transcription.

In designing drug screens, the Company generally selects the most relevant human cell line for the target protein. In order to confirm results obtained in these cell lines, the Company subjects lead compounds to assays using primary cells isolated from fresh tissues, which it believes are the most accurate cell types to predict the activity of the test compounds. Traditionally, primary cell assays have not been used in high throughput screens because the sensitivity of the cells to small changes in temperature, humidity and carbon dioxide levels make accurate quantitative data difficult to obtain. The Company has developed proprietary environmental control chambers to tightly regulate these conditions and allow the use of primary cells in high throughput screens. While the Company often focuses on transcription-based screens, it has the ability to perform an extensive portfolio of different screens depending on the targeted disease indication.

DIVERSE COMPOUND LIBRARIES AND COMBINATORIAL CHEMISTRY

Access to large libraries of diverse compounds is an important aspect of the Company's drug discovery efforts. The Company's collaborative partners have provided large compound libraries to the Company pursuant to its collaborative research programs. Certain collaborative partners have made their compound libraries available for additional research by the Company outside the existing collaborative programs and the Company owns its own libraries of small molecules, including its unique and diverse collection of approximately 70,000 fungal organisms from which extracts are generated for high throughput screening. The Company has developed robotic systems to format medicinal compound and natural product libraries into microtiter plates for high throughput screening and an advanced inventory control process incorporating a bar code system to track these compounds. The Company has prepared and archived several distinct medicinal compound libraries belonging to the Company's pharmaceutical partners for screening applications. In excess

of 800,000 samples are archived at the Company and over 300,000 of these can be made available to the Company's proprietary discovery programs. For any compound from the Company's collaborative partners' libraries that emerges as a lead in a proprietary program, the partner typically will have the right of first refusal

to develop the compound or terminate its further development or to allow the Company to commercialize the compound independently or with a third party in exchange for royalty payments from the Company on product sales.

In addition to the medicinal chemistry compounds, the Company also makes extensive use of natural product compounds in fungal fermentation extracts. Fungi are a known source of novel pharmaceuticals, including penicillin, cephalosporin, lovastatin, prevastatin and cyclosporin A. In April 1996, the Company acquired MYCOsearch, Inc., a private company specializing in fungal fermentation products and development of fungal extracts. For three years prior to the acquisition, Oncogene and MYCOsearch collaborated in the development of automated technology for extract production. Through this acquisition, the Company has obtained more than 60,000 extracts of fungal samples for its proprietary uses and is adding to this collection at the rate of 1,000 to 2,000 samples per week.

Regardless of whether a lead compound is obtained by traditional or live cell-based assays, the pharmaceutical properties of that compound must be optimized before clinical development begins. Traditional lead optimization requires medicinal chemists to synthesize new analogs. This methodology is usually limited to producing approximately five to 20 new analogs per week. Combinatorial chemistry techniques, however, enable the rapid production of hundreds of chemical analogs per week, per chemist. The Company is automating its combinatorial chemistry synthesis program in order to produce analogs of lead compounds more rapidly. The Company believes that the continued development of this technology will not only provide for a rapid expansion in its proprietary libraries of medicinal compounds, but also accelerate the Company's ability to rapidly analog lead compounds from its screening programs. In September 1996, the Company acquired Aston Molecules Ltd., a private United Kingdom Company providing discovery and pharmaceutical development services to the pharmaceutical industry. The Company believes that the combinatorial chemistry technologies that have been jointly developed with Aston Molecules Ltd. will add further to its ability to optimize lead compounds identified in the Company's live cell-based high-throughput screening systems and will further advance its position as a fully integrated drug discovery company. The two companies have collaborated on medicinal chemistry projects since 1994.

PRODUCT DEVELOPMENT AND RESEARCH PROGRAMS

The following table summarizes Oncogene Science's current product development and research programs as of September 30, 1996. The table is qualified in its entirety by reference to the more detailed descriptions elsewhere in this report.

<TABLE>
<CAPTION>

DRUG DISCOVERY PROGRAM/PARTNERS		NO. OF PROTEIN TARGETS(1)	DISCOVERY(1)	PRECLINICAL(1)	PHASE I(2)	PHASE II(4)	PHASE I(3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
ONCOGENE SCIENCE.....	Erythropoietin Inducers	1		--			
	Sickle Cell Disease	1	--	--			
	Muscular Dystrophy	1	--				
CIBA-GEIGY, LTD.	Wound Healing (TGF-Beta3)	1				--	
	Oral Mucositis in Cancer (TGF-Beta3)	1			--		
HOECHST MARION.....	Cardiovascular	4	--	--			
ROUSSEL, INC.	Inflammatory Diseases	2	--	--			
	Alzheimer's	1	--				
PFIZER INC.	Oncogene Inhibitors	4	--	--	--		
	Tumor Suppressor Genes	1	--				
	Angiogenesis	1	--	--			
	Apoptosis	2	--				
WYETH-AYERST.....	Diabetes	1		--			
	Osteoporosis	1		--			
BIOCHEM PHARMA.....	HIV	2	--				
	Hepatitis C	1	--				
ANADERM.....	Skin Wrinkling	1	--				
	Skin Pigmentation	1	--				
	Hair Growth	1	--				
	TOTAL	28					

</TABLE>

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(1) For most of the Company's programs in the "Discovery" phase, the target proteins are either undergoing high throughput screening or lead compounds identified in these screens are being evaluated. Multiple lead compounds may exist for any target protein. These lead compounds may be at different stages of development, as indicated in the table above.

(2) In the "Preclinical" phase, the Company or its collaborative partners optimize lead compounds and conduct laboratory pharmacology and toxicology testing.

(3) "Phase I" clinical trials consist of small scale safety trials typically in healthy human volunteers.

(4) "Phase II" clinical trials entail testing of compounds in humans for safety and efficacy in a limited patient population.

SMALL MOLECULE COLLABORATIVE PROGRAMS

As part of its business strategy, Oncogene Science pursues collaborations with pharmaceutical companies to combine the Company's drug discovery capabilities with the collaborators' development and financial

resources. Typically, the Company's collaborations provide for its partners to make milestone and other payments in support of the Company's research programs and to pay royalties on sales of any resulting products. The collaborative partners generally retain manufacturing and marketing rights worldwide. In all cases, the Company's collaborative partners give the Company access to their compound libraries for screening against the target genes under their respective collaborations. With its collaboration with BioChem Pharma, the Company established a 50/50 joint venture, and thus it will commit greater resources in exchange for greater commercialization rights. Generally, each collaborative research agreement prohibits the Company from pursuing with any third party drug discovery research relating to the target proteins being covered by research under the collaboration. The Company is currently in discussions with several pharmaceutical companies regarding potential collaborations or other ventures related to the discovery or optimization of lead compounds or the clinical development and commercialization of potential product candidates. There can be no assurance, however, that current collaborations will be successful, any new collaboration will be established, or if established, will be on terms favorable to the Company. Failure to either maintain its existing, or enter into any new, collaborations could limit the scope of the Company's drug discovery and development activities, particularly if alternative sources of funding are unavailable. Such failure could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's existing collaborations are as follows:

Pfizer Inc.

In April 1986, Pfizer and the Company entered into a collaborative research agreement and several other related agreements. During the first five years of the collaboration, the Company and Pfizer focused principally on understanding the molecular biology of oncogenes. In 1991, Pfizer and the Company renewed the collaboration for a second five-year term and expanded the resources and scope of the collaboration to focus on the discovery and development of cancer therapeutic products based on mechanism-of-action that target oncogenes and anti-oncogenes. Oncogenes play a key role in the conversion of normal cells to a cancerous state. Anti-oncogenes, or tumor suppressor genes, encode proteins that generally function to block the proliferative growth of particular cell types. A loss of function of certain tumor suppressor genes can result in uncontrolled cell growth. Effective April 1, 1996, the Company and Pfizer renewed their collaboration for a new five-year term by entering into new Collaborative Research and License Agreements.

Currently, the Company's collaboration with Pfizer focuses on discovering compounds that act upon various target proteins involved in cancer. The Company's screening program has resulted in the identification of a proprietary lead compound that inhibits a protein associated with a number of major cancers. Pfizer is conducting pre-IND safety and toxicity studies on this compound. The

continued development of this compound depends on several factors outside the control of the Company, including the amount and timing of resources devoted by Pfizer, successful completion of safety and toxicity studies and successful optimization of the compound. There can be no assurance that a drug will result from this program.

All patent rights and patentable inventions derived from the research under this collaboration are owned jointly by the Company and Pfizer. The Company is obligated to file, prosecute and maintain such patents. The Company has granted Pfizer an exclusive, worldwide license to make, use, and sell the therapeutic products resulting from this collaboration in exchange for royalty payments. This license terminates on the date of the last to expire of the Company's relevant patent rights.

Pfizer will be responsible for the clinical development, regulatory approval, manufacturing and marketing of any products derived from the collaborative research program. However, the collaborative research agreement does not obligate Pfizer to pursue these activities. Generally, the Company is prohibited during the term of the contract from pursuing or sponsoring research aimed at discovery of drugs for the treatment of cancer. If the Company becomes aware of an opportunity to pursue such research, it must notify Pfizer of this opportunity and negotiate in good faith for a period of 120 days. If the parties fail to reach agreement to include this opportunity in their collaboration, the Company may pursue the opportunity independently. Pfizer is subject to a similar restriction to the extent it desires to pursue any opportunity with a third party, but Pfizer is not prohibited from pursuing any cancer research on its own. The collaborative research agreement will

expire on April 1, 2001. However, it may be terminated earlier by either party upon the occurrence of certain defaults by the other party. Any termination of the collaboration resulting from a Pfizer default will cause a termination of Pfizer's license rights. Pfizer will retain its license rights if it terminates the agreement in response to a default by the Company. In addition, between July 1 and September 30, 1998, Pfizer may terminate the collaborative research agreement, with or without cause, effective March 31, 1999. Furthermore, between July 1 and September 30, 1999, Pfizer may terminate the collaborative research agreement, with or without cause, effective March 31, 2000. Upon such early termination by Pfizer, Pfizer will retain its license rights.

From 1986 to March, 1996, Pfizer paid an aggregate amount of $32.8 million to the Company in research funding. In 1986, Pfizer purchased 587,500 shares of the Company's common stock, which constitutes approximately 2.6% of the Company's outstanding common stock, for an aggregate purchase price of $3,525,000. Under the current collaborative research agreement, Pfizer has committed to provide research funding to the Company in an aggregate amount of approximately $18.8 million. Pursuant to a schedule set forth in the collaborative research agreement, Pfizer will make annual research funding payments to the Company, which will gradually increase from a maximum of approximately $3.5 million in the first year of the five-year term to approximately $4 million in the fifth year.

Hoechst Marion Roussel, Inc.

The Company is pursuing various areas jointly with HMRI. In July 1995, the pharmaceutical operations of Marion Merrell Dow Inc. ("MMDI"), Hoechst Roussel Pharmaceuticals, Inc. ("Hoechst Roussel") and Hoechst AG ("Hoechst") were combined into one entity, HMRI. Prior to this date, the Company had collaborative agreements with all three of these companies. The Company and HMRI have agreed in principle to consolidate these agreements into one collaborative program and are negotiating a definitive Amended and Restated Collaborative Research and License Agreement. The Company believes that this consolidation will result in a stronger, more flexible collaborative program, although it expects the total level of funding from HMRI will be less than the aggregate funding from the three previously separate entities. HMRI is responsible for funding the costs of the Company's development efforts, and as of September 30, 1996, the Company had received or accrued an aggregate of $11.0 million in research funding from HMRI and its predecessors.

The Company's current collaborations with HMRI are as follows:

Atherosclerosis. In December 1992, the Company entered into a five-year collaborative research agreement with MMDI to discover and develop gene transcription-based drugs to treat certain indications in cardiovascular

disease, focused principally on atherosclerosis. The Company completed screening MMDI's compound library in its assays incorporating atherosclerosis targets, which resulted in the identification of several lead compounds. HMRI later requested that the Company screen the compound libraries formerly of Hoechst and Hoechst Roussel against the same atherosclerosis targets to determine whether additional lead compounds could be identified. The Company has completed this additional screening and identified several more lead compounds.

Inflammation, Arthritis and Metabolic Diseases. The Company entered into a six-year collaborative research agreement with Hoechst, effective January 1993. This collaboration is focused on discovering drugs for the treatment of inflammation, arthritis and metabolic diseases. The Company has completed the screening of HMRI's compound libraries against all three targets in this collaboration. The lead compounds identified in these screens are undergoing further analysis, including evaluation in animal models by HMRI.

Alzheimer's. In October 1993, the Company entered into a six-year collaborative research agreement with Hoechst Roussel pursuant to which it is pursuing the discovery and development of gene transcription-based drugs to treat Alzheimer's disease. The Company has completed screening HMRI's compound libraries in cell-based assays and has identified a potential lead compound that is undergoing further analysis.

General. Under each of the Company's collaborative agreements with HMRI, research committees were formed with equal representation from Oncogene Science and HMRI. These committees, which meet at least three times a year, evaluate the progress of the respective research programs, make priority and program decisions, and prepare annual research plans identifying the drug targets to be pursued and setting forth related research and budgeting information. The Company is responsible for achieving its objectives in the annual research plans. HMRI is responsible for assisting the Company in the pursuit of such objectives, including advancing the pharmacological assessment of compounds identified by the Company, determining the chemical structure of the selected compounds, identifying and selecting development candidates, pursuing clinical development and regulatory approval, and developing manufacturing methods and pharmaceutical formulations for the selected candidates. HMRI, in its sole discretion, may elect not to undertake one or more of these steps.

Generally, the Company is prohibited during the terms of the respective contracts from pursuing or sponsoring research independent of HMRI on the identified target proteins in the three areas of collaboration with HMRI. The collaborative research agreements may be terminated early by either party upon the occurrence of certain defaults by the other party. Any termination by the Company resulting from an HMRI default will cause a termination of certain of HMRI's license rights. HMRI will retain its license rights if it terminates an agreement in response to a default by the Company.

The Company granted to HMRI, through its previous agreement with MMDI, an exclusive, worldwide license with respect to, among other things, the use, manufacture and sale of products resulting from their research collaboration. HMRI also has the right to obtain an exclusive, worldwide license from the Company with respect to any therapeutic product derived from the original Hoechst and Hoechst Roussel research programs. In exchange for these licenses, HMRI will pay royalties to the Company on sales of such products. The license will become non-exclusive, and HMRI's obligation to pay royalties on sales will terminate in each country, in the case of a patented product, when the patent expires in such country, and in the case of a non-patented product, ten years after the first commercial sale of such product in such country. The Company and HMRI have mutually exclusive rights and obligations to prosecute and maintain patent rights related to various specified areas of the research under the original MMDI collaboration.

Wyeth-Ayerst Laboratories

In December 1991, the Company entered into a two-year collaborative research agreement with Wyeth, which was extended for an additional three-year term in December 1993. The purpose of the agreement is to discover and develop transcription-based drugs for the treatment of diabetes, immune system modulation, asthma and osteoporosis. This collaboration was successful in identifying active compounds on all four protein targets. Wyeth is continuing preclinical evaluation of compounds from two of these targets in osteoporosis and diabetes. Wyeth is also responsible for selecting development candidates, assessing the safety of the development candidates in animals and human patients

under conditions designed to meet FDA requirements, and developing manufacturing methods and pharmaceutical formulations for those selected candidates. This collaboration will be concluded on December 31, 1996 in accordance with the terms of the collaborative research agreement.

The Company has granted to Wyeth an option which is valid until December 31, 1997, to obtain exclusive, worldwide licenses with respect to products resulting from this collaboration in exchange for royalties to the Company on sales of such products. Under the agreement, all technology and patent rights will remain owned by the respective parties and each party has the right to prosecute and maintain its own patents. Wyeth has funded the Company's drug discovery efforts under this collaboration. As of September 30, 1996, Wyeth had provided the Company with an aggregate of $6.1 million in research funding.

Anaderm Research Corporation

On April 23, 1996, in connection with the formation of Anaderm Research Corp., a Delaware corporation ("Anaderm"), the Company entered into a Stockholder's Agreement (the "Stockholders' Agreement") among the Company, Pfizer, Anaderm, New York University ("NYU") and certain NYU faculty members

(the "Faculty Members"), and a Collaborative Research Agreement (the "Research Agreement") among the Company, Pfizer and Anaderm for the discovery and development of novel compounds to treat conditions such as baldness, wrinkles and pigmentation disorders. Anaderm has issued common stock to Pfizer and the Company and options to purchase common stock to NYU and the Faculty Members. NYU and the Faculty Members have exercised their options fully, and Pfizer holds 82%, the Company holds 14%, and NYU and the Faculty Members collectively hold 4%, of Anaderm's common stock. In exchange for its 14% of the outstanding shares of Anaderm common stock, the Company will provide formatting for high-throughput screens and will conduct compound screening for 18 months at its own expense under the Research Agreement. The term of the Research Agreement is three years. During the initial phase of the agreement (the first 18 months) the Company is required to provide at its own cost formatting for high throughput screens and perform screening of its own compounds and those compounds provided by Pfizer. Upon the termination of the initial phase, the Board of Directors of Anaderm will make a determination as to whether the initial phase was successfully completed. If the board determines that the initial phase was unsuccessful, the Research Agreement will then terminate. If the Anaderm Board of Directors, with Pfizer's approval, determines the initial phase was successful, then the funded phase will commence and will continue for the term of the Research Agreement. During this phase, Anaderm will make payments to the Company equal to its research costs, including overhead, plus 10%. Anaderm or Pfizer will pay royalties to the Company on the sales of products resulting from this collaboration.

BioChem Pharma (International) Inc.

Effective as of May 1, 1996, the Company entered into a Collaborative Research, Development and Commercialization Agreement with BioChem Pharma. Under this agreement, the parties will seek to discover and develop antiviral drugs for the treatment of Hepatitis C virus and HIV, although the focus of the collaborative efforts may change at the discretion of a joint steering committee. This agreement provides that the Company and BioChem Pharma will jointly commit resources to the collaborative program. The Company and BioChem Pharma will share equally the commercialization rights in the U.S. and Europe for any product resulting from the collaboration. BioChem Pharma will exclusively own commercialization rights in Canada. The agreement is for a term of five years, with automatic, successive one-year renewal periods thereafter. After May 1, 1999, however, either party may terminate the agreement by giving the other party six-months prior written notice. The agreement is also subject to early termination of the event of certain defaults by either party.

Ciba-Geigy, Ltd.

In addition to its small molecule discovery programs, the Company has developed the recombinant protein TGF-Beta3 for various indications. The Company believes it was the first to isolate TGF-Beta3, a naturally occurring human growth factor that exerts either stimulatory or inhibitory effects depending upon the particular cell type to which it is applied. Topical or local application of TGF-Beta3 in animal studies has been shown to enhance and accelerate wound healing. Similarly, animal studies have shown that TGF-Beta3 can minimize the severity of ulcerative mucositis when administered prior to

chemotherapy.

The Company entered into an agreement with Ciba in April 1995 expanding the scope of the two companies' prior collaborative efforts with respect to TGF-Beta3. This agreement grants to Ciba an exclusive, worldwide license to use and sell TGF-Beta3 products for oral mucositis and wound healing, as well as certain other indications, including psoriasis, and an option to obtain rights to all other indications of TGF-Beta3 currently held by the Company. In addition, Ciba has the worldwide license to manufacture TGF-Beta3 for all indications.

Oral Mucositis. Oral mucositis is a painful, often debilitating condition characterized by mouth and throat lesions that frequently occur as a side effect of chemotherapy. In the U.S., over one million new cases of cancer occur each year, over half of which receive multiple treatments of chemotherapy. Approximately 40% of chemotherapy patients exhibit some degree of oral mucositis. Most chemotherapeutic agents exert their lethal effects primarily against cancerous cells undergoing active division and growth. Chemotherapeutic agents also attack normal cells that are subject to rapid division, such as the epithelial cells lining the mouth.

The Company and Ciba have developed topical formulations of TGF-Beta3 to temporarily inhibit the high proliferative growth rate of certain normal cells in the mouth. The Company's objective is to develop TGF-Beta3 to reduce the toxicity associated with chemotherapeutic agents.

Under its agreement with Ciba, the Company and CIBA are funding Phase I clinical trials of TGF-Beta3 for oral mucositis in the U.S. and Ciba is funding Phase I clinical trials in Europe. Ciba will fund all further Phase II and III clinical trials. An IND for this indication was filed by Ciba in January 1996. The Company commenced Phase I clinical trials in the U.S. in 1996. A second Phase I study is being conducted by Ciba in Europe to demonstrate safety and determine the maximum tolerated dose. In addition, Ciba has initiated a Phase IIa trial in Europe and will initiate a similar Phase IIa trial in the U.S. before the end of 1996. No assurance can be given that any of these clinical trials will demonstrate safety or efficacy.

Wound Healing. In addition to its program for the development of TGF-Beta3 to treat oral mucositis, the Company is collaborating with Ciba in the development of TGF-Beta3 in an application to promote soft tissue wound healing, including venous leg ulcers, decubitus ulcers (pressure sores), diabetic foot ulcers and burns. Such chronic cutaneous ulcers afflict an estimated three million people in the U.S. TGF-Beta3 is believed to promote wound healing by recruiting inflammatory cells, such as neutrophils and macrophages, and fibroblasts, and stimulating fibroblast proliferation and extracellular matrix production. TGF-Beta3 is also believed to stimulate angiogenesis (new blood vessel growth) at the wound site.

To date, Ciba has completed four Phase I safety studies, one in Europe using a single dose of TGF-Beta3 applied to intact skin, one in the U.S. using a multiple dose of TGF-Beta3 applied to intact skin, and two in Japan. In all studies, the drug was found to be well tolerated with no adverse effects. Ciba recently completed two Phase IIa safety/dose-finding studies, one in Europe, involving a single dose administration to venous leg ulcer patients, the other in the U.S., involving a single dose administration to decubitus ulcer patients. The drug was found to be well tolerated in these patients. Ciba initiated a clinical trial of venous leg ulcer patients in Europe, a clinical trial in pressure sore patients in the U.S. and Canada and a venous ulcer, decubitus ulcer and burn study in Japan during 1996. In addition, Ciba is conducting additional Phase II venous leg ulcer, decubitus ulcer and burn wound clinical trials in Japan. There can be no assurance that additional trials will demonstrate safety and efficacy or will begin when planned, or at all in part for the reasons discussed below.

General. In exchange for its exclusive license with respect to the wound healing, oral mucositis and certain other indications for TGF-Beta3, Ciba will make royalty payments to the Company on the sale of TGF-Beta3 products. Also, Ciba purchased 909,091 shares of the Company's Common Stock at $5.50 per share for an aggregate purchase price of $5 million in April 1995. If, and at the time, Ciba decides to initiate Phase III clinical trials (or the equivalent in Europe) for oral mucositis, Ciba will be required to make a $10 million payment to the Company. In exchange for such payment, Ciba's license will be expanded to cover all other indications for TGF-Beta3. Ciba has the option to make such

payment by purchasing $10 million of the Company's Common Stock at the higher of $5.50 per share or the then current market price. In the absence of a decision by Ciba to pursue such clinical trials, Ciba may nonetheless exercise an option within four years from inception of the agreement, or by April 1999, to expand its license under the agreement to cover all indications for TGF-Beta3 by making the $10 million payment.

Ciba has the right to discontinue clinical development at any time, in which case all of its license rights from the Company with respect to TGF-Beta3 will be terminated and it will make available to the Company the results of all clinical work up to the date such activity was discontinued. Under the agreement, Ciba has the right to manufacture TGF-Beta3, and will supply the Company and any licensee of the Company with all developmental and commercial quantities of TGF-Beta3 required. With respect to the Company's commercial requirements in the future, if any, Ciba and the Company have agreed to negotiate terms pursuant to which Ciba will supply TGF-Beta3, subject to a specified pricing formula should the parties fail to reach agreement. In the past Ciba experienced delays in manufacturing TGF-Beta3 due to the failure of its contract manufacturer's facilities to comply with GMP regulations. If Ciba is unable or unwilling to scale up its capacity to supply TGF-Beta3 to the Company or its licensees in sufficient quantities, Ciba will license to the Company its technology relating to the production of TGF-Beta3 on terms to be negotiated within specified parameters. There

can be no assurance that the TGF-Beta3 program will not experience significant delays as a result of Ciba's failure to supply TGF-Beta3 on a timely basis.

The Company's agreement with Ciba ends upon the expiration of the last Company's patents relating to TGF-Beta3.

PROPRIETARY DRUG DISCOVERY AND DEVELOPMENT

In addition to its collaborative programs, the Company has undertaken independent efforts to discover and develop gene transcription-based therapeutics in various proprietary areas. The Company initiated its proprietary programs in 1994 and is currently screening compounds against multiple target proteins in live-cell assays associated with chronic anemias, virology and muscle wasting disorders. The goal of these programs is to identify small molecule, orally-active compounds that will regulate the expression of key proteins associated with these diseases. Generally, the Company's objective with respect to its proprietary programs is to identify lead compounds, progress them through preclinical development and manage clinical development through early-stage clinical trials. If its drug discovery efforts are successful, the Company intends to partner with a large pharmaceutical firm for clinical and commercial development of each potential proprietary product. There can be no assurance that lead compounds identified in the Company's proprietary programs will progress into clinical development, that any such compounds will proceed successfully through clinical trials or that the Company will secure any collaboration agreements with respect to any program or compound.

Chronic Anemias

Currently, the Company's proprietary discovery and development efforts are focused principally on the protein erythropoietin ("EPO"). Injectable recombinant EPO is widely used for the treatment of anemia due to chronic renal failure and anemia associated with chemotherapy for AIDS and cancer. Sales of EPO therapeutics generated worldwide revenues of over $2.0 billion in 1995. EPO is also being tested for use in anemia resulting from other indications. The Company believes that a significant market opportunity exists for an effective, oral, small molecular weight compound that could induce the cellular production of EPO. The Company's gene transcription screens have resulted in the identification of several potent lead compounds that increase the expression of EPO in cell lines and certain animal models. The Company is undertaking early preclinical development, which involves medicinal chemistry and pharmacology, of these lead compounds.

Sickle cell anemia and thalassemia are caused by genetic mutations which result in the mutation, absence or decrease in the adult chain of hemoglobin (the protein in red blood cells that binds oxygen). Currently available treatments for both of these diseases are inadequate and expensive. The cost of treating each sickle cell patient in the U.S. has been estimated to be in excess of $60,000 annually. Regular blood transfusions are the mainstay of current therapy for thalassemia. The Company's approach to address sickle cell anemia

and thalassemia is to discover a small molecule compound that increases expression of the fetal hemoglobin ("HbF") gene to compensate for defects in the adult chain of hemoglobin. The Company has developed an assay to determine the ability of test compounds to induce the production of HbF.

Virology

The Company's virology program targets certain proteins which are believed to be essential to viral pathogenesis. The current viral targets in this program include herpes simplex virus, human hepatitis B virus ("HBV") and influenza virus. For each of these diseases there is an unmet need for new effective, anti-viral drugs. For example, HBV is a chronic infection that can progress to cirrhosis and liver cancer, making HBV one of the most significant of all infectious diseases.

The Company's principal drug discovery approach in its virology program focuses on discovering small molecule compounds that affect transcription of novel gene sequences in the virus. The Company has designed novel assays that target these genes. In May 1996, the Company formed a 50/50 co-venture with BioChem Pharma for certain virology targets. The Company is also in discussions with a pharmaceutical company regarding a potential collaboration in influenza, although there can be no assurance that a collaboration will be established.

Muscle Wasting Disorders

Muscular Dystrophy. Duchenne's and Becker's muscular dystrophy are due to defects of the dystrophin gene. The Company is developing multiple approaches in its discovery efforts with respect to a drug for the treatment of muscular dystrophy. A portion of the funding for this project has been provided by the Association Francaise Contre Les Myopathies.

CANCER DIAGNOSTICS

The Company is engaged in the development of a series of cancer diagnostic tests based on oncogenes, tumor suppressor genes and other gene targets whose proteins are directly involved in tumor growth or metastasis. One line of these tests utilizes immunoassays and monoclonal antibodies to detect these cancer markers in urine and serum. The other line of diagnostic tests utilizes a series of monoclonal antibodies capable of measuring the cancer markers in tissue sections using immunohistochemistry techniques such as manual pathology diagnostic tests and image analysis. Both of these lines of tests are designed to aid oncologists in the confirmation, monitoring, staging, screening or prognosis of human cancer. These tests may enable reference labs and physicians to select more effective types of treatment, more easily monitor patients during therapy, or diagnose cancer at an earlier stage. The current focus of the Company's diagnostic development program is on breast and colon cancer, but the Company believes that many of the cancer markers in its program may have clinical utility for other human tumors, such as lung, prostate, ovarian and stomach cancer. None of these diagnostic tests have completed clinical development or received FDA clearance to be marketed in the U.S.

The Company has been pursuing serum and tissue based cancer diagnostic products in collaboration with Becton under a collaborative program started in October 1991 (after an earlier collaboration from 1984 to 1989). During 1995, the Company and Becton agreed that Becton would narrow its focus in the program exclusively to tissue-based diagnostic tests including immunohistochemistry and that the Company would continue its development program in serum-based cancer diagnostics. Accordingly, Becton reduced its funding under this program in fiscal 1996, and provided no further funding for this program after it ended on its scheduled expiration date of September 30, 1996. Pursuant to an agreement entered into as of September 27, 1996, the Company has granted to Becton world-wide licenses to make, use and sell tissue-based diagnostic products that incorporate specified antibodies with respect to which the Company owns patent or other proprietary rights. The Company has generally retained the rights with respect to nontissue-based (i.e., serum-based) diagnostic products. Becton's license in any particular country will terminate upon the last to expire of the Company's patent rights in such country or, in the case of any product incorporating non-patented technology, ten years after such product is first sold in the United States. During the term of its licenses, Becton will either source from the Company the antibodies incorporated in the products licensed from the Company or it will pay the Company royalties on net sales.

The Company is continuing the development of serum-based cancer diagnostic

products in collaboration with Bayer Corporation ("Bayer") pursuant to a Collaborative Research and License Agreement effective January 1, 1997. Under this agreement, the Company has granted to Bayer licenses to manufacture, use and sell clinical diagnostic products based on the Company's cancer diagnostics technology in exchange for royalties on net sales. Bayer will own all technology, and has the exclusive right to commercialize clinical diagnostic products, derived from the collaboration. Bayer's license is perpetual with respect to nonpatented technology and will terminate with respect to patented technology upon the expiration of the last to expire of the Company's patents. Bayer will provide funding for the Company's research under the collaboration in the amount of $1.5 million for each of the first two years, and $1 million for each subsequent year. The Company will be required to provide up to $500,000 in annual funding for the collaboration to the extent the Company derives net revenues from out-licensing any cancer diagnostics technology or the sale of any clinical diagnostic or research products. The agreement will terminate on December 31, 2002. Bayer has the right to terminate the agreement at any time after December 31, 1999 upon 12 months' notice.

INTELLECTUAL PROPERTY

The Company believes that patents and other proprietary rights are vital to its business. The Company's policy is to protect its intellectual property rights in technology developed by its scientific staff by a variety of means, including applying for patents in the United States and other major industrialized countries. The Company also relies upon trade secrets and improvements, unpatented proprietary know-how and continuing technological innovations to develop and maintain its competitive position. In this regard, the Company seeks restrictions in its agreements with third parties, including research institutions, with respect to the use and disclosure of the Company's proprietary technology. The Company also has confidentiality agreements with its employees, consultants and scientific advisors.

The Company currently owns 12 U.S. patents and 35 foreign patents. In addition, the Company currently has pending 30 applications for United States patents, 3 of which have been allowed, and 33 applications for foreign patents, 2 of which have been allowed. In addition, other institutions have granted exclusive rights under their United States and foreign patents and patent applications to the Company.

There can be no assurance that patents will issue based upon the Company's pending patent applications or any applications which it may file in the future, that any patent issued will adequately protect a commercially marketable product or process or that any patent issued will not be circumvented or infringed by others or declared invalid or unenforceable. Moreover, there can be no assurance that others may not independently develop the same or similar technology or obtain access to the Company's proprietary technology. The Company is aware of patents issued to other entities with respect to technology potentially useful to the Company and, in some cases, related to products and processes being used or developed by the Company. The Company currently cannot assess the effect, if any, that these patents may have on its operations in the future. The extent to which efforts by other researchers resulted or will result in patents and the extent to which the issuance of patents to other entities would have a material adverse effect on the Company or would force the Company to seek licenses from such other entities currently is unknown as is the availability to the Company of licenses from such other entities, and whether, if available, such licenses can be obtained on terms acceptable to the Company.

In the cancer diagnostics area, the Company has a U.S. patent relating to an assay which the Company is seeking to develop for the detection of protein encoded by the neu oncogene ("neu") in serum. The Company is aware that a patent application relating to a similar assay was filed by a third party shortly after the Company filed the application from which its U.S. patent issued. It is possible that the Company may have to participate in an interference proceeding with such third party to determine priority of invention, which could result in substantial cost to the Company. The Company cannot predict whether such an interference proceeding will occur, or if it does occur, whether the Company will prevail. If the Company does not prevail, it may not be able to commercialize its assay for neu in serum without a license from such third party, which may not be available on acceptable terms or at all.

The Company is aware of several U.S. and foreign patents owned by others who may allege infringement by products, including TGF-Beta 3, which the Company is seeking to develop in collaboration with a partner. Genentech

has U.S. patents relating to certain recombinant materials and procedures for producing members of the TGF-Beta family, including TGF-Beta 3, which the Company is seeking to develop in collaboration with a partner. Genentech has U.S. patents relating to certain recombinant materials and procedures for producing members of the TGF-Beta family, including TGF-Beta 3, which the Company is seeking to develop in collaboration with a partner. Genentech has U.S. patents relating to certain recombinant materials and procedures for producing members of the TGF-Beta family, including TGF-Beta 3. In addition, the Company believes that Genentech has license rights under a United States Government patent relating to work done at the National Institute of Health of the U.S. Department of Health and Human Services involving the identification and isolation of TGF-Beta 1.

The Company believes that the currently planned development by the Company and Ciba, its collaborative partner for TGF-Beta 3, involving manufacture in Europe by Ciba of TGF-Beta 3 in nonmammalian cells for subsequent distribution in Europe and the United States does not infringe any valid claim of any patent owned by Genentech or by the U.S. Government. The Company and Ciba have taken and continue to

take such actions, including the pursuit of opposition proceedings against foreign patents, as they deem prudent to minimize the possibility of any charge of patent infringement being validly raised against Ciba or the Company based on such patents.

The Company has received communications from Sibia Neuroscience, Inc. ("Sibia") in which Sibia has stated the Company's live-cell assay technology may infringe a patent issued to Sibia covering cell-based assays. The Company does not believe that it is infringing any valid claim of Sibia's patent or of any patents owned by any other third parties. However, there can be no assurance that a contrary position will not be asserted, or that, if asserted, such a position would not prevail. If a patent infringement lawsuit were brought against the Company or its licensees, the Company could incur substantial costs in defense of such a suit, which could have a material adverse effect on the Company's business, financial condition and results of operation, regardless of whether the Company were successful in the defense. Furthermore, if Sibia (or any other third party) were to establish that the Company's assays infringe Sibia's patent (or any patent of any other third party), then the Company would be required to design non-infringing assays or take a license under Sibia's patent. There can be no assurance the Company would successfully design such assays or that such a license would be available on acceptable terms or at all. Moreover, the Company's royalties may be reduced by up to 50% if its licensees or collaborative partners are required to obtain licenses from third parties whose patent rights are infringed by the Company's products, technology or operations.

COMPETITION

The pharmaceutical, biotechnology and diagnostics industries are intensely competitive. The Company faces, and will continue to face, intense competition from organizations such as large pharmaceutical companies, biotechnology companies, diagnostic companies, academic and research institutions and government agencies. The Company is subject to significant competition from industry participants who are pursuing the same or similar technologies as those which constitute the Company's technology platform and from organizations that are pursuing pharmaceutical products or therapies or diagnostic products that are competitive with the Company's potential products. Most of the organizations competing with the Company have greater capital resources, research and development staffs and facilities, and greater experience in drug discovery and development, obtaining regulatory approval and pharmaceutical product manufacturing and marketing. The Company's major competitors include fully integrated pharmaceutical companies, such as Merck & Co., Inc., Glaxo Wellcome Inc. and SmithKline Beecham plc, that conduct extensive drug discovery efforts and are developing novel small molecule pharmaceuticals, as well as numerous smaller companies.

The Company's technology platform consists principally of utilizing genetically engineered live cells, gene transcription technologies and high throughput drug screening. Pharmaceutical and biotechnology companies and others are active in all of these areas. Ligand Pharmaceuticals Inc., a publicly owned company, employs live-cell assays, gene transcription, and high throughput robotics in its drug discovery operations. Numerous other companies use one or more of these technologies. Several private companies, including Tularik Inc.,

Signal Pharmaceuticals Inc. and Scriptgen Pharmaceuticals, Inc., pursue drug discovery using gene transcription methods. Other organizations may acquire or develop technology superior to that of the Company.

Companies pursuing different but related fields also present significant competition for the Company. For example, research efforts with respect to gene sequencing and mapping are identifying new and possibly superior target genes. In addition, alternative drug discovery strategies, such as rational drug design, may prove more effective than those pursued by the Company. Furthermore, competing entities may have access to more diverse compounds for testing by virtue of larger compound libraries or through combinatorial chemistry skills or other means. These include Pharmacopeia, Inc., CombiChem, Inc. and ArQule, Inc., all of which have major collaborations with leading pharmaceutical companies. There can be no assurance that the Company's competitors will not succeed in developing technologies or products that are more effective than those of the Company or that would render the Company's products or technologies obsolete or noncompetitive.

With respect to the Company's small molecule drug discovery programs, other companies have potential drugs in clinical trials to treat disease areas for which the Company is seeking to discover and develop drug candidates. These competing drug candidates may be further advanced in clinical development than are any of

the Company's potential products in its small molecule programs and may result in effective, commercially successful products. Even if the Company and its collaborative partners are successful in developing effective drugs, there can be no assurance that the Company's products will compete effectively with such products. No assurance can be given that the Company's competitors will not succeed in developing and marketing products that either are more effective than those that may be developed by the Company and its collaborative partners or are marketed prior to any products developed by the Company or its collaborative partners.

With respect to its efforts to develop TGF-Beta 3 for various indications, the Company is aware of competing growth factor proteins in clinical trials, and competing treatment regimens, for wound healing indications. Platelet derived growth factor (PDGF) for diabetic skin ulcers, under development by Chiron Corporation and Johnson & Johnson, has completed Phase III clinical trials in the U.S. Chiron Corporation and Johnson & Johnson have announced that they intend to file a Product Licensing Application ("PLA") for PDGF with the FDA in 1996. Fibroblast growth factor (FGF) for chronic dermal ulcers, under development by Scios Nova Inc. and Kaken Pharmaceutical Co., Ltd., is in Phase III clinical trials in Japan. TGF-Beta 2 for leg ulcers, under development by Genzyme Corp. and Celtrix Pharmaceuticals, Inc., is in Phase II clinical trials in the U.S. No assurance can be given that the Company and Ciba will successfully develop TGF-Beta 3 for any indication, including wound healing. Furthermore, if any of the competing growth factor product candidates listed above or other growth factors proves to be effective for wound healing indications, there can be no assurance that any product developed by the Company will be able to compete effectively with such product or products.

Other competing approaches to the treatment of chronic wounds include comprehensive service-based patient centers, which are dedicated to intensive wound management. These centers may include the use of autologous growth factor therapy, in which extracts prepared from the patient's own platelets are used to treat the wounds. Surgical intervention is also frequently employed, which may involve partial amputation and/or surgical revascularization. The use of skin grafts to treat wounds, either autografts (skin from elsewhere on the same patient) or cultured allografts, are also being investigated by several companies, including Advanced Tissues Sciences, Inc. and Organogenesis, Inc. No assurance can be given that TGF-Beta 3 will prove to be safe and effective or will compete successfully against current and emerging therapies for any particular clinical indication.

The Company believes that its ability to compete successfully will be based on, among other things, its ability to create and maintain scientifically advanced technology, attract and retain scientific personnel with a broad range of expertise, obtain patent protection or otherwise develop proprietary products or processes, enter into collaborative arrangements, and, independently or with its collaborative partners, conduct clinical trials, obtain required government approvals on a timely basis, and commercialize its products.

MANUFACTURING

Ciba has the exclusive right to, and the Company will rely on Ciba for, the manufacture of TGF-Beta 3 for all of the Company's requirements for clinical trials and commercial purposes. Oncogene Science believes that, if Ciba should fail to meet its requirements, there are other companies that could manufacture and supply TGF-Beta 3, although there can be no assurance that this could be accomplished on a timely basis, or at all.

The Company is, and will remain, dependent on its collaborative partners and third parties for the manufacture of all products. There can be no assurance that the Company will be able to manufacture products that will meet the Company's demands for quality, quantity, cost and timeliness or otherwise contract for manufacturing capabilities on acceptable terms. The failure of the Company to successfully contract for the manufacture of products that satisfy its requirements for quality, quantity, cost and timeliness would prevent the Company from conducting preclinical testing and clinical trials and commercializing its products.

MARKETING AND SALES

The Company does not intend to develop its own marketing and sales capabilities. Potential therapeutic products subject to the Company's collaborative agreements with Pfizer, HMRI, Wyeth and Ciba, and potential diagnostic products under the Company's collaboration with Becton, will be marketed by those

companies worldwide. The Company will receive royalties of up to 10% on net sales of products, depending upon the nature of the product and the ownership of the underlying technology. The Company expects that products resulting from future collaborations in drug discovery and development and diagnostic product development will be marketed under arrangements which are similar to these agreements, although any collaborations established for products resulting from proprietary programs may vary significantly.

GOVERNMENT REGULATION

The Company and its collaborative partners are, and any potential products discovered and developed thereto, will be subject to comprehensive regulation by the FDA in the United States and by comparable authorities in other countries. These national agencies and other federal, state, and local entities regulate, among other things, the preclinical and clinical testing, safety, effectiveness, approval, manufacture, labeling, marketing, export, storage, record keeping, advertising, and promotion of pharmaceutical and diagnostic products.

The process required by the FDA before pharmaceutical products may be approved for marketing in the United States generally involves: (i) preclinical laboratory and animal tests, (ii) submission to FDA of an investigational new drug application, which must become effective before clinical trials may begin, (iii) adequate and well controlled human clinical trials to establish the safety and efficacy of the drug for its intended indication, (iv) submission to the FDA of an NDA or, in the case of biological products, such as TGF-Beta 3, a PLA, and (v) FDA review of the NDA or PLA in order to determine, among other things, whether the drug is safe and effective for its intended uses. There is no assurance that FDA review process will result in product approval on a timely basis, if at all.

Preclinical tests include laboratory evaluation of product chemistry and formulation, as well as animal studies, to assess the potential safety and efficacy of the product. Certain preclinical tests are subject to FDA regulations regarding current Good Laboratory Practices. The results of the preclinical tests are submitted to the FDA as part of an IND and are reviewed by the FDA prior to the commencement of clinical trials.

Clinical trials are conducted under protocols that detail such matters as the objectives of the study, the parameters to be used to monitor safety and the efficacy criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IND.

Clinical trials are typically conducted in three sequential phases, which may overlap. During Phase I, when the drug is initially given to human subjects, the product is tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion. Phase II involves studies in a limited patient

population to: (i) evaluate preliminarily the efficacy of the product for specific, targeted indications, (ii) determine dosage tolerance and optimal dosage, and (iii) identify possible adverse effects and safety risks. Pivotal or Phase III trials are undertaken in order to further evaluate clinical efficacy and to further test for safety within an expanded patient population. The FDA may suspend or terminate clinical trials at any point in this process if it concludes that clinical subjects are being exposed to an unacceptable health risk.

FDA approval of the Company's and its collaborators' products, including a review of the manufacturing processes and facilities used to produce such products, will be required before such products may be marketed in the United States. The process of obtaining approvals from the FDA can be costly, time consuming and subject to unanticipated delays. There can be no assurance that approvals of the Company's proposed products, processes or facilities will be granted on a timely basis, if at all. Any failure to obtain or delay in obtaining such approvals would have a material adverse effect on the Company's business, financial condition and results of operations. Moreover, even if regulatory approval is granted, such approval may include significant limitations on indicated uses for which a product could be marketed.

Among the conditions for NDA approval is the requirement that the prospective manufacturer's manufacturing procedures conform to Good Manufacturing Practices ("GMP") requirements, which must be followed at all times. In complying with those requirements, manufacturers (including a drug sponsor's third-party contract manufacturers) must continue to expend time, money and effort in the area of production and quality control to ensure compliance. Domestic manufacturing establishments are subject to periodic

inspections by the FDA in order to assess, among other things, GMP compliance. To supply products for use in the United States, foreign manufacturing establishments must comply with GMP and are subject to periodic inspection by the FDA or by regulatory authorities in certain countries under reciprocal agreements with the FDA.

Both before and after approval is obtained, a product, its manufacturer and the holder of the NDA for the product are subject to comprehensive regulatory oversight. Violations of regulatory requirements at any stage, including the preclinical and clinical testing process, the approval process, or thereafter (including after approval) may result in various adverse consequences, including the FDA's delay in approving or refusal to approve a product, withdrawal of an approved product from the market, and the imposition of criminal penalties against the manufacturer and NDA holder. In addition, later discovery of previously unknown problems may result in restrictions on such product, manufacturer or NDA holder, including withdrawal of the product from the market. Also, new government requirements may be established that could delay or prevent regulatory approval of the Company's products under development.

For marketing outside the United States, the Company and its collaborators and the drugs developed thereby, if any, will be subject to foreign regulatory requirements governing human clinical trials and marketing approval for drugs and diagnostic products. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary widely from country to country. In addition, before a new drug may be exported from the U.S., it must be the subject of an approved NDA or comply with FDA regulations pertaining to INDs.

In addition to regulations enforced by the FDA, the Company also is subject to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act and other present and future federal, state or local regulations. The Company's research and development involves the controlled use of hazardous materials, chemicals and various radioactive compounds. Although the Company believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, the Company could be held liable for any damages that result and any such liability could exceed the resources of the Company.

Diagnostic tests undergo different FDA review processes depending whether they are classified as "biologicals" or "medical devices." For medical devices, a 510(k) application (for a product substantially equivalent to a product

already on the market) or a premarket approval ("PMA") application (generally, a new product or method that is not substantially equivalent to an existing product) must be filed with, and approved by, the FDA prior to commercialization. Obtaining premarket approval is a costly and time-consuming process, comparable to that for new drugs. There can be no assurance that the Company's cancer diagnostic product candidates will be submitted for regulatory approval, or if submitted, that the Company would not be required to seek pre-market approval as opposed to filing a 510(k) application.

EMPLOYEES

The Company believes that its success will be largely dependent upon its ability to attract and retain qualified personnel in scientific and technical fields. As of September 30, 1996, the Company employed 142 persons, of whom 107 were primarily involved in research and development activities, with the remainder engaged in executive and administrative capacities. Although the Company believes that it has been successful to date in attracting skilled and experienced scientific personnel, competition for such personnel is intense and there can be no assurance that the Company will continue to be able to attract and retain personnel of high scientific caliber. The Company considers its employee relations to be good.

ITEM 2. PROPERTIES

The Company leases a 30,000 square foot facility located at 106 Charles Lindbergh Boulevard, Uniondale, New York. This facility houses the Company's principal executive offices and drug discovery laboratory. The Company also leases an 11,000 square foot facility located at 80 Rogers Street/129 Binney

Street, Cambridge, Massachusetts. This facility contains the offices and laboratories of the Company's diagnostic product operations. The Company also has two wholly-owned subsidiaries, Aston Molecules Limited and MYCOsearch, Inc., each of which lease facilities which house their offices and drug discovery laboratories. Aston Molecules Limited leases a 7,440 square foot facility located at Hold Court, Phase V, Aston Science Park, Birmingham, England. MYCOsearch, Inc. leases two facilities, one located at Five Oaks Office Park, 4905 Pine Cone Drive, Durham, North Carolina consisting of 4,280 square feet and the other located at 2 University Place, Durham, North Carolina consisting of 8,000 square feet. The Company believes that its facilities will be adequate to meet current requirements for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

There are no material legal proceedings pending against the Company.

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

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal 1996.

PART II

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

The Company's common stock is traded in the over-the-counter market and is included for quotation on the Nasdaq National Market under the symbol ONCS. The following is the range of high and low sales prices by quarter for the Company's common stock from the first quarter of fiscal 1995 through September 30, 1996 as reported on the Nasdaq National Market:

<TABLE>
<CAPTION>

1996 FISCAL YEAR	HIGH	LOW
<S>	<C>	<C>
First Quarter	$10 3/4	$5
Second Quarter	11 1/8	8
Third Quarter	12 1/2	8 7/8
Fourth Quarter	10 1/2	7 1/8

</TABLE>

<TABLE>
<CAPTION>

1995 FISCAL YEAR	HIGH	LOW
<S>	<C>	<C>
First Quarter	$3 3/8	$2 3/8
Second Quarter	3 3/8	2 3/8
Third Quarter	4 5/8	2 15/16
Fourth Quarter	7 1/8	3 1/2

</TABLE>

As of November 30, 1996, there were approximately 715 holders of record of the Company's common stock. The Company has not paid any dividends since its inception and does not intend to pay any dividends in the foreseeable future. Declaration of dividends will depend, among other things, upon future earnings, the operating and financial condition of the Company, its capital requirements and general business conditions.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial data with respect to the Company for each of the years in the five-year period ended September 30, 1996. The information set forth below should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere herein.

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30				
	1996(A)	1995(B)	1994(C)	1993(D)	1992(E)
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:					
Revenues	$ 9,718,437	$15,864,999	$16,299,489	$16,088,021	$11,094,175
Expenses:					
Research and development	13,918,968	13,523,043	12,125,210	10,659,806	8,127,466
Production	134,529	1,252,990	1,427,981	1,443,649	1,420,686
Selling, general and administrative	6,314,697	7,140,208	7,487,090	6,429,701	5,219,606
Amortization of intangibles	1,452,755	1,696,561	1,745,163	1,745,713	1,745,694
Loss from operations	(12,102,512)	(7,747,803)	(6,485,955)	(4,190,848)	(5,419,277)
Other income, net	2,160,377	768,744	762,031	884,806	882,630
Gain on sale of Research Products Business	--	2,720,389	--	--	--
Net loss	(9,942,135)	(4,258,670)	(5,723,924)	(3,306,042)	(4,536,647)
Net loss per share	(.50)	(0.25)	(0.35)	(0.21)	(0.31)
Weighted average number of shares of common stock outstanding	19,712,274	16,757,370	16,335,000	16,080,000	14,801,000

</TABLE>

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data:					
Cash and short-term investments	$47,542,745	$26,786,566	$18,157,891	$22,390,454	$18,897,238
Accounts receivable	2,031,950	1,320,015	3,032,839	3,146,990	2,094,464
Working capital	47,181,407	26,127,781	21,208,145	25,914,827	22,363,383
Total assets	73,537,054	44,057,421	42,040,900	47,614,538	43,930,705
Stockholders' equity	68,286,959	40,549,636	38,656,314	45,044,603	41,960,868

</TABLE>

(a) During fiscal 1996, the Company acquired MYCOsearch, Inc. and Aston Molecules, Ltd. and completed an offering of its common stock (See Notes 2 and 9(a) to the Consolidated Financial Statements.)

(b) During fiscal 1995, the Company sold its Research Products Business and also sold shares of its common stock to Ciba-Geigy, Ltd. (See Notes 4 and 9(d) to the Consolidated Financial Statements.)

(c) During fiscal 1994, the Company changed its method of accounting for marketable securities to adopt the provisions of the Statement of Financial Accounting Standards No.115, "Accounting for Certain Investments in Debt and Equity Securities". (See Note 1(g) to the Consolidated Financial Statements.)

(d) During fiscal 1993, the Company entered into collaborative agreements with Marion Merrell Dow and Hoechst AG and also sold shares of its common stock to Marion Merrell Dow (See Notes 5(b) and 9(c) to the Consolidated Financial Statements.)

(e) During fiscal 1992, the Company acquired the cancer business of Applied bioTechnology and completed an offering of its common stock.

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

REVENUES

Total revenues of $9.7 million in fiscal 1996 decreased approximately $6.1 million or 39% compared to fiscal 1995 and total revenues of $15.9 million in fiscal 1995 decreased approximately $434,000 or 3% compared to fiscal 1994. The Company sold its Research Products Business for $6.0 million in cash plus other considerations in August 1995, and accordingly there were no significant sales of research products recorded after this date. In the sale agreement, the Company agreed to indemnify the purchaser for a period of two years for certain breaches of the agreement. Approximately 4.2 million of the decrease in total revenues in fiscal 1996 was attributable to the sale of the Research Products Business in fiscal 1995. Collaborative program revenues decreased by approximately $1.3 million or 14% in fiscal 1996 largely due to a reduction in revenue under the collaboration agreement with Hoechst Marion Roussel, Inc. (HMRI) as compared to the total revenue in the prior year's periods from Marion Merrell Dow Inc. (MMDI), Hoechst Roussel Pharmaceuticals, Inc. (Hoechst Roussel) and Hoechst AG (Hoechst) as well as a reduction in the funding under the Becton Dickinson Collaboration due to a narrowing of scope in that program.. The balance of the decrease represents changes in the timing and amount of grant awards.

The decrease in total revenues of $434,000 in fiscal 1995 compared to fiscal 1994 was attributable to decreases of $651,000 in research product revenues due to the sale of the Research Products Business in August 1995 and $380,000 in certain grant programs. The decreases in research product sales and certain grant programs, were offset by increases in collaborative program revenues. These revenues increased by approximately $597,000 or 7% in fiscal 1995 due to the commencement of a research program with Hoechst in April 1994, the expansion and extension of the collaborative research program with Wyeth in March 1994 and increases in revenues under the Pfizer collaboration with respect to anti-cancer drugs. These increases were offset by decreased funding from Pfizer associated with the termination of Pfizer's participation in the TGF-(LOGO)3 oral mucositis program in order to focus exclusively on its collaborative programs with the Company related to the research and development of small molecule anti-cancer drugs. Previously, Pfizer had funded the Company's TGF-(LOGO)3 oral mucositis program in addition to its anti-cancer program. Under a collaborative agreement with Ciba entered into in April 1995, the Company will fund the development of TGF-(LOGO)3 for oral mucositis through the end of Phase I clinical trials and Ciba will fund its subsequent clinical development. Other research revenues decreased approximately $380,000 or 17% in fiscal 1995 compared to fiscal 1994, which was largely the result of the expiration of a U.S. government grant.

EXPENSES

Research and development expenses increased by approximately $396,000 or 3% in fiscal 1996 compared to fiscal 1995 and increased by approximately $1.4 million or 12% in fiscal 1995 compared to fiscal 1994. The increase in fiscal

1996 was due to an increase in expenditures in the Company's joint venture with Biochem Pharma, and its technology development programs as well as additional amortization expense on the newly acquired MYCOsearch assets. These increases were partially offset by reductions in expenditures in the collaborative programs, primarily with HMRI.

The increase in fiscal 1995 was due principally to the start during 1994 of the new research program with Hoechst, the expansion and extension of the Wyeth program and the increase in activities related to the Company's proprietary programs in the area of medicinal and natural products chemistry and clinical development of TGF-(LOGO)3 for oral mucositis.

Production expenses decreased approximately $1,118,000 and $175,000 for fiscal 1996 and fiscal 1995 respectively, reflecting the sale of the Research Products Business.

Selling, general and administrative expenses decreased approximately $826,000 or 12% in fiscal 1996 compared to fiscal 1995. This decrease reflected the reduction in sales and marketing expenses due to the sale of the Research Products Business, partially offset by increases in expenses related to corporate development activities. Selling, general and administrative expenses decreased approximately $347,000 or 5% in fiscal 1995

compared to fiscal 1994. This decrease also reflected the reduction in sales and marketing expenses due to the sale of the Research Products Business, offset by increases in professional fees related to corporate development activities.

Amortization of intangibles in fiscal 1996, 1995, and 1994 represents amortization of patents and goodwill that resulted from the acquisition of the cancer diagnostics business of Applied bioTechnology. The decrease in amortization expense in fiscal 1996 is due to the portion of goodwill which was expensed in connection with the sale of the Research Products Business.

OTHER INCOME AND EXPENSE

Net investment income increased approximately $1,327,000 or 159% for fiscal 1996 compared to fiscal 1995. This increase was largely due to investment of the proceeds from the Company's public offering of common stock in April 1996. Net proceeds from the offering (along with the concurrent sale of 500,000 shares directly to BioChem Pharma) were approximately $30.3 million.

Net investment income decreased approximately $24,000 or 3% for fiscal 1995 compared to fiscal 1994. Interest income earned in fiscal 1995 was higher than in fiscal 1994 despite a lower average principal balance in fiscal 1995 due to increased interest rates. However, this was offset in part by a net realized loss on the sale of certain investments.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 1996, working capital (representing primarily cash, cash equivalents and short-term investments) aggregated approximately $47.2 million.

The Company has been, and will continue to be, dependent upon collaborative research revenues, government research grants, interest income and cash balances until products developed from its technology are commercially marketed. In April 1995, Ciba purchased 909,091 shares of the Company's common stock for an aggregate purchase price of $5.0 million. In April 1996, the Company completed a public offering of its common stock as well as the sale of 500,000 shares of common stock to BioChem Pharma that provided total net proceeds of approximately $30.3 million.

During 1995, the pharmaceutical operations of Hoechst, Hoechst Roussel and MMDI were consolidated into HMRI. The Company is aware that HMRI is conducting a review of all its research and development programs. The Company and HMRI have jointly announced that they have entered into an agreement in principle to continue their collaborative programs under one overall agreement through December 31, 2000. In accordance with the agreement in principle, HMRI is expected to provide up to $12.5 million in research funding over the term of the renewal period. The Company will receive royalties on the sale of drugs derived from the collaboration, if any. HMRI and the Company have not yet executed a new definitive overall agreement.

The Company has been pursuing serum and tissue based cancer diagnostic

products in collaboration with Becton under a collaborative program started in October 1991 (after an earlier collaboration from 1984 to 1989). During 1995, the Company and Becton agreed that Becton would narrow its focus in the program exclusively to tissue-based diagnostic tests including immunohistochemistry and the Company would continue its development program in serum-based cancer diagnostics. Accordingly, Becton reduced its funding under this program in fiscal 1996, and provided no further funding for this program after it ended on its scheduled expiration date of September 30, 1996. The Company is continuing the development of serum-based cancer diagnostic products and is in negotiations with a possible collaborative partner in this area.

The Company's collaboration with Wyeth will be concluded on December 31, 1996 in accordance with the collaborative research agreement. The Company has received approximately $1.6 million annually in research and development funding from Wyeth pursuant to this collaborative agreement. To the extent Wyeth commercializes any products derived from this collaboration, it will pay certain royalties to the Company on sales of such products, if any.

In April 1996, the Company purchased MYCOsearch, Inc., owner of a collection of fungi and actinomycetes, for approximately $1.75 million in cash and $3.4 million in common stock and warrants. On September 19, 1996, the Company acquired all of the outstanding capital stock of Aston Molecules Limited. (Aston), a privately held United Kingdom company. The consideration paid for Aston included 283,981 shares of the Company's common stock having a fair market value of approximately $2.4 million. In addition, the Company also issued rights exercisable at the end of three and five years following the closing date (for an aggregate exercise price of $7,500) to obtain a number of shares of the Company's common stock having an aggregate value of $750,000 (based on the then current market value). The present value of this additional consideration of $590,675 is reflected as deferred acquisition costs in the accompanying balance sheet as of September 30, 1996. Other direct costs of the acquisition approximated $635,000 resulting in a total acquisition cost of $3.6 million.

The Company believes that with the funding from its collaborative research programs, government research grants, interest income, and cash balances, the Company's financial resources are adequate for its operations for the foreseeable future. However, the Company's capital requirements may vary as a result of a number of factors, including competitive and technological developments, funds required for expansion of the Company's technology platform, including possible joint ventures, collaborations and acquisitions, the time and expense required to obtain governmental approval of products, and any potential indemnification payments to the purchaser of the Research Products Business, some of which factors are beyond the Company's control. The Company intends to substantially increase its expenditures and capital investment over the next several years to enhance its drug discovery technologies, pursue internal proprietary drug discovery programs, and to commit resources to new collaborative ventures, such as the new programs with Anaderm and BioChem Pharma. There can be no assurance that scheduled payments will be made by third parties, that current agreements will not be canceled, that government research grants will continue to be received at current levels or that unanticipated events requiring the expenditure of funds will not occur. Further, there can be no assurance that the Company will be able to obtain any additional required funds, or, if such funds are available, that such funds will be available on favorable terms. Failure to obtain additional funds when required would have a material adverse effect on the Company's business financial condition and result of operations.

FORWARD LOOKING STATEMENTS

A number of the matters and subject areas discussed in this Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" that are not historical or current facts deal with potential future circumstances and developments. The discussion of such matters and subject areas is qualified by the inherent risks and uncertainties surrounding future expectations generally, and such discussion may materially differ from the Company's actual future experience involving any one or more of such matters and subject areas. An example of this is the discussion in this Item 7 describing the Company's expectations with regard to renewal of its collaborative research programs with HMRI. Factors that may arise in the future that prevent the execution of a definitive overall agreement covering the Company's collaborative programs with HMRI include possible technological developments by competitors that render the compounds being pursued by HMRI and the Company less

commercially viable, shifts in strategic direction on the part of HMRI that would de-emphasize the therapeutic areas or technologies in which the Company is involved, and negative results in the Company's current programs with HMRI. The forward looking statement described above, as well as all other discussions contained herein that deal with potential future circumstances and developments, are also subject generally to other risks and uncertainties that are described from time to time in the Company's reports and registration statements filed with the Securities and Exchange Commission.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements:

<TABLE>
<CAPTION>

</TABLE>

INDEPENDENT AUDITORS' REPORT

The Stockholders
and Board of Directors
Oncogene Science, Inc.:

We have audited the accompanying consolidated balance sheets of Oncogene Science, Inc. and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended September-30, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oncogene Science, Inc. and subsidiaries at September 30, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 1996 in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Jericho, New York
December 3, 1996

ONCOGENE SCIENCE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 1996 AND 1995

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$13,409,866	$17,919,609
Short-term investments	34,132,879	8,866,957
Receivables, including trade receivables of $215,201 and $163,132 at September 30, 1996 and 1995, respectively	2,031,950	1,320,015
Interest receivable	480,050	45,263
Grants receivable	331,014	433,530
Prepaid expenses	623,827	518,150
Total current assets	51,009,586	29,103,524
Property, equipment and leasehold improvements -- net	6,495,112	5,709,515
Fungi cultures -- net	5,048,584	--
Other receivable	--	262,703
Loans to officers and employees	37,342	25,516
Other assets	300,949	325,582
Intangible assets -- net	10,645,481	8,630,581
	$73,537,054	$44,057,421
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,686,638	$ 2,825,702
Current portion of unearned revenue	141,541	150,041
Total current liabilities	3,828,179	2,975,743
Other liabilities:		
Long-term portion of unearned revenue	104,497	165,839
Loan payable	83,244	--
Deferred acquisition costs	590,675	--
Accrued postretirement benefit cost		366,203
	643,500	
Total liabilities	3,507,785	5,250,095
Stockholders' equity:		
Common stock, $.01 par value; 50,000,000 shares authorized, 22,175,214 shares issued at September 30, 1996 and 17,683,047 shares issued at September 30, 1995	221,752	176,830
Additional paid-in capital	104,347,231	66,735,375
Accumulated deficit	(36,071,476)	(26,129,341)
Cumulative translation adjustments	(5,355)	(55,669)
Unrealized holding loss on short-term investments	(205,193)	(35,000)
	68,286,959	40,692,195
Less: treasury stock, at cost; 222,521 shares at September 30, 1995	--	
Total stockholders' equity	68,286,959	40,549,636
Commitments and contingencies	$73,537,054	$44,057,421

</TABLE>

See accompanying notes to consolidated financial statements.

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ONCOGENE SCIENCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,		
	1996	1995	1994

<S>	<C>	<C>	<C>
Revenues:			
Collaborative program revenues, principally from related parties	$ 8,347,560	$ 9,685,856	$ 9,089,295
Sales	105,356	4,286,540	4,937,917
Other research revenue	1,265,521	1,892,603	2,272,277
	9,718,437	15,864,999	16,299,489
Expenses:			
Research and development	13,918,968	13,523,043	12,125,210
Production	134,529	1,252,990	1,427,981
Selling, general and administrative	6,314,697	7,140,208	7,487,090
Amortization of intangibles	1,452,755	1,696,561	1,745,163
	21,820,949	23,612,802	22,785,444
Loss from operations	(12,102,512)	(7,747,803)	(6,485,955)
Other income (expense):			
Net investment income	2,162,294	834,830	858,904
Other expense-net	(1,917)	(66,086)	(96,873)
Gain on sale of Research Products Business	--	2,720,389	--
Net loss	$(9,942,135)	$(4,258,670)	$(5,723,924)
Weighted average number of shares of common stock outstanding	19,712,274	16,757,370	16,335,000
Net loss per weighted average share of common stock outstanding	$ (.50)	$ (.25)	$ (.35)

</TABLE>

See accompanying notes to consolidated financial statements.

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ONCOGENE SCIENCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994

<TABLE>
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	COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED	CUMULATIVE TRANSLATION	UNREALIZED HOLDING LOSS ON SHORT-TERM	TREASURY
	SHARES	AMOUNT	CAPITAL	DEFICIT	ADJUSTMENT	INVESTMENTS	STOCK
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at September 30, 1993	16,551,941	$ 165,520	$61,167,618	$(16,146,747)	$ 771	$ --	$(142,559)
Options exercised	10,700	107	25,724	--	--	--	--
Issuance of common stock for employee purchase plan	2,074	20	6,328	--	--	--	--
Unrealized holding loss on short-term investments	--	--	--	--	--	(654,000)	--
Translation adjustment	--	--	--	--	(42,544)	--	--
Net loss	--	--	--	(5,723,924)	--	--	--
Balance at September 30, 1994	16,564,715	165,647	61,199,670	(21,870,671)	(41,773)	(654,000)	(142,559)
Options exercised	206,025	2,060	571,408	--	--	--	--
Issuance of common stock for employee purchase plan	3,216	32	10,523	--	--	--	--
Unrealized holding gain on short-term investments	--	--	--	--	--	619,000	--
Sale of common stock to Ciba-Geigy	909,091	9,091	4,953,774	--	--	--	--
Translation adjustment	--	--	--	--	(13,896)	--	--
Net loss	--	--	--	(4,258,670)	--	--	--
Balance at September 30, 1995	17,683,047	176,830	66,735,375	(26,129,341)	(55,669)	(35,000)	(142,559)

Options exercised.....	491,544	4,915	1,640,653	--	--	--	--
Issuance of common stock for employee purchase plan.....	3,860	39	10,214	--	--	--	--
Unrealized holding loss on short-term investments.....	--	--	--	--	--	(170,193)	--
Sale of common stock.....	3,618,750	36,188	30,293,757	--	--	--	--
Issuance of common stock and treasury stock for acquisitions.....	378,013	3,780	5,667,232	--	--	--	142,559
Translation adjustment...	--	--	--	--	50,314	--	--
Net loss.....	--	--	--	(9,942,135)	--	--	--
Balance at September 30, 1996.....	22,175,214	$ 221,752	$104,347,231	$(36,071,476)	$ (5,355)	$(205,193)	$ --

</TABLE>

See accompanying notes to consolidated financial statements.

ONCOGENE SCIENCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Cash flow from operating activities:			
Net loss.....	$(9,942,135)	$(4,258,670)	$(5,723,924)
Adjustments to reconcile net loss to net cash used in operating activities:			
Gain on sale of Research Products Business.....	--	(2,720,389)	--
(Gain) loss on sale of investments.....	(33,305)	118,141	--
Depreciation and amortization.....	1,837,873	1,037,044	1,165,809
Amortization of Fungi cultures.....	458,962	--	--
Amortization of intangibles.....	1,452,755	1,696,561	1,745,163
Foreign exchange (gain) loss.....	50,314	(13,896)	(26,649)
Changes in assets and liabilities, net of the effects of the sale of the Research Products Business and acquisitions of MYCOsearch and Aston Molecules:			
Receivables.....	(412,935)	1,605,217	114,152
Inventory.....	--	216,405	(197,570)
Interest receivable.....	(434,787)	101,959	(107,890)
Grants receivable.....	102,516	226,091	105,895
Prepaid expenses.....	(105,677)	(196,491)	(98,068)
Other receivable.....	262,703	162,817	92,090
Other assets.....	41,051	(234,378)	23,863
Accounts payable and accrued expenses.....	391,857	(586,276)	232,439
Unearned revenue.....	(69,842)	(358,092)	415,972
Accrued postretirement benefit cost.....	277,297	177,760	78,568
Net cash used by operating activities.....	(6,123,353)	(3,026,197)	(2,180,150)
Cash flows from investing activities:			
Additions to short-term investments.....	(37,216,936)	(3,723,180)	(5,918,880)
Maturities and sales of short-term investments.....	11,814,126	13,192,665	9,135,823
Additions to property, equipment and leasehold improvements.....	(2,421,040)	(403,275)	(1,512,543)
Payments for acquisition of MYCOsearch.....	(1,889,960)	--	--
Payments for acquisition of Aston Molecules.....	(635,441)	--	--
Net change in loans to officers and employees	(11,826)	10,400	(40,258)
Proceeds from sale of Research Products Business.....	--	6,000,000	--
Other.....	--	--	(15,897)
Net cash provided by (used in) investing activities.....	(30,361,077)	15,076,610	1,648,245
Cash flows from financing activities:			
Proceeds from issuance of common stock, net	30,329,945	4,962,865	--
Proceeds from exercise of stock options and employee stock stock purchase plan.....	1,655,821	584,023	32,180
Repayment of loan payable.....	(11,079)	--	--

Net cash provided by financing activities	31,974,687	5,546,888	32,180
Net increase (decrease) in cash and cash equivalents	(4,509,743)	17,597,301	(499,725)
Cash and cash equivalents at beginning of year	17,919,609	322,308	822,033
Cash and cash equivalents at end of year	$13,409,866	$17,919,609	$ 322,308
Non-cash investing activities:			
Issuance of common stock, treasury stock and warrants for acquisition of MYCOsearch and Aston Molecules	$ 5,816,736	--	--
Liabilities assumed from acquisition of MYCOsearch and AstonMolecules	$ 563,402	--	--
Deferred purchase obligation incurred for acquisition of Aston Molecules	$ 590,675	--	--

</TABLE>

See accompanying notes to consolidated financial statements.

ONCOGENE SCIENCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Oncogene Science, Inc. and its wholly-owned subsidiaries Applied bioTechnology, Inc., MYCOsearch Inc., Aston Molecules, Inc., and Oncogene Science S.A. All intercompany balances and transactions have been eliminated. The Company is engaged in the research and development of biopharmaceutical products for the treatment and diagnosis of cancer, cardiovascular and other human diseases associated with abnormalities of cell growth and control.

(b) Revenue Recognition

Collaborative research revenues represent funding arrangements for the conduct of research and development ("R&D") in the field of biotechnology and are recognized when earned in accordance with the terms of the contracts and the related development activities undertaken. Other research revenues are recognized pursuant to the terms of grants which provide reimbursement of certain expenses related to the Company's other R&D activities. Collaborative and other research revenues are accrued for expenses incurred in advance of the reimbursement and deferred for cash payments received in advance of expenditures. Such deferred revenues are recorded as revenue when earned. (See Note 5)

Revenue from the sale of diagnostic and research reagent products is recognized at time of shipment.

(c) Patents and Goodwill

As a result of the Company's research and development programs, including programs funded pursuant to the research and development funding agreements (See Note 5), the Company has applied for a number of patents in the United States and abroad. Such patent rights are of significant importance to the Company to protect products and processes developed. Costs incurred in connection with patent applications for the Company's research and development programs have been expensed as incurred.

Patents and goodwill acquired in connection with the acquisition of Applied bioTechnology's cancer business in October 1991 have been capitalized and are being amortized on a straight-line basis over the remaining lives of the respective patents, and over five years for goodwill. The goodwill acquired in connection with the acquisition of Aston Molecules, Ltd. in September 1996 is being amortized over five years (See Note 2). The Company continually evaluates the recoverability of its intangible assets by assessing whether the unamortized value can be recovered through expected future results.

(d) Research and Development Costs

Research and development costs are charged to operations as incurred and include direct costs of research scientists and equipment and an allocation of

laboratory facility and central service. In fiscal years 1996, 1995, and 1994, R&D activities include approximately $6,365,000, $5,696,000 and $3,516,000 of independent R&D, respectively. Independent R&D represents those research and development activities, including research and development activities funded by government research grants, substantially all the rights to which the Company will retain. The balance of research and development represents expenses under the collaborative agreements with Pfizer Inc. (Pfizer), Becton Dickinson and Co.(Becton), Wyeth-Ayerst, a division of American Home Products (Wyeth), Marion Merrell Dow Inc. (Marion), Hoechst AG, Hoechst-Roussel Pharmaceuticals, Inc. (Hoechst Roussel), BioChem Pharma International, Inc. (BioChem Pharma), and Ciba-Geigy, Ltd. (Ciba). On July 18, 1995, Marion, Hoechst AG and Hoechst-Roussel merged forming a new company named Hoechst Marion Roussel Inc. (HMRI).

(e) Depreciation and Amortization

Depreciation of equipment is provided over the estimated useful lives of the respective asset groups on a straight-line basis. Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful lives or the remaining term of their lease.

Amortization of the fungi cultures acquired in connection with the acquisition of MYCOsearch, Inc. (See Note 2) is on a straight line base over five years, which represents the estimated period over which the fungi cultures will be used in the Company's R&D efforts.

(f) Income Taxes

Effective October 1, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). SFAS No. 109 requires that the Company recognize deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under SFAS No. 109, deferred tax liabilities and assets are determined on the basis of the difference between the tax basis of assets and liabilities and their respective financial reporting amounts ("temporary differences") at enacted tax rates in effect for the years in which the differences are expected to reverse.

The adoption of SFAS No. 109 did not have any impact on the financial position or results of operations of the Company. The Company, in years prior to fiscal 1994, accounted for income taxes in accordance with Accounting Principles Board Opinion No. 11, "Accounting for Income Taxes."

(g) Investments

The Company adopted SFAS No. 115, "Accounting for Investments in Certain Debt and Equity Securities," (SFAS No. 115) as of October 1, 1993. SFAS No. 115 requires securities classified as available for sale to be recorded at estimated fair value. The Company's short-term investments, which include U.S. Treasury obligations and corporate debt securities with original maturities in excess of one year, are classified as securities available for sale based upon management's current investment policy. Such investments, prior to the adoption of SFAS No. 115, were recorded at the lower of cost or estimated market value with aggregate declines in market value below amortized cost charged against earnings. Under SFAS No. 115, changes in the net unrealized gains or losses of available for sale securities are reported as a separate component in stockholders' equity. The adoption of SFAS No. 115 had no material impact on the Company's financial position.

(h) Loss Per Share

Loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding. Common share equivalents (stock options) are not included in the computation since their inclusion would be anti-dilutive.

(i) Cash and Cash Equivalents

The Company includes as cash equivalents reverse repurchase agreements,

treasury bills, and other time deposits with original maturities of three months or less.

(j) Use of Estimates

Management of the Company has made a number of estimates and assumptions relative to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated

financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(2) ACQUISITIONS

(a) MYCOsearch, Inc.

On April 11, 1996, the Company acquired all the outstanding shares of MYCOsearch, Inc., a privately owned company, that specializes in the collection of fungi cultures and the development of extracts derived therefrom. On the date of the acquisition, MYCOsearch became a wholly-owned subsidiary of the Company. Prior to the acquisition, the Company had purchased extracts and certain services from MYCOsearch. Such expenses totaled $301,000, and $571,000, in fiscal 1996 (through April 11, 1996) and fiscal 1995, respectively, which are included in research and development expenses in the accompanying consolidated statements of operations.

The purchase price paid by the Company to the shareholders of MYCOsearch consisted of $1.75 million in cash, $2.95 million in common stock of the Company (316,553 shares at $9.319 per share, of which 222,521 shares represented the reissuance of shares held in treasury), and warrants to purchase 100,000 shares of the Company's stock at $9.319 per share, valued at $483,000. The warrants are exercisable for a three-year period starting on April 11, 1998. The Company also incurred other direct costs totaling approximately $137,000 in connection with the acquisition resulting in a total purchase price of $5.3 million.

The acquisition has been accounted for using the purchase method of accounting, and, accordingly, the purchase price has been allocated to the assets purchased and the liabilities assumed based on the fair values at the date of acquisition. The purchase price was allocated as follows (in thousands):

<TABLE>

<S>	<C>
Fungi cultures	$5,508
Fixed assets	21
Other assets	16
Other liabilities	(225)
Purchase price	$5,320

</TABLE>

The fungi cultures contain natural chemical structures that will be tested against target proteins using the Company's drug screens. The Company will amortize the fungi cultures on a straight-line basis over a five-year period and will continually evaluate the recoverability of this asset based on the results of its testing. Amortization of the fungi cultures totaling $459,000 is reflected as research and development expense in the accompanying consolidated statement of operations for the year ended September 30, 1996.

(b) Aston Molecules, Ltd.

On September 19, 1996, the Company completed the acquisition of all the outstanding capital stock of Aston Molecules Ltd. (Aston), a privately held United Kingdom company. On the date of the acquisition, Aston became a wholly-owned subsidiary of the Company. Its operations and personnel will be maintained at its present site in Birmingham, UK.

The consideration paid for Aston included 283,981 shares of the Company's common stock having a fair market value of approximately $2.4 million. In

addition, the Company also issued rights exercisable at the end of three and five years following the closing date (for an aggregate exercise price of $7,500) to obtain a number of shares of the Company's common stock having an aggregate value of $750,000 (based on the then current market value). The present value of this additional consideration of $590,675 is reflected as deferred acquisition costs in the accompanying consolidated balance sheet as of September 30, 1996. Other direct costs of the acquisition approximated $635,000 resulting in a total acquisition cost of $3.6 million.

The acquisition has been accounted for using the purchase method of accounting, and, accordingly, the purchase price has been allocated to the assets purchased and the liabilities assumed based on the fair values at the date of acquisition. The purchase price was allocated as follows (in thousands):

<TABLE>

<S>	<C>
Goodwill	$3,468
Fixed assets	181
Other assets	299
Other liabilities	(338)
Purchase price	$3,610

</TABLE>

The goodwill resulting from the acquisition will be amortized on a straight-line basis over a five year period. Prior to the acquisition, the Company purchased certain chemistry services from Aston. Such expenses totaled $879,000, and $302,000 in fiscal 1996 (through September 19, 1996) and fiscal 1995, respectively, which are included in research and development expenses in the accompanying consolidated statements of operations.

Concurrent with the acquisition, the Company entered into employment agreements with certain of Aston's executives and scientific personnel and granted stock options covering an aggregate of 125,000 shares of its common stock to such persons. The exercise price of $8.51 per share was based on the fair market value of the Company's stock on the date of the grant.

(c) Pro Forma Information (Unaudited)

The operating results of MYCOsearch and Aston have been included in the consolidated statements of operations from the respective dates of the acquisitions. The following unaudited pro form information presents a summary of consolidated results of operations for the years ended September 30, 1996 and 1995 assuming the acquisitions had taken place as of October 1, 1995 and 1994, respectively.

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Revenues	$10,566,000	$17,130,000
Net loss	(12,108,000)	(6,213,000)
Net loss per share	(.61)	(.36)

</TABLE>

The pro forma results give effect to the amortization of the fungi cultures and goodwill; elimination of intercompany sales; reduction of investment income; and an increase in the number of common shares outstanding. The pro forma financial information is not necessarily indicative of the results of operations as they would have been had the acquisitions been affected on the assumed dates.

(3) INVESTMENTS

The Company invests its excess cash in U.S. Government securities and debt instruments of financial institutions and corporations with strong credit ratings. The Company has established guidelines relative to diversification of its investments and their maturities that should maintain safety and liquidity.

These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates. The Company uses the specific identification method to determine the cost of securities sold.

The following is a summary of available-for-sale securities as of September 30, 1996 and 1995:

<TABLE>
<CAPTION>

1996	COST	GROSS UNREALIZED (LOSSES) GAINS	FAIR VALUE
<S>	<C>	<C>	<C>
US Treasury Securities and obligations of US Government agencies	$22,212,207	$ (218,842)	$21,993,365
Corporate debt securities	12,125,865	13,649	12,139,514
Total	$34,338,072	$ (205,193)	$34,132,879

</TABLE>

<TABLE>
<CAPTION>

1995	COST	GROSS UNREALIZED (LOSSES) GAINS	FAIR VALUE
<S>	<C>	<C>	<C>
US Treasury Securities and obligations of US Government agencies	$6,232,027	$ (85,942)	$ 6,146,085
Corporate debt securities	2,669,930	50,942	2,720,872
Total	$8,901,957	$ (35,000)	$ 8,866,957

</TABLE>

Net realized gains on sales of investments during fiscal 1996 were approximately $33,000. Net realized losses on sales of investments during fiscal 1995 were approximately $118,000. The Company did not realize any significant gains or losses on the sale of its investments during fiscal year 1994.

(4) SALE OF RESEARCH PRODUCTS BUSINESS

In August 1995, the Company sold certain assets and the business of the Research Products Business (Business) to Calbiochem-Novabiochem International, Inc. (Calbiochem) for $6.0 million in cash. The assets sold included the Business' line of research products sold or intended for sale to the academic, industrial and clinical research markets, existing inventory, property and equipment and certain other assets. The Company retained the trade accounts receivable and accounts payable outstanding on the date of sale. In connection with the sale, the Company wrote off the unamortized goodwill related to the Business of approximately $343,000. The sale resulted in a net gain of approximately $2.7 million. In the sale agreement, the Company agreed to indemnify the purchase for a period of two years for certain breaches of the agreement.

The Company also signed a sublease agreement with Calbiochem relating to the Cambridge facility for a term of three years, at an annual payment equal to 50% of the Company's fixed lease payment and related facility costs, plus certain operating costs. Payments from Calbiochem totaling $417,000 and $0 for the years ended September 30, 1996 and 1995, respectively, have been reflected as an offset to selling, general and administrative expenses in the accompanying consolidated statements of operations.

(5) PRODUCT DEVELOPMENT CONTRACTS

(a) Pfizer

Effective April 1, 1996, the Company and Pfizer renewed their ten-year-old collaboration for a new five-year term by entering into new Collaborative

Research and License Agreements. Under these agreements, all patent rights and patentable inventions derived from the research under this collaboration are owned jointly by the Company and Pfizer. Under the collaborative research agreement, Pfizer has committed to provide research funding to the Company in an aggregate amount of approximately $18.8 million. Pursuant to a schedule set forth in the collaborative research agreement, Pfizer will make maximum annual research funding payments to the Company, which will gradually increase from approximately $3.5 million in the first year of the five-year term to approximately $4 million in the fifth year. The collaborative research agreement will expire on April 1, 2001. However, it may be terminated earlier by either party upon the occurrence of

certain defaults by the other party. Any termination of the collaboration resulting from a Pfizer default will cause a termination of Pfizer's license rights. Pfizer will retain its license rights if it terminates the agreement in response to a default by the Company. In addition, between July 1 and September 30, 1998, Pfizer may terminate the collaborative research agreement, with or without cause, effective March 31, 1999. Furthermore, between July 1 and September 30, 1999, Pfizer may terminate the collaborative research agreement, with or without cause, effective March 31, 2000. Upon such early termination by Pfizer, Pfizer will retain its license rights. The Company also granted Pfizer an exclusive, worldwide license to make, use, and sell the therapeutic products resulting from this collaboration in exchange for royalty payments. This license terminates on the date of the last to expire of the Company's relevant patent rights.

(b) Hoechst Marion Roussel

Effective January 1, 1993, the Company and Marion entered into a collaborative research and license agreement to identify and develop transcription-based drugs to treat certain indications in the area of cardiovascular disease. The agreement provided for payments to the Company of $11 million in research funding and license fees over a five year period through December 31, 1997. Marion also invested $6 million in common stock (See Note 9(c)). The payments with respect to 1997 and 1996 are being consolidated into a proposed new research agreement with HMRI.

In January 1993, the Company and Hoechst AG entered into a collaborative research agreement to jointly develop gene transcription-based drugs to treat certain indications in the areas of inflammation, viral infection and metabolic diseases. In April 1994, the Company and Hoechst-Roussel, a unit of Hoechst AG, entered into a collaborative agreement to discover and develop gene transcription-based drugs to treat Alzheimer's disease.

In July 1995, Marion was acquired by an affiliate of Hoechst AG and with Hoechst Roussel, merged into one entity, HMRI. All of the Company's collaborative agreements with Marion, Hoechst AG and Hoechst-Roussel have continued under HMRI. The Company expects the related programs to continue under one overall agreement in the future.

(c) Ciba-Geigy

In April 1995, the Company entered into an agreement with Ciba to expand the scope of the companies' collaborative efforts with respect to the development of TGF-Beta 3 for the treatment of oral mucositis and other indications. Under the agreement, the Company will fund development through Phase I clinical trials and Ciba will fund Phase II and III clinical trials. Ciba will pay the Company $10 million if, and at the time, it decides to initiate Phase IIB or III clinical trials or, at the option of Ciba, within four years of the agreement date. The payment will be characterized, at Ciba's option, as a milestone payment or a purchase of the Company's common stock at the higher of $5.50 per share or the then current market price. In exchange for such payment, Ciba's license will be expanded to include all other indications for TGF-Beta 3.

(d) Becton Dickinson

On October 4, 1991, the Company and Becton established a collaborative research program to develop cancer diagnostic products. The Company and Becton

shared equally the cost of discovery phase and pre-clinical research and development. This collaborative research program expired on September 30, 1996 and was not renewed. To the extent Becton commercializes any products derived from this program, it will pay certain royalties to the Company on sales of such products, if any.

(e) Wyeth-Ayerst

Effective December 31, 1991, the Company entered into a collaborative research agreement with Wyeth. This agreement was extended and expanded in January 1994 for an additional 3 years through December 31, 1996 to provide for additional funding of approximately $4.3 million. The Company receives approximately $1.6 million annually in research and development funding from Wyeth pursuant to this collaborative agreement. The Company anticipates that the research collaboration will expire on December 31, 1996 and not be extended. To the extent Wyeth commercializes any products derived from this collaboration, it will pay certain royalties to the Company on sales of such products, if any.

(f) Anaderm Research

In April 1996, in connection with the formation of Anaderm Research Corp., (Anaderm), the Company entered into a Stockholders' Agreement (Stockholders' Agreement) among the Company, Pfizer, Anaderm, New York University (NYU) and certain NYU faculty members (Faculty Members), and a Collaborative Research Agreement (Research Agreement) among the Company, Pfizer and Anaderm. Anaderm issued common stock to Pfizer and the Company and options to purchase common stock to NYU and the Faculty Members. NYU and the Faculty Members have exercised their options fully, and Pfizer holds 82%, the Company holds 14%, and NYU and the Faculty Members collectively hold 4% of Anaderm's common stock. In exchange for its 14% of the outstanding shares of Anaderm common stock, the Company will provide formatting for high-throughput screens and will conduct compound screening for 18 months at its own expense under the Research Agreement. The term of the Research Agreement is three years. During the initial phase of the agreement (the first 18 months) the Company is required to provide at its own cost formatting for high throughput screens and perform screening of its own compounds and those compounds provided by Pfizer. Upon the termination of the initial phase, the Board of Directors of Anaderm will make a determination as to whether the initial phase was successfully completed. If the board determines that the initial phase was unsuccessful, the Research Agreement will then terminate. If the board, with Pfizer's approval, determines the initial phase was successful, then the funded phase will commence and will continue for the term of the Research Agreement. During this phase, Anaderm will make payments to the Company equal to its research costs, including overhead, plus 10%. Anaderm or Pfizer will pay royalties to the Company on the sales of products resulting from this collaboration.

The estimated total cost of the initial Phase is approximately $1.8 million. As of September 30, 1996, the Company has expended approximately $329,000 on the initial phase. This cost has been capitalized as the cost of the Company's 14% interest in Anaderm. This capitalized cost has been offset by the Company's interest in the loss of Anaderm as of September 30, 1996 of approximately $193,000. The Company's net investment in Anaderm at September 30, 1996 of $136,000 is included in other assets in the accompanying consolidated balance sheet.

(g) BioChem Pharma

Effective May 1, 1996, the Company entered into a Collaborative Research, Development and Commercialization Agreement with BioChem Pharma. Under this agreement, the parties will seek to discover and develop antiviral drugs for the treatment of Hepatitis C virus and HIV, although the focus of the collaborative efforts may change at the discretion of a joint steering committee. This agreement provides that the Company and BioChem Pharma will jointly commit resources to the collaborative program. The Company and BioChem Pharma will share equally the commercialization rights in the U.S. and Europe for any product resulting from the collaboration. BioChem Pharma will exclusively own commercialization rights in Canada. The agreement is for a term of five years, with automatic, successive one-year renewal periods thereafter. After May 1, 1999, however, either party may terminate the agreement by giving the other

party six-months

prior written notice. The agreement is also subject to early termination in the event of certain defaults by either party.

(h) Other

Under the terms of aforementioned collaborative research agreements, the collaborative partners will pay the Company royalties ranging from 2% to 10% of net sales of products resulting from these research programs. To date, the Company has not received any royalties pursuant to these agreements. The Company or its collaborative partners may terminate each of the collaborative research programs upon the occurrence of certain events.

The Company does not intend to conduct late-stage clinical trials, manufacturing or marketing activities with respect to any of its product candidates in the foreseeable future. The Company is dependent on the companies with which it collaborates for the preclinical testing, clinical development, regulatory approval, manufacturing and marketing of potential products developed under its collaborative research programs. The Company's collaborative agreements allow its collaborative partners significant discretion in electing to pursue or not to pursue any of these activities. The Company cannot control the amount and timing of resources its collaborative partners devote to the Company's programs or potential products. If any of the Company's collaborative partners were to breach or terminate its agreements with the Company or otherwise fail to conduct its collaborative activities successfully in a timely manner, the preclinical or clinical development or commercialization of product candidates or research programs could be delayed or terminated. Any such delay or termination could have a material adverse effect on the Company's business, financial condition and results of operations.

Total collaborative research revenues under the aforementioned agreements are as follows:

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,		
	1996	>1995	1994
<S>	<C>	<C>	<C>
Related Parties:			
Pfizer	$3,208,077	$3,505,427	$3,373,573
HMRI	2,439,358	3,405,335	3,026,532
Becton	1,150,125	1,400,094	1,392,314
Total Related Parties	6,797,560	8,310,856	7,792,419
Wyeth	1,550,000	1,375,000	1,296,876
Total	$8,347,560	$9,685,856	$9,089,295

</TABLE>

(6) PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements are recorded at cost and consist of the following:

<TABLE>
<CAPTION>

	ESTIMATED	SEPTEMBER 30,

	LIFE (YEARS)	1996	1995
<S>	<C>	<C>	<C>
Laboratory equipment	5-15	$8,079,536	$6,765,012
Office furniture and equipment	5-10	2,357,247	1,622,524
Automobile equipment	3	35,954	12,697
Leasehold improvements	Life of lease	4,879,814	4,176,290
		15,352,551	12,576,523
Less: accumulated depreciation and amortization		8,857,439	6,867,008
Net property, equipment and leasehold improvements		$6,495,112	$5,709,515

</TABLE>

(7) INTANGIBLE ASSETS

The components of intangible assets are as follows:

<TABLE>
<CAPTION>

	SEPTEMBER 30,	
	1996	1995
<S>	<C>	<C>
Patents	$ 7,177,825	$7,945,038
Goodwill	3,467,656	685,543
	$10,645,481	$8,630,581

</TABLE>

The above amounts reflect accumulated amortization of $7,260,874 and $5,808,119 at September 30, 1996 and 1995, respectively. During fiscal 1996, goodwill increased $3,467,656 in connection with the acquisition of Aston Molecules, Ltd. (See Note 2). As of September 30, 1996, the goodwill related to the acquisition of Applied bioTechnology has been fully amortized.

(8) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at September 30, 1996 and 1995 are comprised of:

<TABLE>
<CAPTION>

	SEPTEMBER 30,	
	1996	1995
<S>	<C>	<C>
Accounts payable	$2,081,031	$1,497,601
Accrued future lease escalations	417,614	355,516
Accrued payroll and employee benefits	462,958	243,073
Accrued incentive compensation	285,370	424,705
Accrued expenses	439,665	304,807
	$3,686,638	$2,825,702

</TABLE>

(9) STOCKHOLDERS' EQUITY

(a) Stock Offering

In April 1996, the Company completed a public offering for 3,118,750 shares

of common stock. The sale price was $9.125 per share. Concurrent with the public offering, the Company sold 500,000 shares at $9.125 per share directly to BioChem Pharma. The proceeds to the Company from these sales, net of underwriting commissions and other costs, were approximately $30.3 million. The net proceeds were added to the Company's general funds and are to be used for research and development expenses, including funds for enhancing the Company's drug discovery technologies, and for general corporate purposes.

(b) Stock Option Plans

The Company has established three stock option plans for its employees, officers, directors and consultants. The Plans are administered by the Compensation Committee of the Board of Directors, which may grant either non-qualified or incentive stock options. The Committee determines the exercise price and vesting schedule at the time the option is granted. Options vest over various periods and may expire no later than 10 years from date of grant. The total authorized shares under these plans is 3,400,000.

The following table summarizes changes in the number of common shares subject to options in the stock option plans:

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30		
	1996	1995	1994
<S>	<C>	<C>	<C>
Beginning of year	2,021,279	2,048,325	1,644,945
Granted -- $7.88 to $9.32 per share in 1996; $3.50 to $4.13 per share in 1995; $4.00 to $4.75 per share in 1994;	776,000	803,000	475,500
Exercised	(491,544)	(206,025)	(10,700)
Canceled	(87,678)	(624,021)	(61,420)
End of year -- $1.75 to $9.32 per share	2,218,057	2,021,279	2,048,325
Exercisable	872,513	952,883	1,081,874

</TABLE>

At September 30, 1996, the Company has reserved 2,218,057 shares of its authorized common stock for all shares issuable under option.

On March 22, 1995, the Company granted the right to current option holders to surrender their current options in exchange for replacement options on the basis of three replacement options for four options surrendered. The exercise price of the replacement options was $3.50 per share, which was greater than the market price on the date of exchange. The replacement options vested 25% upon grant with the remaining 75% vesting pro rata on a monthly basis over the following three years. Option holders surrendered 606,000 options in exchange for 454,500 replacement options.

(c) Sale of Common Stock and Warrant to Marion Merrell Dow

In December 1992, the Company entered into the common stock purchase and common stock warrant purchase agreements with Marion. The Company issued 1,090,909 shares of common stock at $5.50 per share and a warrant to purchase up to 500,000 additional shares at $5.50 per share which is exercisable during the period December 1994 to December 1999. The proceeds to the Company were $6 million.

(d) Sale of Common Stock to Ciba-Geigy

On April 19, 1995, Ciba purchased 909,091 shares of the Company's common stock at $5.50 per share for an aggregate purchase price of $5 million.

(e) Employee Stock Purchase Plan

On May 1, 1993, the Company adopted an Employee Stock Purchase Plan under which eligible employees may contribute up to 10% of their base earnings toward the quarterly purchase of the Company's common stock. The employees purchase price is derived from a formula based on the fair market value of the common stock. No compensation expense is recorded in connection with the plan. During fiscal 1996, 1995 and 1994, 3,860, 3,216 and 2,074 shares were issued with 34, 18 and 13 employees participating in the plan, respectively.

(10) INCOME TAXES

There is no provision (benefit) for federal or state income taxes, since the Company has incurred operating losses since inception and has established a valuation allowance equal to the total deferred tax asset.

The tax effect of temporary differences, net operating loss carry forwards and research and development tax credit carry forwards as of September 30, 1996 and 1995 are as follows:

<TABLE>
<CAPTION>

	SEPTEMBER 30	
	1996	1995
<S>	<C>	<C>
Deferred tax assets:		
Net operating loss carry forwards	$12,252,652	$ 8,122,444
Research and development credits	792,980	554,838
Intangible assets	1,028,148	1,274,336
Other	678,849	469,396
	14,752,629	10,421,014
Valuation allowance	(14,752,629)	(10,421,014)
	$ --	$ --

</TABLE>

As of September 30, 1996, the Company has available federal net operating loss carry forwards of approximately $36 million which will expire in various years from 1999 to 2011, and may be subject to certain annual limitations. The Company's research and development tax credit carry forwards noted above expire in various years through from 1999 to 2011.

(11) COMMITMENTS AND CONTINGENCIES

(a) Lease Commitments

The Company leases office, operating and laboratory space under various lease agreements.

Rent expense was approximately $727,000, $750,000, and $743,000, for the fiscal years ended September 30, 1996, 1995, and 1994, respectively.

The following is a schedule by fiscal years of future minimum rental payments required as of September 30, 1996, assuming expiration of the lease for the Uniondale facility on June 30, 2006, the Cambridge facility on December 31, 2003, the Durham facility on October 31, 2004, and the Birmingham facility on April 30, 2000.

<TABLE>

<S>	<C>
1997	$ 867,489
1998	860,358
1999	881,046
2000	882,084
2001	816,678
2002 and thereafter	3,233,196

	$7,540,851
	==========

</TABLE>

(b) Contingencies

The Company has received several letters from other companies and universities advising the Company that various products being marketed and research being conducted by the Company may be infringing on existing patents of such entities. These matters are presently under review by management and outside counsel for the Company. Where valid patents of other parties are found by the Company to be in place, management will consider entering into licensing arrangements with the universities and/or other companies or modify the conduct of its research. The Company's royalties may be reduced by up to 50% if its licensees or collaborative partners are required to obtain licenses from third parties whose patent rights are infringed by the Company's products, technology or operations. Management believes that the ultimate outcome of these matters will not have a material adverse effect on the financial position of the Company.

(12) RELATED PARTY TRANSACTIONS

Effective January 1, 1993, the Company compensates its independent outside directors on a $1,000 retainer per month. This amount increased to $1,500 effective January 1, 1995. For the years ended September 30, 1996, 1995 and 1994, such fees amounted to $108,000, $99,000, and $66,000, respectively. The Company also has compensated four directors for consulting services performed. Two directors have consulting agreements, the other two were paid on a per diem basis. For the years ended September 30, 1996, 1995 and 1994, consulting services in the amounts of $100,000, $90,000 and $85,000 respectively, were paid by the Company pursuant to these arrangements.

One director is a partner in a law firm which represents the Company on its patent and license matters. Fees paid to this firm for the years ended September 30, 1996, 1995 and 1994 were approximately $413,000, $260,000 and $372,000, respectively.

(13) EMPLOYEE SAVINGS AND INVESTMENT PLAN

The Company sponsors an Employee Savings and Investment Plan under Section 401(k) of the Internal Revenue Code. The plan allows employees to defer from 2% to 10% of their income on a pre-tax basis through contributions into designated investment funds. For each dollar the employee invests up to 6% of his or her earnings, the Company will contribute an additional 50 cents into the funds. For the years ended September 30, 1996, 1995, and 1994, the Company's expenses related to the plan were approximately $164,000, $180,000, and $168,000 respectively.

(14) EMPLOYEE RETIREMENT PLAN

On November 10, 1992, the Company adopted a plan which provides postretirement medical and life insurance benefits to eligible employees, board members and qualified dependents. Eligibility is determined based on age and service requirements. These benefits are subject to deductibles, co-payment provisions and other limitations.

The Company utilizes SFAS No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions" to account for the benefits to be provided by the plan. Under SFAS No. 106 the cost of post retirement medical and life insurance benefits is accrued over the active service periods of employees to the date they attain full eligibility for such benefits. As permitted by SFAS No. 106, the Company elected to amortize over a 20 year period the accumulated postretirement benefit obligation related to prior service costs.

Net postretirement benefit cost for the years ended September 30, 1996, 1995 and 1994 includes the following components:

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Service cost for benefits earned during the period $161,800...	$ 107,175	$ 65,830
Interest cost on accumulated postretirement benefit obligation 89,300...	47,181	15,591
Amortization of unrecognized net loss (gain) 18,700.....	5,855	(20,402)
Amortization of initial benefits attributable to past service 17,500...	17,549	17,549
Net postretirement benefit cost $287,300...	$ 177,760	$ 78,568

</TABLE>

The accrued postretirement benefit cost at September 30, 1996 and 1995 were as follows:

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Accumulated postretirement benefit obligation-fully eligible active plan participants...	$1,306,300	$ 790,437
Unrecognized cumulative net loss...	(377,600)	(121,517)
Unrecognized transition obligation...	(285,200)	(302,717)
Accrued postretirement benefit cost...	$ 643,500	$ 366,203

</TABLE>

The accumulated postretirement benefit obligation was determined using a discount rate of 8 percent in 1996 and 7.5 percent in 1995 and a health care cost trend rate of approximately 9 percent in 1996, decreasing down to 5 percent in year 2000. Increasing the assumed health care cost trend rates by one percentage point in each year and holding all other assumptions constant would increase the accumulated postretirement benefit obligation as of September 30, 1996 by approximately $233,000 and the net postretirement benefit cost by approximately $55,000.

(15) NEW ACCOUNTING PRONOUNCEMENTS

In March 1995, Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" was issued which establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used and for long-lived assets and certain intangibles to be disposed of. SFAS No. 121 requires that long-lived assets and certain intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying

amount of the asset may not be recoverable. SFAS No. 121 must be implemented no later than fiscal 1997. The adoption of SFAS No. 121 is not expected to have material impact on the Company's consolidated financial position or operating results.

In October 1995, SFAS No. 123, "Accounting for Stock-Based Compensation", was issued which establishes financial accounting and reporting standards for stock-based employee compensation plans. SFAS No. 123 defines a fair value based method of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, SFAS No. 123 would permit the Company to continue to measure compensation costs for its stock option plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees". If the Company elected to remain with its current accounting, the Company must make pro forma disclosures of net income and earnings (loss) per share as if the fair value based method of accounting had been applied. SFAS No. 123 must be implemented no later than

fiscal 1997. The Company has not yet determined the valuation method it will employ or the effect on operating results of implementing SFAS No. 123.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

The information required by this item is incorporated by reference to the similarly named section of the Registrant's Proxy Statement for its 1997 Annual Meeting to be filed with the Securities and Exchange Commission not later than 120 days after September 30, 1996. (The "1997 Proxy")

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the similarly named section of the Registrant's 1997 Proxy.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to the similarly named section of the Registrant's 1997 Proxy.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the similarly named section of the Registrant's 1997 Proxy.

PART IV

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

(a) (1) The following consolidated financial statements are included in Part II, Item 8 of this report:

Consolidated Balance Sheets
Consolidated Statements of Operations
Consolidated Statements of Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

(2) All schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

(3) The exhibits listed in the Exhibit Index on pages 48 and 49 hereof are attached hereto or incorporated herein by reference and filed as a part of this report.

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ONCOGENE SCIENCE, INC.

By: /s/ GARY E. FRASHIER

Gary E. Frashier
Chief Executive Officer

December 23, 1996

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

<TABLE>
<CAPTION>

SIGNATURE	TITLE(S)	DATE
<C>	<S>	<C>
/s/ GARY E. FRASHIER Gary E. Frashier	Chief Executive Officer and Director	December 23, 1996
Steven M. Peltzman	President and Director	
/s/ ROBERT L. VAN NOSTRAND Robert L. Van Nostrand	Vice President and Administration (Principal Financial Officer	December 23, 1996
/s/ EDWIN A. GEE, PH.D Edwin A. Gee, Ph.D	Director	December 23, 1996
/s/ G. MORGAN BROWNE G. Morgan Browne	Director	December 23, 1996
/s/ JOHN H. FRENCH, II John H. French, II	Director	December 23, 1996
/s/ DARRYL GRANNER M.D. Darryl Granner M.D.	Director	December 23, 1996
/s/ WALTER M. LOVENBERG, PH.D. Walter M. Lovenberg, Ph.D.	Director	December 23, 1996
/s/ GARY TAKATA Gary Takata	Director	December 23, 1996
/s/ JOHN P. WHITE John P. White, Esquire	Director	December 23, 1996

</TABLE>

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

EXHIBITS		
<C>	<C>	<S>
3.2	--	Certificate of Incorporation, as amended (1)
3.2	--	Bylaws, as amended (1)
10.1	--	1985 Stock Option Plan (filed as an exhibit to the Company's registration statement on Form S-1 (file no. 33-3148) and incorporated herein by reference)
10.2	--	1989 Incentive and Non-Qualified Stock Option Plan (filed as an exhibit to the Company's registration statement on Form S-8 (file no. 33-38443) and incorporated herein by reference)
10.3*	--	1993 Incentive and Non-Qualified Stock Option Plan, as amended
10.4	--	1993 Employee Stock Purchase Plan (filed as an exhibit to the Company's registration statement on Form S-8 (file no. 33-60182) and incorporated herein by

reference)
10.5* -- Employment Agreement dated as of February 9, 1990 between the Company and Gary E. Frashier
10.6* -- Employment Agreement dated as of August 27, 1991 between the Company and Steven M. Peltzman, which is substantially identical in all material respects to the Employment Agreement dated as of April 28, 1993 between the Company and Colin Goddard, Ph.D.
10.7 -- Agreement dated as of February 18, 1987 between The University of Massachusetts and Applied bioTechnology, Inc. (2)
10.8 -- Letter Agreement dated October 1, 1991 among AbT Acquisition Corp., the Company and E. I. duPont de Nemours and Company(2)
10.9*+ -- Agreement dated September 27, 1996 between the Company and Becton, Dickinson and Company
10.10+ -- Collaborative research Agreement dated April 1, 1996 between the Company and Pfizer Inc. (3)
10.11+ -- License Agreement dated April 1, 1996 between the Company and Pfizer Inc. (3)
10.12+ -- Stockholders' Agreement dated April 23, 1996 among Anaderm Research Corp., the Company, Pfizer Inc., New York University and certain individuals (3)
10.13+ -- Collaborative Research Agreement dated April 23,1996 amount the Company, Pfizer Inc. and Anaderm Research Corp. (3)
10.14 -- Registration Rights Agreement dated April 11, 1996 among the Company and the former stockholders of MYCOsearch, Inc. and their designees (3)
10.15 -- Form of Warrants issued by the Company to the former stockholders of MYCOsearch, Inc. and their designees covering an aggregate of 100,000 shares of common stock (3)
10.16 -- Employment Agreement dated April 11, 1996 between the Company and Dr. Barry Katz (3)
10.17+ -- Collaborative Research Agreement dated as of December 31, 1991 between the Company and American Home Products Corporation (4)
10.18+ -- Amendatory Agreement dated as of December 31, 1993 between the Company and American Home Products Corporation (4)
10.19+ -- Collaborative Research Agreement dated as of January 4, 1993 between the Company and Hoechst AG (4)
10.20+ -- Collaborative Research Agreement dated as of October 1, 1993 between the Company and Hoechst Roussel Pharmaceuticals, Inc. (4)
10.21 -- Common Stock Purchase Warrant granted to Marion Merrell Dow, Inc. dated December 11, 1992 (5)
10.22 -- Collaborative Research and License Agreement dated December 11, 1992 between the Company and Marion Merrell Dow, Inc. (5)
</TABLE>

<TABLE>
<CAPTION>
EXHIBITS

<C> <C> <S>
10.23 -- Collaborative Agreement dated as of April 19, 1995 between the Company and Ciba-Geigy Limited (6)
10.24 -- Letter Agreement dated as of April 19, 1995 between the Company and Ciba-Geigy Limited (6)
10.25 -- Registration Rights Agreement dated as of April 19, 1995 between the Company and Ciba-Geigy Limited (6)
10.26 -- Asset Purchase Agreement dated June 26, 1995 among the Company, Calbiochem-Novabiochem International, Inc. and Calbiochem-Novabiochem Corporation (7)
10.27 -- New Product License Right of First Refusal Agreement dated August 2, 1995 between the Company and Calbiochem-Novabiochem Corporation (7)
21* -- Subsidiaries of the Company
23* -- Consent of KPMG Peat Marwick, LLP, independent public accountants
27* -- Financial Data Schedule
</TABLE>

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* Filed herewith.

\+ Portions of this exhibit have been redacted and are subject to a confidential treatment request filed with the Secretary of the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

(1) Filed as an exhibit to the Company's registration statement on Form S-3 (file no. 333-937) and incorporated herein by reference.

(2) Filed as an exhibit to the Registrant's registration statement on Form S-2,

as amended (file no. 33-42369), and incorporated herein by reference.

(3) Filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 1996, as amended, and incorporated herein by reference.

(4) Filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended December 31, 1995, as amended, and incorporated herein by reference.

(5) Filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended September 30, 1992 and incorporated herein by reference.

(6) Filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended September 30, 1995, as amended, and incorporated herein by reference.

(7) Filed as an exhibit to the Company's current report on Form 8-K dated August 2, 1995 and incorporated herein by reference.

EXHIBIT 10.3

ONCOGENE SCIENCE, INC.
1993 INCENTIVE AND NON-QUALIFIED STOCK OPTION PLAN

1. PURPOSE

The purpose of this 1993 Incentive and Non-Qualified Stock Option Plan (the "Plan" is to encourage and enable selected management, other key employees, directors (whether or not employees), and consultants of Oncogene Science, Inc. (the "Company") or a parent or subsidiary of the Company to acquire a proprietary interest in the Company through the ownership of common stock, par value $.01 per share (the "Common Stock"), of the Company. Such ownership will provide such employees, directors, and consultants with a more direct stake in the future welfare of the Company, and encourage them to remain with the Company or a parent or subsidiary of the Company. It is also expected that the Plan will encourage qualified persons to seek and accept employment with, or become associated with, the Company or a parent or subsidiary of the Company. Pursuant to the Plan, such persons will be offered the opportunity to acquire Common Stock through the grant of incentive stock options and "non-qualified" stock options.

As used herein, the term "parent" or "subsidiary" shall mean any present or future corporation which is or would be a "parent corporation" or "subsidiary corporation" of the Company as the term is defined in Section 425 of the Internal Revenue Code of 1986, as amended (the "Code") (determined as if the Company were the employer corporation).

2. ADMINISTRATION OF THE PLAN

The Plan shall be administered by a Stock Option Committee (the "Committee") as appointed from time to time by the Board of Directors of the Company, which committee shall consist of not less than three members of the Board of Directors and each member of which shall be a "disinterested person," within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor rule or regulation ("Rule 16b-3"). Except as otherwise specifically provided herein, no person, other than members of the Committee, shall have any discretion as to decisions regarding the Plan.

In administering the Plan, the Committee may adopt rules and regulations for carrying out the Plan. The interpretation and decision made by the Committee with regard to any question arising under the Plan shall be final and conclusive on all persons participating or eligible to participate in the Plan. Subject to the provisions of the Plan, the Committee shall determine the terms of all options granted pursuant to the Plan, including, but not limited to, the persons

to whom, and the time or times at which, grants shall be made, the number of options to be included in the grants, the number of options which shall be treated as incentive stock options, and the option price.

3. SHARES OF STOCK SUBJECT TO THE PLAN

Except as provided in subparagraphs 6(h) and 6(i) and paragraph 7, the number of shares that may be issued or transferred pursuant to the exercise of options granted under the Plan shall not exceed 1,600,000 shares of Common Stock. Such shares may be authorized and unissued shares or previously issued shares acquired or to be acquired by the Company and held in treasury. Any shares subject to an option which for any reason expires or is terminated unexercised as to such shares may again be subject to an option right under the Plan. The aggregate Fair Market Value (determined at the time the option is granted) of the stock with respect to which incentive stock options are exercisable for the first time by an optionee during any calendar year (under the Plan and all plans of the Company and any parent and subsidiary of the Company) shall not exceed $100,000.

4. ELIGIBILITY

Incentive stock options may be granted only to management and other key employees who are employed by the Company or a parent or subsidiary of the Company. An incentive stock option may be granted to a director of the Company or a parent or subsidiary of the Company, provided that the director is also an officer or key employee. Directors who are not officers or key employees, and consultants, may only be granted non-qualified stock options.

5. GRANTING OF OPTIONS

No options pursuant to this Plan may be granted after the expiration of business on January 14, 2003. The date of the grant of any option shall be the date on which the Committee authorizes the grant of such option.

6. OPTIONS

Options shall be evidenced by stock option agreements in such form, not inconsistent with this Plan, as the Committee shall approve from time to time, which agreements need not be identical and shall be subject to the following terms and conditions:

(a) Option Price. The purchase price under each incentive stock option shall be not less than 100% of the Fair Market Value of the Common Stock at the time the option is granted and not less than the par value of such Common Stock. In the case of an incentive stock option granted to an employee owning more than 10% of the total combined voting power of all classes of stock of the Company or of any parent or subsidiary of the

Company (a "10% Stockholder"), actually or constructively under Section 425(d) of the Code, the option price shall not be less than 110% of the Fair Market Value of the Common Stock subject to the option at the time of its grant. The purchase price under each non-qualified stock option shall be specified by the Committee, but shall in no case be less than the greater of 50% of the Fair Market Value of the Common Stock at the time the option is granted and the par value of such Common Stock.

(b) Medium and Time of Payment. Stock purchased pursuant to the exercise of an option shall at the time of purchase be paid for in full in cash, or, upon conditions established by the Committee, by delivery of shares of Common Stock owned by the recipient. If payment is made by the delivery of shares, the value of the shares delivered shall be the Fair Market Value of such shares on the date of exercise of the respective option. Upon receipt of payment and such documentation as the Company may deem necessary to establish compliance with the Securities Act of 1933, as amended (the "Securities Act"), the Company shall, without stock transfer tax to the optionee or other person entitled to exercise the option, deliver to the person exercising the option a certificate or certificates for such shares. It shall be a condition to the performance of the Company's obligation to issue or transfer Common Stock upon exercise of an option or options that the optionee pay, or make provision satisfactory to the Company for the payment of, any taxes (other than stock transfer taxes) which the Company is obligated to collect with respect to the issue or transfer of Common Stock upon such exercise, including any federal, state, or local withholding taxes.

(c) Waiting Period. The waiting period and time for exercising an option shall be prescribed by the Committee in each particular case; provided, however, that no option may be exercised after 10 years from the date it is granted. In the case of an incentive stock option granted to a 10% Stockholder, such option, by its terms, shall be exercisable only within five years from the date of grant.

(d) Rights as a Stockholder. A recipient of options shall have no rights as a stockholder with respect to any shares issuable or transferable upon exercise thereof until the date a stock certificate is issued to him for such shares. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

(e) Non-Assignability of Options. No option shall be assignable or transferable by the recipient except by will or by the laws of descent and distribution. During the lifetime of a recipient, options shall be exercisable only by him.

(f) Effect of Termination of Employment. If a recipient's employment

(or service as an officer, director or consultant) shall terminate for any reason, other than death or Retirement, the right of the recipient to exercise any option otherwise exercisable on the date of such termination shall expire unless such right is exercised within a period of 90 days after the date of such termination. The term "Retirement" shall mean the voluntary termination of employment (or service as an officer, director or consultant) by a recipient who has attained the age of 55 and who has at least five years' service with the Company. If a recipient's employment (or service as an officer, director or consultant) shall terminate because of death or Retirement, the right of the recipient to exercise any option otherwise exercisable on the date of such termination shall be unaffected by such termination and shall continue until the normal expiration of such option. Notwithstanding the foregoing, the tax treatment available pursuant to Section 422 of the Code upon the exercise of an incentive stock option will not be available to a recipient who exercises any incentive stock option more than (i) 12 months after the date of termination of employment due to death or permanent disability or (ii) three months after the date of termination of employment due to Retirement. Option rights shall not be affected by any change of employment as long as the recipient continues to be employed by either the Company or a parent or subsidiary of the Company. In no event, however, shall an option be exercisable after the expiration of its original term as determined by the Committee pursuant to subparagraph 6(c) above. The Committee may, if it determines that to do so would be in the Company's best interests, provide in a specific case or cases for the exercise of options which would otherwise terminate upon termination of employment with the Company for any reason, upon such terms and conditions as the Committee determines to be appropriate. Nothing in the Plan or in any option agreement shall confer any right to continue in the employ of the Company or any parent or subsidiary of the Company or interfere in any way with the right of the Company or any parent or subsidiary of the Company to terminate the employment of a recipient at any time.

(g) Leave of Absence. In the case of a recipient on an approved leave of absence, the Committee may, if it determines that to do so would be in the best interests of the Company, provide in a specific case for continuation of options during such leave of absence, such continuation to be on such terms and conditions as the Committee determines to be appropriate, except that in no event shall an option be exercisable after 10 years from the date it is granted.

(h) Recapitalization. In the event that dividends payable in Common Stock during any fiscal year of the Company exceed in the aggregate five percent of the Common Stock issued and outstanding at the beginning of the year, or in the event there is during any fiscal year of the Company one or more splits, subdivisions, or combinations of shares of Common Stock resulting in an increase or decrease by more than five percent of the shares outstanding at the beginning of the year, the number of shares available under the Plan shall be increased or decreased proportionately, as the case may be, and the number of shares deliverable upon the exercise thereafter of any options theretofore granted shall be increased or

decreased proportionately, as the case may be, without change in the aggregate purchase price. Common Stock dividends, splits, subdivisions, or combinations during any fiscal year which do not exceed in the aggregate five percent of the Common Stock issued and outstanding at the beginning of such year shall be ignored for purposes of the Plan. All adjustments shall be made as of the day such action necessitating such adjustment becomes effective.

(i) Sale or Reorganization. In case the Company is merged or consolidated with another corporation, or in case the property of stock of the Company is acquired by another corporation, or in case of a separation, reorganization, or liquidation of the Company, the Board of Directors of the Company, or the board of directors of any corporation assuming the obligations of the Company hereunder, shall either (i) make appropriate provisions for the protection of any outstanding options by the substitution on an equitable basis of appropriate stock of the Company, or appropriate stock of the merged, consolidated, or otherwise reorganized corporation, provided only that such substitution of options shall, with respect to incentive stock options, comply with the requirements of Section 425 of the Code, or (ii) give written

notice to optionees that their options, which will become immediately exercisable notwithstanding any waiting period otherwise prescribed by the Committee, must be exercised within 30 days of the date of such notice or they will be terminated.

(j) General Restrictions. Each option granted under the Plan shall be subject to the requirement that, if at any time the Board of Directors shall determine, in its discretion, that the listing, registration, or qualification of the shares issuable or transferable upon exercise thereof upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the granting of such option or the issue, transfer, or purchase of shares thereunder, such option may not be exercised in whole or in part unless such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Board of Directors.

The Company shall not be obligated to sell or issue any shares of Common Stock in any manner in contravention of the Securities Act or any state securities law. The Board of Directors may, in connection with the granting of each option, require the individual to whom the option is to be granted to enter into an agreement with the Company stating that as a condition precedent to each exercise of the option, in whole or in part, he shall, if then required by the Company, represent to the Company in writing that such exercise is for investment only and not with a view to

distribution, and also setting forth such other terms and conditions as the Committee may prescribe. Such agreements may also, in the discretion of the Committee, contain provisions requiring the forfeiture of any options granted and/or Common Stock held, in the event of the termination of employment or association, as the case may be, of the optionee with the Company. Upon any forfeiture of Common Stock pursuant to an agreement authorized by the preceding sentence, the Company shall pay consideration for such Common Stock to the optionee, pursuant to any such agreement, without interest thereon.

"Fair Market Value" for all purposes under the Plan shall mean the closing price of shares of Common Stock, as reported in The Wall Street Journal, in the NASDAQ National Market Issues or similar successor consolidated transactions reports (or a similar consolidated transactions report for the exchange on which the shares of Common Stock are then trading) for the relevant date, or if no sales of shares of Common Stock were made on such date, the average of the high and low prices of shares as reported in such composite transaction report for the preceding day on which sales of shares were made. If the shares are not listed on a national securities exchange or the NASDAQ National Market System at the time Fair Market Value is to be determined, then Fair Market Value shall be determined by the Committee in good faith pursuant to such method as to the Committee deems appropriate and equitable. Under no circumstances shall the Fair Market Value of a share of Common Stock be less than its par value.

7. TERMINATION AND AMENDMENT OF THE PLAN

The Board of Directors shall have the right to amend, suspend, or terminate the Plan at any time; provided, however, that no such action shall affect or in any way impair the rights of a recipient under any option right theretofore granted under the Plan; and, provided, further, that unless first duly approved by the stockholders of the Company entitled to vote thereon at a meeting (which may be the annual meeting) duly called and held for such purpose, except as provided in subparagraphs 6(h) and 6(i), no amendment or change shall be made in the Plan: (a) increasing the total number of shares which may be issued or transferred under the Plan; (b) changing the purchase price hereinbefore specified for the shares subject to options; (c) extending the period during which options may be granted or exercised under the Plan; or (d) changing the designation of persons eligible to receive options under the Plan.

8. RESTRICTION OF SALE OF SHARES

Without the written consent of the Company, no stock acquired by an optionee upon exercise of an incentive stock option granted hereunder may be disposed of by the optionee within two years from the date such incentive stock option was granted, nor within one year after the transfer of such stock to the optionee;

provided, however, that a transfer to a trustee, receiver, or other fiduciary in any insolvency proceeding, as described in Section 422A(c)(3) of the Code, shall not be deemed to be such a disposition. The optionee shall make appropriate arrangements with the Company for any taxes which the Company is obligated to collect in connection with any such disposition, including any federal, state, or local withholding taxes.

9. EFFECTIVE DATE OF THE PLAN

This Plan shall become effective January 15, 1993, subject, however, to approval by the stockholders of the Company within 12 months next following adoption by the Board of Directors; and if such approval is not obtained, the Plan shall terminate and any and all options granted during such interim period shall also terminate and be of no further force or effect. The Plan shall, in all events, terminate on January 14, 2003, or on such earlier date as the Board of Directors of the Company may determine. Any option outstanding at the termination date shall remain outstanding until it has either expired of has been exercised.

10. COMPLIANCE WITH RULE 16B-3

With respect to persons subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or is successors. To the extent any provision of the Plan or action by the Committee (or any other person on behalf of the Committee or the Company) fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

11. AUTOMATIC GRANT OF OPTIONS TO NON-EMPLOYEE DIRECTORS

(a) Each director who is not also an employee of the Company or any of its affiliates or the designee of any stockholder of the Company pursuant to a right to designate one or more directors (an "Eligible Director") shall automatically be awarded a grant of 50,000 non-qualified stock options upon his or her initial election to the Board of Directors. Such options shall vest and be exercisable solely in accordance with the following schedule:

(i) The options may be exercised with respect to a maximum of one-half of the option shares during the twelve-month period beginning after the date of grant.

(ii) The options may be exercised with respect to all of the option shares upon the Eligible Director's reelection to the Board of Directors for a second consecutive term.

(iii) The options will expire and will no longer be exercisable as of the tenth anniversary of the date of grant, subject to sooner expiration upon the occurrence of certain events as provided elsewhere in this Plan.

(b) In addition to the grant provided in subsection (a), each Eligible Director shall automatically be awarded a grant of non-qualified stock options upon the re-election of such Eligible Director to a third or subsequent, successive term, in the amount and at the times hereinafter set forth. Such automatic grants of non-qualified stock options shall commence on June 21, 1995, and shall occur annually thereafter on the date of the annual meeting of stockholders for such year until the termination of the Plan. The number of options to which each Eligible Director shall be entitled pursuant to this subsection (b) shall be as follows:

(i) 20,000 on the later of June 21, 1995, or the date of the Eligible Director's reelection to a third one-year term;

(ii) 20,000 on the later of the date of the annual meeting of stockholders in 1996, or the date of the Eligible Director's reelection to a fourth one-year term;

(iii) 15,000 on the later of the date of the annual meeting of stockholders in 1997, or the date of the Eligible Director's reelection to a fifth one-year term;

(iv) 15,000 on the later of the date of the annual meeting of stockholders in 1998, or the date of the Eligible Director's reelection to a sixth one-year term;

(v) 10,000 on the later of the date of the annual meeting of stockholders in 1999, or the date of the Eligible Director's reelection to a seventh one-year term;

(vi) 10,000 on the later of the date of the annual meeting of stockholders in 2000, or the date of the Eligible Director's reelection to an eighth one-year term; and

(vii) 10,000 on the later of the date of the annual meeting of stockholders in 2001, or the date of the Eligible Director's reelection to a ninth one-year term.

Such options shall vest and be exercisable solely in accordance with the following schedule:

(i) The options shall not be exercisable during the twelve-month period beginning after the date of grant.

(ii) The options may be exercised with respect to one-third of the option shares after the expiration of twelve months from the date of grant.

(iii) The remaining two-thirds of the options shall vest and become exercisable ratably on a monthly basis over the two-year period commencing one year from the date of grant and ending three years from the date of grant.

(iv) The options will expire and will no longer be exercisable as of the tenth anniversary of the date of grant, subject to sooner expiration upon the occurrence of certain events as provided elsewhere in this Plan.

(c) The option price for all options awarded under this Section 11 shall be equal to 100 percent of the Fair Market Value on the date of grant.

(d) This Section 11 shall not be amended more often than once every six months, other than to comport with changes in the Internal Revenue Code, the Employment Retirement Income Security Act, or the rules thereunder.

EXHIBIT 10.5

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of February 9, 1990, between ONCOGENE SCIENCE, INC., a Delaware corporation having a place of business at 350 Community Drive, Manhasset, New York 11030 (the "Company"), and Gary E. Frashier, who resides at 10812 Whiterim Drive, Potomac, Maryland 20854 ("Executive").

W I T N E S S E T H :

WHEREAS, the Company desires to engage Executive to perform services for the Company and any subsidiary or affiliate of the Company, and Executive desires to perform such services, on the terms and conditions hereinafter set forth;

NOW, THEREFORE, the Company and Executive, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, hereby agree as follows:

1. TERM

The Company hereby employs Executive, and Executive hereby accepts such employment, upon the terms and conditions hereinafter set forth. Executive shall perform the duties required of him hereunder during the period commencing on March 1, 1990 and ending on February 28, 1993; provided, however, that on February 28, 1993, and on each February 28 thereafter, such period shall be automatically extended by one additional year unless at least 60 days prior to any such February 28 either party shall deliver to the other written notice that such period will not be extended, in which case this Agreement will terminate upon the expiration of this then existing term of this Agreement, including any previous extension. The period during which Executive shall perform the services required of him hereunder (as same may be extended as provided in this Section 1 or reduced as hereinafter provided) is hereinafter referred to as the "Employment Period."

2. DUTIES

(a) Executive shall serve, at the pleasure of the Board of Directors of the Company, as President and Chief Executive Officer of the Company. In his capacities as President and Chief Executive Officer, Executive shall perform for the Company, and any subsidiary or affiliate of the Company, such duties generally associated with such positions as well as such other duties consistent with such positions as may be prescribed from time to time by the Board of Directors.

(b) Subject to the exercise by the Board of Directors of its fiduciary duties, during the Employment Period, Executive shall be nominated by the Board of Directors for election as a director of the Company and, if elected by the stockholders of the Company, agrees to serve as such and shall not receive any additional compensation for serving in such capacity.

(c) Executive agrees to devote his full time, labor, energies and attention to the performance of his duties hereunder, subject to the provisions of Paragraph 10(a) hereof. (d) Executive agrees not to become involved in any personal investment or business matters which may detract from the performance of his duties or otherwise adversely affect the Company or any subsidiary or affiliate of the Company.

3. PLACE OF PERFORMANCE

In connection with his employment by the Company, Executive shall be based at the principal executive offices of the Company, but shall be available to travel at such times and to such places as may be reasonably necessary in connection with the performance of his duties hereunder.

4. COMPENSATION

(a) Base Salary. During the Employment Period, Executive shall receive a minimum base salary at the annual rate of $185,000, plus such other amounts, if any, as the Board of Directors of the Company, in its sole discretion, may from time to time determine. Executive's base salary shall be reviewed annually; provided, however, that in no event shall Executive's base salary be reduced below an annual rate of $185,000. Executive's salary shall be payable in bi-weekly installments or at such other frequency as the Company may from time to time determine.

(b) Incentive Bonus Opportunity. In addition to his base salary, Executive may receive incentive bonus compensation in respect of the Company's fiscal year ending September 30, 1990 and each subsequent fiscal year ending during the Employment Period, in an amount up to 50% of Executive's base salary on the first day of the applicable fiscal year (the "Annual Award"). The amount, if any, of each such Annual Award shall be determined by the Board of Directors of the Company in its sole discretion; provided, however, that the Annual Award in respect of the fiscal year ending September 30, 1990 shall not be less than 12.5% of the salary payments made to Executive pursuant to Section 4(a) during such fiscal year. Executive shall not receive any Annual Award unless he is employed by the Company at the end of the fiscal year to which such Annual Award relates. Any Annual Award will be paid to Executive within 90 days following the end of the fiscal year to which such Annual Award relates.

5. STOCK OPTIONS

(a) Subject to the execution and delivery of this Agreement by the Company and Executive, the Company's Board of Directors has granted to Executive options to purchase 132,810 shares of the Company's Common Stock, par value $.01 per share ("Common Stock"), under the Company's 1985 Stock Option Plan (the "1985 Plan"), at an exercise price of $1.75 per share. Such options have been designated "Supplemental Stock Options" as defined in the 1985 Plan, and shall be exercisable (i) immediately upon the commencement of the Employment Period as to 100,000 shares and (ii) on the first anniversary of the date of commencement of the Employment Period as to 32,810 shares, in each case provided Executive is still employed by the Company on such date (subject, however, to the provisions of Paragraph 8(c) hereof). The option agreement evidencing such options shall contain such other terms and conditions consistent with the 1985 Plan as the Board of Directors of the Company or the officer signing the same shall approve.

(b) Subject to the execution and delivery of this Agreement by the Company and Executive, the Company's Board of Directors has granted to Executive (subject to the approval of stockholders of the Company referred to below) options to purchase 317,190 shares of Common Stock under the Company's 1989 Incentive and Non-Qualified Stock Option Plan (the "1989 Plan") at an exercise price equal to $1.75 per share. Such options have been designated "nonqualified stock options" as defined by the Internal Revenue Code of 1986, as amended (the "Code"), and, subject to approval of the 1989 Plan by stockholders of the Company, shall be exercisable (i) as to 67,190 shares on the first anniversary of the date of commencement of the Employment Period, (ii) as to 100,000 shares on the second anniversary of the date of commencement of the Employment Period, and (iii) as to 150,000 shares on the third anniversary of the date of commencement of the Employment Period, in each case provided Executive is still employed by the Company on such date (subject, however, to the provisions of Paragraph 8(c) hereof). The option agreement evidencing such options shall contain such other terms and conditions consistent with the 1989 Plan as the Board of Directors of the Company or the officer signing the same shall approve.

(c) The grant of the options referred to in Paragraph 5(b) above, shall be subject to approval of the 1989 Plan by stockholders of the Company at the next annual meeting of stockholders. The Company shall submit the 1989 Plan to stockholders at said meeting, and the Board of Directors of the Company, subject to the exercise of its fiduciary duties, shall recommend that stockholders approve the 1989 Plan.

(d) Executive shall be eligible to receive such additional options as the Board of Directors of the Company shall determine in its sole discretion.

6. EXPENSES

(a) Temporary Living Expenses. Until the earlier of (i) the date on which Executive moves from his present residence in Potomac, Maryland, or (ii) seven

months from the date hereof, the Company shall reimburse Executive for reasonable temporary living expenses actually incurred by Executive, up to a maximum of $1,800 per month and a maximum aggregate amount of $10,800, provided that Executive properly accounts for such expenses in accordance with Company policy. Executive shall be responsible for all applicable federal, state and local taxes resulting from such reimbursement.

(b) Relocation Expenses. If within 18 months from the date hereof, Executive moves from his present residence in Bethesda, Maryland, to a new residence located in New York State within a 20 mile radius (or such further distance as may be approved by the Board of Directors of the Company) of the Company's principal executive offices in Manhasset, Long Island, New York, the Company shall reimburse Executive for all reasonable and necessary expenses incurred by Executive in connection with such relocation, up to a maximum of $50,000. Executive shall be responsible for all applicable federal, state and local taxes resulting from such reimbursement.

(c) Other Expenses. During the Employment Period, Executive shall be entitled to reimbursement for all reasonable out-of-pocket expenses necessarily incurred in performing services hereunder within the limits of authority which may be established from time to time by the Board of Directors, provided that Executive properly accounts for such expenses in accordance with Company policy.

7. EMPLOYEE BENEFITS

(a) Use of Automobile. The Company shall provide Executive with the use of an automobile during the Employment Period and shall reimburse Executive for his reasonable and necessary expenses in connection with the use of such vehicle in furtherance of the business of the Company, provided that Executive properly accounts for such expenses in accordance with Company policy.

(b) Vacation. Executive shall be entitled to four weeks paid vacation per calendar year which may be taken at such time or times as Executive may elect, subject to the needs of the Company's business. Executive shall also be entitled to all paid holidays given by the Company to its senior executive officers.

(c) Savings Plan. To the extent permitted by the Company's Savings and Investment Plan, as amended (the "Savings Plan"), Executive may roll-over into the Savings Plan amounts held for his account pursuant to any plan established pursuant to Section 401(k) of the Code.

(d) Other Benefits. Executive shall be entitled to participate in such term life insurance, basic medical, major medical, dental and other employee benefit plans established by the Company from time to time and generally made available to employees at levels similar to Executive's for which he meets the eligibility requirements.

8. TERMINATION

(a) The Company may terminate this Agreement at any time after the first anniversary of the date of commencement of the Employment Period, and for any

reason whatsoever (or for no reason), by giving not less than 30 days' prior written notice to Executive. Subject to the provisions of Paragraphs 8(e) and 8(f) hereof, in the event this Agreement is terminated by the Company other than for a reason set forth in Paragraph 8(b) hereof, (i) Executive shall be entitled to receive his base salary at the rate in effect on the date notice of termination is given through the effective date of such termination and any Annual Award granted through such date which has not yet been paid; and (ii) Executive shall continue to receive his base salary at the rate in effect on the date notice of termination is given (x) for the nine months immediately succeeding the effective date of such termination in the case of a termination which takes effect between the first and second anniversaries of the date of commencement of the Employment Period; and (y) for the six months immediately succeeding the effective date of such termination in the case of a termination which takes effect between the second and third anniversaries of the date of commencement of the Employment Period.

(b) Notwithstanding anything herein contained to the contrary, if after the date hereof and prior to the end of the Employment Period, (i) either (A) Executive shall be physically or mentally incapacitated or disabled or otherwise unable fully to discharge his duties hereunder ("Disabled") for a period of 90 consecutive days or for an aggregate of 90 days within any period of twelve consecutive months, (B) Executive shall be convicted of a felony or other crime involving moral turpitude, (C) Executive shall commit any act or omit to take any action in bad faith and to the detriment of the Company or any subsidiary or affiliate of the Company, or (D) Executive shall breach any material term of this Agreement and fail to correct such breach within 10 days after receiving notice of the same, then, and in each such case, the Company shall have the right to give notice of termination of Executive's services hereunder as of a date to be specified in such notice (which date may be the date such notice is given), and this Agreement shall terminate on the date so specified; or (ii) Executive shall die, then this Agreement shall terminate on the date of Executive's death. If this Agreement is terminated by the Company for any of the reasons set forth in this Paragraph 8(b), Executive or his estate, as the case may be, shall be entitled to receive his base salary at the rate in effect on the date notice of termination is given or the date of Executive's death, as the case may be, to the date on which termination shall take effect and any Annual Award granted through such date which has not been paid; provided, however, that if Executive is Disabled, the amount payable to Executive pursuant to this Paragraph 8(b) shall be reduced by an amount equal to the amounts, if any, to which he is entitled with respect to such period pursuant to any insurance or other plan established by the Company in which he is a participant.

(c) In the event of a Change in Control of the Company (as hereinafter defined), and if, as a result of such Change in Control, Executive's title, job duties, base salary or employee benefits are not substantially similar to those enjoyed or performed by Executive prior to such Change in Control, then, Executive may terminate this Agreement at any time within 150 days after such

Change in Control by giving at least 30 days' prior written notice to the Company. Subject to the provisions of Paragraphs 8(e) and 8(f) hereof, in the event this Agreement is terminated by Executive pursuant to this Paragraph 8(c), (i) Executive shall be entitled to receive his base salary at the rate in effect on the date of the Change in Control through the effective date of termination and any Annual Award which he has earned through such date which has not yet been paid; (ii) the Company shall pay to Executive, in a lump sum payment, an amount equal to 2.99 times his base salary at the rate in effect on the date of the Change in Control; and (iii) all of the stock options which have been granted to Executive pursuant to Paragraph 5 hereof shall become immediately exercisable on the date which is one day prior to the effective date of such termination and, subject to the provisions of the plan pursuant to which they were granted and the option agreements evidencing such grant, shall remain exercisable for the term provided for therein notwithstanding such termination.

(d) As used in this Agreement, "Change in Control" shall mean one or more of the following events:

(i) the Company shall consolidate with or merge into any other corporation or any corporation shall consolidate with or merge into the Company (other than a consolidation or merger of the Company with any subsidiary or affiliate of the Company), in either event pursuant to a transaction in which the holders of 100% of the voting securities of the Company outstanding immediately prior to the effectiveness thereof do not vote or direct the power to vote at least a majority of the outstanding voting securities of the surviving entity upon effectiveness thereof;

(ii) the Company shall convey, transfer or lease all or substantially all of its assets to any person or entity or group of persons or entities (other than to any subsidiary or affiliate of the Company); or

(iii) any person or entity (other than the Company or any subsidiary, employee benefit plan or affiliate of the Company, Executive or any affiliate of Executive or any "group" (within the meaning referred to below) of which Executive or any affiliate of Executive is a member, or any person or entity who on the date hereof beneficially owns 5% or more of the Common Stock), including a "group" (within the meaning of section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) that includes such person or entity, shall purchase or otherwise acquire, directly or indirectly, beneficial ownership of securities of the Company and, as a result of such purchase or acquisition, such person or entity (together with its associates and affiliates) shall, directly or indirectly, beneficially own in

the aggregate (A) more than 50% of the Common Stock, or (B) securities representing more than 50% of the Company's voting securities, in each case, outstanding on the date immediately prior to the date of such

purchase or acquisition (or, if there be more than one, the last such purchase or acquisition)

(e) Notwithstanding anything contained in this Agreement to the contrary, the amount of any payment or benefit payable to Executive pursuant to Paragraph 8(a) or 8(c) hereof shall be reduced by the amount of compensation earned by, and benefits provided for, Executive as a result of or in connection with his becoming an officer, director, employee, consultant, advisor, lender, stockholder, owner or partner of any other business or organization after the effective date of his termination pursuant to Paragraph 8(a) or 8(c), as the case may be.

(f) If any portion of any payment payable to Executive pursuant to this Agreement which, after taking into account all other agreements between the Company and Executive, is not deductible pursuant to Section 280G of the Code, the amount of such portion, reduced by the Tax Amount (as hereinafter defined), shall be paid to Executive. For purposes of this Agreement, the Tax Amount shall be the amount of such portion multiplied by a percentage equal to the sum of the highest federal and New York state marginal corporate income tax rates in effect at the time of such payment. The Company shall be entitled to withhold any taxes resulting from such payment in addition to any other withholding required by law. All determinations required by Section 280G of the Code will be made by the Company.

9. CONFIDENTIALITY

(a) Beginning on the date hereof, and at any time hereafter, Executive shall treat as confidential any proprietary, confidential or secret information relating to the business or interests of the Company or any subsidiary or affiliate of the Company, including, without limitation, the organizational structure, operations, business plans or technical projects of the Company or any subsidiary or affiliate of the Company, and any research datum or result, invention, trade secret, customer list, process or other work product developed by or for the Company or any subsidiary or affiliate of the Company, whether on the premises of the Company or elsewhere ("Confidential Information"). Beginning on the date hereof, and at any time hereafter, Executive shall not disclose, utilize or make accessible in any manner or in any form any Confidential Information other than in connection with performing the services required of him under this Agreement, without the prior written consent of the Company. Notwithstanding the foregoing, the provisions of this Paragraph 9(a) shall not apply to any proprietary, confidential or secret information or other research datum or result, invention, trade secret, customer list or work product which is, at the commencement of this 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 Executive by a third party under no obligation of confidentiality with respect thereto.

(b) Executive hereby agrees that any and all information, inventions and discoveries, whether or not patentable, that he conceives and/or creates during the Employment Period and any extensions thereof, and which are a direct or indirect result of work performed hereunder, shall be the sole and exclusive

property of the Company. Executive hereby assigns to the Company any and all right, title and interest which he has or may acquire in the same. Executive further agrees that he will promptly execute any and all applications, assignments or other instruments which an officer of the Company or the Board of Directors of the Company shall deem necessary or useful in order to apply for and obtain Letters Patent in the United States and all foreign countries for said information, 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 information, 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.

(c) All documents, records, apparatus, equipment and other physical property furnished to Executive by the Company or produced by Executive or others in connection with his employment shall be and remain the sole property of the Company. Executive will return and deliver such property to the Company as and when requested by the Company.

(d) Executive agrees that the provisions of this Paragraph 9 shall survive the termination of his employment and of this Agreement.

10. NON-COMPETITION

(a) Executive agrees that, during the period he is employed by the Company or any subsidiary or affiliate of the Company, under this Agreement or otherwise, he will not engage in, or otherwise directly or indirectly be employed by, or act as a consultant, advisor or lender to, or be a director, officer, employee, stockholder, owner or partner of, any other business or organization, whether or not such business or organization now is or shall then be competing with the Company or any parent, subsidiary or affiliate of the Company; provided, however, that Executive shall not be prohibited either from managing his own personal investments on his own personal time or from serving on up to three outside boards of directors or advisory boards, so long as such activities do not (i) involve a business or organization which competes with the Company or any subsidiary or affiliate of the Company, (ii) interfere or conflict with the performance of his duties as an employee of the Company or any subsidiary or affiliate of the Company, (iii) otherwise result in a breach of any of the provisions of this Agreement; or (iv) in the case of serving as a director or advisory board member of other companies, such activities for all such companies do not require, in the aggregate, more than 15 days per year, including travel time.

Executive further agrees that (y) if his employment with the Company is terminated by the Company pursuant to Paragraphs 8(a) or 8(b)(i) hereof, or (z) if he terminates this Agreement pursuant to Paragraph 8(c) hereof or resigns or otherwise fails or refuses to perform the services required of him under this

Agreement other than as a result of a breach of this Agreement by the Company (which breach is not cured within 30 days after receiving notice thereof), then during the two-year period commencing on the date he ceases to be employed by any of the Company or any subsidiary or affiliate of the Company, under this Agreement or otherwise, Executive shall not directly or indirectly compete with or be engaged in the same business as the Company or any subsidiary or affiliate of the Company, or be employed by, or act as consultant, advisor or lender to, or be a director, officer, employee, stockholder, owner or partner of, any business or organization which, at the time of such cessation, directly or indirectly competes with or is engaged in the same business as Company or any subsidiary or affiliate of the Company; provided, however, that if Executive's employment with the Company is terminated pursuant to Paragraphs 8(a), 8(b)(i)(A) or 8(c) hereof, Executive's obligations pursuant to this sentence shall continue only so long as the Company pays Executive compensation at the same rate compensation was being paid to him pursuant to Paragraph 4 of this Agreement at the time of such termination (subject, in the case of termination pursuant to Paragraphs 8(a) or 8(c) hereof, to the provisions of Paragraphs 8(e) and 8(f) hereof.) Notwithstanding anything contained herein to the contrary, the provisions of this Paragraph 10(a) will not be deemed breached merely because Executive owns not more than 1% of the outstanding common stock of a corporation if, at the time of its acquisition by Executive, such stock is listed on a national securities exchange, is reported on NASDAQ, or is regularly traded in the over-the-counter market by a member of a national securities exchange.

(b) Executive agrees that for a period of three years from the termination of this Agreement he will not, directly or indirectly, employ or solicit the employment or engagement by others of any employees of, or consultants hired by, the Company, or any subsidiary or affiliate of the Company, without the prior written consent of the Company.

(c) The obligations of Executive pursuant to this Paragraph 10 shall survive the termination of this Agreement.

11. EQUITABLE RELIEF

Executive acknowledges that the restrictions contained in Paragraphs 9 and 10 of this Agreement are reasonable in view of the nature of the business in which the Company is engaged and the knowledge he will obtain concerning the Company's business (and the business of any subsidiary or affiliate of the Company), and that any breach of his obligations under Paragraphs 9 and 10 hereof will cause the Company irreparable harm for which the Company will have no adequate remedy at law. As a result, the Company shall be entitled

to the issuance by a court of competent jurisdiction of an injunction, restraining order or other equitable relief in favor of itself restraining Executive from committing or continuing any such violation, and Executive consents to such an injunction, restraining order or other equitable relief. Any

right to obtain an injunction, restraining order or other equitable relief hereunder will not be deemed a waiver of any right to assert any other remedy the Company may have under this Agreement or otherwise at law or in equity.

12. REPRESENTATIONS AND WARRANTIES

Executive represents and warrants to the Company that (i) Executive is under no contractual or other restriction or obligation which is inconsistent with the execution of this Agreement, the performance of his duties hereunder or the other rights of the Company and any subsidiary or affiliate of the Company hereunder, and (ii) Executive is under no physical or mental disability that would hinder the performance by him of his duties under this Agreement.

13. ASSIGNMENT

Under no circumstances shall Executive assign, pledge or otherwise dispose of any of his rights or obligations under this Agreement, and any such attempted assignment, pledge or disposition shall be void and shall, at the Company's option, relieve the Company of all its obligations under this Agreement. The Company may assign any of its rights or obligations under this Agreement to any parent, subsidiary, affiliate or successor.

14. ENTIRE AGREEMENT

This Agreement and the stock option agreements referred to in Paragraph 5 hereof represent the entire agreement between the Company and Executive with respect to the subject matter hereof and there have been no oral or other agreements of any kind whatsoever as a condition precedent or inducement to the signing of this Agreement or otherwise concerning this Agreement or the subject matter hereof.

15. WAIVERS

Any waiver of any breach of any terms or conditions of this Agreement shall not operate as a waiver of any other breach of such terms or conditions or any other term or condition, nor shall any failure to enforce any provision hereof on any one occasion operate as a waiver of such provision or of any other provision hereof or a waiver of the right to enforce such provision or any other provision on any subsequent occasion.

16. AMENDMENTS

This Agreement may not be amended, nor shall any waiver, change, modification, consent or discharge be effected, except by an instrument in writing executed by or on behalf of the party against whom enforcement of any such amendment, waiver, change, modification, consent or discharge is sought.

17. SEVERABILITY

(a) If any provision of this Agreement shall be held or deemed to be invalid, inoperative or unenforceable as written, it shall be construed, to the

greatest extent possible, in a manner which shall render it valid and enforceable and any limitation on the scope or duration of any such provision necessary to make it valid and enforceable shall be deemed to be part thereof.

(b) If any provision of this Agreement shall be held or deemed to be invalid, inoperative or unenforceable as applied to any particular case in any jurisdiction or jurisdictions, or in all jurisdictions or in all cases, because of the conflict or any provision with any constitution or statute or rule of public policy or for any other reason, such circumstance shall not have the effect of rendering the provision or provisions in question invalid, inoperative or unenforceable in any other jurisdiction or in any other case or circumstance or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to the extent that such other provisions are not themselves actually in conflict with such constitution, statute or rule of public policy, but this Agreement shall be reformed and construed in any such jurisdiction or case as if such

invalid, inoperative or unenforceable provision had never been contained herein, and such provision reformed so that it would be valid, operative and enforceable to the maximum extent permitted in such jurisdiction or in such case.

18. GOVERNING LAW

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York without giving effect to rules governing conflict of laws.

19. COURTS

Any action to enforce any of the provisions of this Agreement may be brought in the courts of the State of New York. The parties hereby consent to the jurisdiction of the courts of the State of New York.

20. NOTICES

Any notice or other communication required or permitted by this Agreement shall be in writing and personally delivered or mailed by certified mail, return receipt requested, addressed to the parties at their addresses set forth above, or to such other addresses as one party may specify to the other party, from time to time, in writing. Any notice or other communication given by certified mail shall be deemed given at the time of certification thereof, except for a notice changing a party's address which shall be deemed given at the time of receipt thereof.

21. COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which

shall be deemed to be an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date And year first above written.

ONCOGENE SCIENCE, INC.

By: /s/ EDWIN GEE

/s/ GARY E. FRASHIER

Gary E. Frashier

EXHIBIT 10.6

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of August 27, 1991 between ONCOGENE SCIENCE, INC., a Delaware corporation having a place of business at 106 Charles Lindbergh Boulevard, Uniondale, New York 11553 (the "Company"), and Steven M. Peltzman, who resides at 9 Wildwood Drive, Sherborn, Massachusetts 01770 ("Executive").

W I T N E S S E T H:

WHEREAS, the Company desires to engage Executive to perform services for the Company and any subsidiary or affiliate of the Company, and Executive desires to perform such services, on the terms and conditions hereinafter set forth;

NOW, THEREFORE, the Company and Executive, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, hereby agree as follows:

1. TERM

The Company hereby employs Executive, and Executive hereby accepts such employment, upon the terms and conditions hereinafter set forth. Executive shall perform the duties required of him hereunder during the period commencing upon closing of the acquisition of Applied bioTechnology, Inc. by Oncogene Science, Inc. and ending on September 30, 1994; provided, however, that on September 30, 1994, and on each September 30 thereafter, such period shall be automatically extended by one additional year unless at least 60 days prior to any such September 30 either party shall deliver to the other written notice that such period will not be extended, in which case this Agreement will terminate upon the expiration of the existing term of this Agreement, including any previous extension. The period during which Executive shall perform the services required of him hereunder (as same may be extended as provided in this Section 1 or reduced as hereinafter provided) is hereinafter referred to as the "Employment Period."

2. DUTIES

(a) Executive shall serve, at the pleasure of the Board of Directors of the Company, as Executive Vice President and Chief Operating Officer for Oncogene Science, Inc. Executive shall also serve as President and a Director of Applied bioTechnology, Inc. which will be a wholly-owned subsidiary of Oncogene Science, Inc. In his capacities as Executive Vice President and Chief Operating Officer for Oncogene Science, Inc. and President of Applied bioTechnology, Inc., Executive shall perform for the Company, and any subsidiary or affiliate of the

Company, such duties generally associated with such positions as well as such other duties consistent with such positions as may be prescribed from time to time by the President of Oncogene Science, Inc.

(b) Executive agrees to devote his full time, labor, energies and attention to the performance of his duties hereunder, subject to the provisions of Paragraph 10(a) hereof.

(c) Executive agrees not to become involved in any personal investment or business matters which may detract from the performance of his duties or otherwise adversely affect the Company or any subsidiary or affiliate of the Company.

3. PLACE OF PERFORMANCE

In connection with his employment by the Company, Executive shall proportion his time between the Company's headquarters in Uniondale, New York and offices of its subsidiary, Applied biotechnology, Inc. in Cambridge, Massachusetts as required. Executive shall also be available to travel at such times and to such places as may be reasonably necessary in connection with the performance of his duties hereunder.

4. COMPENSATION

(a) Base Salary. During the Employment Period, Executive shall receive a minimum base salary at the annual rate of $160,000 plus such other amounts, if any, as the Board of Directors of the Company, in its sole discretion, may from time to time determine. Executive's base salary shall be reviewed annually; provided, however, that in no event shall Executive's base salary be reduced below an annual rate of $160,000. Executive's salary shall be payable in bi-weekly installments or at such other frequency as the Company may from time to time determine for its senior executive officers as a group.

(b) Incentive Compensation Plan. In addition to his base salary, Executive will participate in a Management Incentive Compensation Plan, a discretionary bonus award program to be approved annually by the Board of Directors, and in any other bonus or incentive compensation plan in which senior executive employees are entitled to participate.

5. STOCK OPTIONS

Executive shall be eligible to receive stock options as the Board of Directors of the Company shall determine in its sole discretion.

6. EXPENSES

During the Employment Period, Executive shall be entitled to reimbursement for

all reasonable out-of-pocket expenses necessarily incurred in performing services hereunder within the limits of authority which may be established from time to time by the Board of Directors, provided that Executive properly accounts for such expenses in accordance with Company policy.

7. EMPLOYEE BENEFITS

(a) Vacation. Executive shall be entitled to four weeks paid vacation per calendar year which may be taken at such time or times as Executive may elect, subject to the needs of the Company's business. Executive shall also be entitled to all paid holidays given by the Company to its senior executive officers.

(b) Savings Plan. To the extent permitted by the Company's Savings and Investment Plan, as amended (the "Savings Plan"), Executive may roll-over into the Savings Plan amounts held for his account pursuant to any plan established pursuant to Section 401(k) of the Code.

(c) Other Benefits. Executive shall be entitled to participate in such term life insurance, basic medical, major medical, dental and other employee benefit plans established by the Company from time to time and generally made available to employees at levels similar to Executive's for which he meets the eligibility requirements.

8. TERMINATION

(a) The Company may terminate this Agreement at any time after the first anniversary of the date of commencement of the Employment Period, and for any reason whatsoever (or for no reason), by giving not less than 30 days' prior written notice to Executive. In the event this Agreement is terminated by the Company other than for a reason set forth in Paragraph 8(b) hereof, (i) Executive shall be entitled to receive his base salary at the rate in effect on the date notice of termination is given through the effective date of such termination and any Annual Award or other bonus payment granted through such date which has not yet been paid and (ii) Executive shall continue to receive his base salary and all benefits at the rate in effect on the date notice of termination is given (x) for the nine months immediately succeeding the effective date of such termination in the case of a termination which takes effect between the first and second anniversaries of the date of commencement of the Employment Period; and (y) for the six months immediately succeeding the effective date of such termination in the case of a termination which takes effect between the second and third anniversaries of the date of commencement of the Employment Period.

(b) Notwithstanding anything herein contained to the contrary, if after the date hereof and prior to the end of the Employment Period, (i) either (A) Executive shall be physically or mentally incapacitated or disabled or otherwise unable fully to discharge his duties hereunder ("Disabled") for a period of

ninety (90) consecutive days or for an aggregate of 90 days within any period of twelve consecutive months, (B) Executive shall be convicted of a felony or other crime involving moral turpitude, (C) Executive shall commit any act or omit to take any action in bad faith and to the detriment of the Company or any subsidiary or affiliate of the Company, or (D) Executive shall breach any material term of this Agreement and fail to correct such breach within ten (10) days after receiving notice of the same, then, and in each such case, the Company shall have the right to give notice of termination of Executive's services hereunder as of a date to be specified in such notice (which date may be the date such notice is given), and this Agreement shall terminate on the date so specified; or (ii) Executive shall die, then this Agreement shall terminate on the date of Executive's death. If this Agreement is terminated by the Company for any of the reasons set forth in this Paragraph 8(b), Executive or his estate, as the case may be, shall be entitled to receive his base salary at the rate in effect on the date notice of termination is given or the date of Executive's death, as the case may be, to the date on which termination shall take effect and any Annual Award or other bonus payment granted through such date which has not been paid; Provided, however, that if Executive is Disabled, the amount payable to Executive pursuant to this Paragraph 8(b) shall be reduced by an amount equal to the amounts, if any, to which he is entitled with respect to such period pursuant to any insurance or other plan established by the Company in which he is a participant.

9. CONFIDENTIALITY

(a) Beginning on the date hereof, and at any time hereafter, executive shall treat as confidential any proprietary, confidential or secret information relating to the business or interests of the Company or any subsidiary or affiliate of the Company, including, without limitation, the organizational structure, operations, business plans or technical projects of the Company or any subsidiary or affiliate of the Company, and any research datum or result, invention, trade secret, customer list, process or other work product developed by or for the Company or any subsidiary or affiliate of the Company, whether on the premises of the Company or elsewhere ("Confidential Information"). Beginning on the date hereof, and at any time hereafter, Executive shall not disclose, utilize or make accessible in any manner or in any form any Confidential Information other than in connection with performing the services required of him under this Agreement, without the prior written consent of the Company. Notwithstanding the foregoing, the provisions of this Paragraph 9(a) shall not apply to any proprietary, confidential or secret information or other research datum or result, invention, trade secret, customer list or work product which is, at the commencement of this 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 Executive by a third party under no obligation of confidentiality with respect thereto.

(b) Executive hereby agrees that any and all information, inventions and discoveries, whether or not patentable, that he conceives and/or creates during the Employment Period and any extensions thereof, and which are a direct or indirect result of work performed hereunder, shall be the sole and exclusive property of the Company. Executive hereby assigns to the Company any and all

right, title and interest which he has or may acquire in the same. Executive further agrees that he will promptly execute any and all applications, assignments or other instruments which an officer of the Company or the Board of Directors of the Company shall deem necessary or useful in order to apply for and obtain Letters Patent in the United States and all foreign countries for said information, 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 information, 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.

(c) All documents, records, apparatus, equipment and other physical property furnished to Executive by the Company or produced by Executive or others in connection with his employment shall be and remain the sole property of the Company. Executive will return and deliver such property to the Company as and when requested by the Company.

(d) Executive agrees that the provisions of this Paragraph 9 shall survive the termination of this employment and of this agreement.

10. NON-COMPETITION

(a) Executive agrees that, during the period he is employed by the Company or any subsidiary or affiliate of the Company, under this Agreement or otherwise, he will not engage in, or otherwise directly or indirectly be employed by, or act as a consultant, advisor or lender to, or be a director, officer, employee, stockholder, owner or partner of, any other business or organization, whether or not such business or organization now is or shall then be competing with the Company or any parent, subsidiary or affiliate of the Company; provided, however, that Executive shall not be prohibited either from managing his own personal investments on his own personal time or from serving on up to two (2) outside boards of directors or advisory boards, so long as such activities do not (i) involve a business or organization which competes with the Company or any subsidiary or affiliate of the Company, (ii) interfere or conflict with the performance of his duties as an employee of the Company or any subsidiary or affiliate of the Company, (iii) otherwise result in a breach of any of the provisions of this Agreement, or (iv) in the case of serving as a director or advisory board member of other companies, such activities for all such companies do not require, in the aggregate, more than ten (10) days per year, including travel time.

Executive further agrees that (y) if his employment with the Company is terminated by the Company pursuant to Paragraphs 8(a) or 8(b)(i) hereof, or (z) resigns or otherwise fails or refuses to perform the services required of him under this Agreement other than as a result of a breach of this Agreement by the Company (which breach is not cured within thirty (30) days after receiving

notice thereof), then during the two-year period commencing on the date he ceases to be employed by any of the Company or any subsidiary or affiliate of the Company, under this Agreement or otherwise, Executive shall not directly or indirectly compete with or be engaged in the same business as the Company or any subsidiary or affiliate of the Company, or be employed by, or act as consultant, advisor or lender to, or be a director, officer, employee, stockholder, owner or partner of, any business or organization which, at the time of such cessation, directly or indirectly competes with or is engaged in the same business as the Company or any subsidiary or affiliate of the Company; provided, however, that if Executive's employment with the Company is terminated pursuant to Paragraphs 8(a) or 8(b)(i)(A) hereof, Executive's obligations pursuant to this sentence shall continue only so long as the Company pays Executive compensation at the same rate compensation was being paid to him pursuant to Paragraph 4 of this Agreement at the time of such termination. Notwithstanding anything contained herein to the contrary, the provisions of this Paragraph 10(a) will not be deemed breached merely because Executive owns not more than 1% of the outstanding common stock of a corporation if, at the time of its acquisition by Executive, such stock is listed on a national securities exchange, is reported on NASDAQ, or is regularly traded in the over-the-counter market by a member of a national securities exchange.

(b) Executive agrees that for a period of three years from the termination of this Agreement he will not, directly or indirectly, employ or solicit the employment or engagement by others of any employees of, or consultants hired by, the Company, or any subsidiary or affiliate of the Company, without the prior written consent of the Company, unless such person ceased to be employed or engaged by the Company or its subsidiary or affiliate at least four (4) months prior to the solicitation.

(c) The obligations of Executive pursuant to this Paragraph 10 shall survive the termination of this Agreement.

11. EQUITABLE RELIEF

Executive acknowledges that the restrictions contained in Paragraphs 9 and 10 of this Agreement are reasonable in view of the nature of the business in which the Company is engaged and the knowledge he will obtain concerning the Company's business (and the business of any subsidiary or affiliate of the Company), and that any breach of his obligations under Paragraphs 9 and 10 hereof will cause the Company irreparable harm for which the Company will have no adequate remedy at law. As a result, the Company shall be entitled to the issuance by a court of competent jurisdiction of an injunction, restraining order or other equitable relief

in favor of itself restraining Executive from committing or continuing any such violation, and Executive consents to such an injunction, restraining order or other equitable relief. Any right to obtain an injunction, restraining order or

other equitable relief hereunder will not be deemed a waiver of any right to assert any other remedy the Company may have under this Agreement or otherwise at law or in equity.

12. REPRESENTATIONS AND WARRANTIES

Executive represents and warrants to the Company that (i) Executive is under no contractual or other restriction or obligation which is inconsistent with the execution of this Agreement, the performance of his duties hereunder or the other rights of the Company and any subsidiary or affiliate of the Company hereunder, and (ii) Executive is under no physical or mental disability that would hinder the performance by him of his duties under this Agreement.

13. ASSIGNMENT

Under no circumstances shall Executive sign, pledge or otherwise dispose of any of his rights or obligations under this Agreement, and any such attempted assignment, pledge or disposition shall be void and shall, at the Company's option, relieve the Company of all its obligations under this Agreement. The Company may assign any of its rights or obligations under this Agreement to any parent, subsidiary, affiliate or successor, but shall remain liable in the case of any assignment to a parent or subsidiary.

14. ENTIRE AGREEMENT

This Agreement represents the entire agreement between the Company and Executive with respect to the subject matter hereof and there have been no oral or other agreements of any kind whatsoever as a condition precedent or inducement to the signing of this Agreement or otherwise concerning this Agreement or the subject matter hereof.

15. WAIVERS

Any waiver of any breach of any terms or conditions of this Agreement shall not operate as a waiver of any other breach of such terms or conditions or any other term or condition, nor shall any failure to enforce any provision hereof on any one occasion operate as a waiver of such provision or of any other provision hereof or a waiver of the right to enforce such provision or any other provision on any subsequent occasion.

16. AMENDMENTS

This Agreement may not be amended, nor shall any waiver, change, modification, consent or discharge be effected, except by an instrument in writing executed by or on behalf of the party against whom enforcement of any such amendment, waiver, change, modification, consent or discharge is sought.

17. SEVERABILITY

(a) If any provision of this Agreement shall be held or deemed to be invalid, inoperative or unenforceable as written, it shall be construed, to the

greatest extent possible, in a manner which shall render it valid and enforceable and any limitation on the scope or duration of any such provision necessary to make it valid and enforceable shall be deemed to be part thereof.

(b) If any provision of this Agreement shall be held or deemed to be invalid, inoperative or unenforceable as applied to any particular case in any jurisdiction or jurisdictions, or in all jurisdictions or in all cases, because of the conflict or any provision with any constitution or statute or rule of public policy or for any other reason, such circumstance shall not have the effect of rendering the provision or provisions in question invalid, inoperative or unenforceable in any other jurisdiction or in any other case or circumstance or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to the extent that such other provisions are not themselves actually in conflict with such constitution, statute or rule of public policy, but this Agreement shall be reformed and construed in any such jurisdiction or case as if such

invalid, inoperative or unenforceable provision had never been contained herein, and such provision reformed so that it would be valid, operative and enforceable to the maximum extent permitted in such jurisdiction or in such case.

18. GOVERNING LAW

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York without giving effect to rules governing conflict of laws.

19. NOTICES

Any notice or other communication required or permitted by this Agreement shall be in writing and personally delivered or mailed by certified mail, return receipt requested, addressed to the parties at their addresses set forth above, or to such other addresses as one party may specify to the other party, from time to time, in writing. Any notice or other communication given by certified mail shall be deemed given at the time of certification thereof, except for a notice changing a party's address which shall be deemed given at the time of receipt thereof.

20. COUNTERPARTS

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

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

ONCOGENE SCIENCE, INC.

By: /s/ GARY E. FRASHIER

/s/ STEVEN M. PELTZMAN

Steven M. Peltzman

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Portions of this Exhibit 10.9 have been redacted and are the subject of a confidential treatment request filed with the Secretary of the Securities and Exchange Commission.

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EXHIBIT 10.9

AGREEMENT

AGREEMENT dated as of September 27, 1996 by and between BECTON, DICKINSON AND COMPANY ("Becton"), a New Jersey corporation, having an office at 1 Becton Drive, Franklin Lakes, New Jersey 07417, and ONCOGENE SCIENCE, INC. ("OSI"), a Delaware corporation, having an office at 106 Charles Lindbergh Boulevard, Uniondale, New York 11533.

W I T N E S S E T H:

WHEREAS, Becton and OSI are parties to a Collaborative Research Agreement dated October 4, 1991 (the "Research Agreement"); and

WHEREAS, Becton and OSI are also parties to a License Agreement dated October 4, 1991, as amended on December 5, 1991 (as amended, the "License Agreement"); and

WHEREAS, the Research Agreement expires by its terms on September 30, 1996 (the "Termination Date"); and

WHEREAS, the license rights granted to Becton pursuant to the License Agreement shall be superseded by this Agreement; and

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WHEREAS, the license rights granted to OSI pursuant to the License Agreement shall remain in effect, except to the extent OSI has granted such rights to Calbiochem-Novabiochem International, Inc., and except to the extent Becton grants to OSI rights as set forth below; and

WHEREAS, Becton and OSI desire herein to set forth their agreement with respect to the period between the Effective Date (as hereinafter defined) and

the Termination Date and thereafter.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. Definitions.

Whenever used in this Agreement, the terms defined in this Section 1 shall have the meanings specified.

1.1 "Affiliate" means any corporation or other legal entity fifty percent or more of the voting capital shares or similar voting securities of which is owned, directly or indirectly, by Becton or OSI.

1.2 "'A-List' Diagnostic Product" means any Diagnostic Product incorporating an antibody set forth on Schedule A, attached hereto, when used with IHC/cellular-based and flow cytometry applications as opposed to, for example, a serum-based or cytosol application.

1.3 "'B-List' Diagnostic Product" means any Diagnostic Product incorporating an antibody set forth on Schedule B, attached hereto, when used with IHC/cellular-based and flow cytometry applications as opposed to, for example, a serum-based or cytosol application.

1.4 "Becton" means Becton, Dickinson and Company and its Affiliates.

1.5 "Becton Technology" means all Technology that was:

(a) developed by employees of, or consultants to, Becton alone or jointly with Third Persons on or prior to the Collaboration Effective Date; or

(b) acquired by purchase, license, assignment or other means from Third Persons by Becton on or prior to the Collaboration Effective Date.

Becton Technology shall be owned by Becton.

1.6 "Collaboration Effective Date" shall mean October 4, 1991.

1.7 "Confidential Information" means all information which is disclosed by either Becton or OSI to the other party relating to such disclosing party's Technology, orally or in writing, and is designated "Confidential" by the disclosing party, in writing, no later than thirty (30) days after the time of

disclosure, but excluding any such information that is (i) already known to the recipient at the time of disclosure to it other than by virtue of a prior confidential disclosure to the recipient by the disclosing party, (ii) at any time disclosed in the published literature or otherwise generally known to the public, or (iii) at any time obtained from a Third Person free from any obligation of secrecy.

1.8 "Diagnostic Product" means any product specifically formatted for the identification, quantification or monitoring of the propensity toward, or actual existence of, any cancerous state in serum or cell preparations developed within the Research Program (i.e., any hybridoma or clone on which a substantial amount of work was conducted during the Research Program), the use or sale of which product for clinical research or as a clinically approved diagnostic product requires approval by the United States Food and Drug

Administration ("FDA"); provided, however, that Products useful in flow or image cytometry systems and sold without FDA approval for clinical research shall be both Diagnostic Products and Research Products. Diagnostic Products shall otherwise exclude Research Products.

1.9 "Effective Date" shall be September 27, 1996.

1.10 "Net Sales" means the gross amount received by Becton and its sublicensee for arm's length sales to a Third Person of Diagnostic Products after deducting, where applicable, the following:

(a) normal and customary trade discounts actually allowed and taken;

(b) returns and credits;

(c) taxes (the legal incidence of which is on the purchaser and separately shown on the shipping invoice); and

(d) transportation, insurance and postage charges (if prepaid and invoiced as a separate item); provided, however, that in the event a Product is sold on a "reagent rental" basis (i.e., where an instrument is provided to a purchaser without a separate charge or billing for use in conjunction with one or more Products), then Net Sales further shall be reduced by an amount equal to the fully loaded manufacturing cost of the instrument, its installation, service and maintenance amortized over a four (4) year rental period.

1.11 "Non-IHC Product" means all Diagnostic Products except for "A-List" Diagnostic Products and "B-List" Diagnostic Products.

1.12 "OSI" means Oncogene Science, Inc. and its Affiliates.

1.13 "OSI Technology" means all Technology that was:

(a) developed by employees of, or consultants to, OSI alone or jointly with Third Persons on or prior to the Collaboration Effective Date; or

(b) acquired by purchase, license, assignment or other means from Third Persons by OSI on or prior to the Collaboration Effective Date.

OSI Technology shall be owned by OSI.

1.14 "Patent Rights" means all patentable inventions, including all applications for patents, whether domestic or foreign, disclosing or claiming such inventions, all continuations, continuations-in-part, divisions, renewals and patents of addition thereof, all patents granted thereon, whether domestic or foreign, and all reissued or reexamined patents based thereon.

1.15 "Person" means any individual, estate, trust, partnership, joint venture, association, firm, corporation, company or other entity.

1.16 "Product(s)" means any or all of Diagnostic Products, "A-List" Diagnostic Products, "B-List" Diagnostic Products, and Non-IHC Products.

1.17 "Research Product" means any product developed as a result of research pursuant to the Research Program and formatted for research use only, the sale or use of which does not require approval by the FDA. Research Products specifically do not include Diagnostic Products except as otherwise provided in Section 1.8.

1.18 "Research Program" means the collaborative research program undertaken by the parties pursuant to the Research Agreement and the License Agreement.

1.19 "Technology" means and includes all technology and technical information that pertains to the Research Program, including all laboratory notebooks, research plans,

inventions, cultures, strains, vectors, genes and gene fragments and their sequences, cell lines, hybridomas, monoclonal and polyclonal antibodies,

proteins and protein fragments, non-protein chemical structures and methods for synthesis, structure-activity relationships, computer models of chemical structures, computer software, assay, methodology, processes, materials and methods for production, recovery and purification of natural products, formulae, plans, specifications, characteristics, marketing surveys and plans, business plans, know-how, experience and trade secrets.

1.20 "Third Person" means a Person other than OSI or Becton, or any employee of, or consultant to, OSI or Becton.

1.21 "Valid Claim" means a claim within Patent Rights so long as such claim shall not have been disclaimed or held invalid in a final decision rendered by a tribunal of competent jurisdiction from which no appeal has been or can be taken.

2. Termination of Research Agreement. The parties hereby acknowledge and agree that the Research Agreement shall expire by its terms on September 30, 1996. In the event of a conflict between the terms of this Agreement and the Research Agreement and/or the License Agreement, the terms of this Agreement shall control.

3. Licenses.

3.1 License Granted to Becton.

3.1.1 "A-List" Diagnostic Products. Subject to Section 3.1.5, OSI agrees to grant to Becton an exclusive, worldwide license to make, have made for itself, use and sell "A-List" Diagnostic Products, subject to the following conditions:

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(a) **

(b) Becton shall source any antibody components of "A-List" Diagnostic Products through OSI in accordance with the financial terms set forth in Section 4.2 hereof; provided, however, that Becton may elect to manufacture clinical trial material or FDA-approved products itself or through a Third Person, in which case Becton shall pay OSI an ongoing royalty of ** of Net Sales of such Products subject to the provisions of Section 4.1 hereof.

(c) OSI and/or its licensees shall retain the co-exclusive right to make, have made for itself, use and sell "A-List" Diagnostic Products for the clinical research market for all applications, including, without limitation, for use in developing clinical research data in support of product development programs.

3.1.2 "B-List" Diagnostic Products. Subject to the rights granted to Calbiochem-Novabiochem International, Inc., OSI grants to Becton a non-exclusive, worldwide license to make, have made for itself, use and sell "B-List" Diagnostic Products. The foregoing license granted to Becton shall be subject to the following condition:

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(a) Becton shall source any antibody or reagent components of such "B-List" Diagnostic Products through OSI in accordance with the financial terms set forth in Section 4.2 hereof; provided, however, that Becton may elect to manufacture clinical trial material or FDA-approved products itself or through a Third Person, in which case Becton shall pay OSI an ongoing royalty of ** of Net Sales of such Products subject to the provisions of Section 4.1 hereof.

3.1.3 "B-List" Diagnostic Products - Exclusivity. Subject to Section 3.1.5, so long as exclusive rights are available, OSI agrees to grant Becton an exclusive license to make, have made for itself, use and sell "B-List" Diagnostic Products subject to the following conditions:

(a) Such license shall be exclusive for a period of two years upon a payment by Becton to OSI of ** per "B-List" Diagnostic Product. Such exclusivity may be extended for an additional two years upon the payment of an additional ** per "B-List" Diagnostic Product.

(b) Becton's exclusive rights with regard to a "B-List" Diagnostic Product shall become permanent upon the earlier of (i) receipt of FDA approval for such "B-List" Diagnostic Product or (ii) payment of a one-time license fee to OSI of ** per "B-List" Diagnostic Product, plus an ongoing royalty as provided for in Section 4.1 hereof.

3.1.4 Non-IHC Products. The parties hereby acknowledge that OSI is retaining exclusive rights to Non-IHC Products, including, without limitation, the right to sell such Products and the right to sublicense its rights in and to such Products. In the event that OSI enters into a collaborative arrangement or license agreement with a Third Person with

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regard to Non-IHC Products, OSI and Becton shall negotiate in good faith with regard to a nominal royalty to be paid to Becton with respect to Non-IHC Products, if any, resulting from such collaboration.

3.1.5 Co-Exclusivity. If, in order for OSI to successfully negotiate a Third Person collaborative arrangement or license agreement for Non-IHC Products, it is necessary to include certain "A-List" Diagnostic Products or "B-List" Diagnostic Products exclusively licensed to Becton pursuant to Section 3.1.1 or 3.1.3 hereof in such arrangement on a co-exclusive basis, the parties hereby agree that OSI shall have such a right and that the parties will negotiate in good faith a possible adjustment to the royalties owed by Becton to OSI.

3.2 License Granted to OSI. Becton hereby grants to OSI an exclusive, worldwide license, including the right to grant sublicenses, to make, have made for itself, use and sell Research Products, Non-IHC Products and any other products covered under 3.1.4. These rights include the rights under Becton Technology and Joint Technology as defined in the License Agreement.

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3.3 Term of License Grants and Obligation to Pay Royalties.

For each Product, the term of the grant set forth in Sections 3.1.1, 3.1.2 and 3.1.3 and the obligation to pay royalties on Products made, used or sold under said grant shall commence on the Effective Date and shall terminate, in each country, on the date of the last to expire of Patent Rights of OSI in such country so long as the applicable Patent Rights contain a Valid Claim covering such Product or, with regard to Products not covered by Patent Rights of OSI, ten (10) years after the first Product is sold by Becton in the United States. For each Research Product, the term of the grant set forth in Section 3.2 and the obligation to pay royalties on Research Products made, used or sold under said grant shall commence on the Effective Date and shall terminate, in each country, on the date of the last to expire of Patent Rights of Becton in such country so long as the applicable Patent Rights contain a valid claims covering such Research Product or, with regard to Research Products not covered by Patent Rights of Becton, ten (10) years after the first Research Product is sold by OSI in the United States.

4. Royalties, Payments of Royalties, Accounting for Royalties and Recordkeeping.

4.1 Royalties to be paid by Becton.

Becton shall pay to OSI a royalty of ** of Net Sales of any "A-List" Diagnostic Product or "B-List" Diagnostic Product (net of all other royalties) in the event that (a) Becton chooses to source any antibody or reagent components of an "A-List" Diagnostic Product or "B-List" Diagnostic Product from itself or a Third Person pursuant to Section 3.1.1(b) or 3.1.2(b) hereof, or (b) Becton's exclusive rights with regard to "B-List" Diagnostic Products become permanent upon payment of a ** license fee; provided,

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** This portion redacted pursuant to a request for confidential treatment.

however, that if Becton's rights with regard to any such Product become non-exclusive because exclusivity is no longer available, such royalty rate shall reduced to ** of Net Sales of such Products (net of all other royalties). If OSI is unable to transfer either hybridomas or antibodies to Becton because OSI lacks the right to make such a transfer, then (a) with regard to Net Sales made by Becton as a result of Becton's flow cytometry business, no royalties shall be owing, and (b) with regard to Net Sales made by Becton other than those relating to its flow cytometry business, the royalty rates set forth above shall be reduced by 50%.

4.2 Sourced Products. For any reagent components or products sourced by Becton through OSI, Becton shall pay OSI the actual fully absorbed cost thereof plus ** . For the products listed on Schedules A and B, the costs agreed to by the parties are set forth on Schedule C attached hereto. Fully absorbed cost includes all direct expenses, as well as a proportional allocation of overhead consistent with OSI's usual practice. If OSI ceases manufacturing and does not assign manufacturing rights, OSI will deliver to Becton the hybridomas to enable Becton to thereafter manufacture what had theretofore been manufactured by OSI, and OSI will receive the royalty described in Section 4.1.

4.3 Royalties to be Paid by OSI. OSI shall pay to Becton a royalty of ** of Net Sales of Research Products sold directly by OSI as covered under Section 3.1.3 and; provided, however, that this rate shall be ** for any Research Product if that Research Product is marketed in competition with a product of a Third Person directed to the same oncogene, anti-oncogene, tumor suppressor gene or cancer related marker. If OSI receives a royalty on Net Sales of Research Products from a Third Person, OSI shall pay to Becton an amount equal of ** of such royalty.

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** This portion redacted pursuant to a request for confidential treatment.

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4.4 Single Royalty. The parties acknowledge that only one royalty rate, the highest one applicable, will apply to Net Sales of each Product or Research Product regardless of the number of patents (or patent applications) within the Patent Rights licensed under this Agreement which may apply.

4.5 Payment Dates. Within sixty (60) days after March 31, June 30, September 30 and December 31 of each year during the term of this Agreement, each party shall deliver to the other party a true and accurate report stating for each royalty-bearing Product or Research Product, as the case may be, for the preceding three (3) calendar months (a) Net Sales, (b) the royalties payable thereon, and (c) the amount of any credit taken against royalties payable not already taken in computing Net Sales. Except as otherwise provided, simultaneously with the delivery of each such report, each party shall pay to the other party the amount, if any, due for the period of such report. If no payments are due, it shall be so reported.

4.6 Accounting. All amounts payable hereunder shall be payable in United States Dollars; provided, however, that if any payment on account of Net Sales by a party, its Affiliates or sublicensees is received in a foreign currency, such amount shall be converted monthly to United States funds at the rate set monthly by the party's international finance department from Reuters wire service (providing international spot exchange rates) on or about the 25th day of the each month (unless such date falls on a Saturday, Sunday or holiday, in which case the date shall be the closest business day thereto). Upon written notice to the other party, either party may elect a different recognized independent wire service providing international spot exchange rates.

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4.7 Records. During the term of this Agreement, each party shall keep complete and accurate records of Net Sales in sufficient detail to enable the other party to determine payments owed to it under this Agreement for a period of two (2) years after such payments are due. Each party shall permit an independent certified public accountant, acceptable to the other party and appointed by the requesting party and at the requesting party's expense, to examine its books, ledgers and records covering Net Sales during regular business hours for the purpose of verifying, and only to the extent necessary to verify, the amount of royalty due and payable but in no event more than once per calendar year. The accountant shall maintain all information received during such examination in confidence, and shall report to the party requesting examination only with respect to the accuracy of any report. Any report not examined within two (2) years of its having been made shall be deemed true and accurate. In the event the records examined reveal that a party has paid less than ninety-five percent (95%) of the amount due to the other party, the party being examined shall pay the costs of the audit and shall pay the additional amount due plus accrued interest at the average prime rate in effect for the period covered by the audit as set by Citibank, N.A.

5. Manufacturing.

5.1 Manufacturing Terms and Conditions. Any antibody or reagent component of any Product or Products manufactured by OSI for Becton hereunder shall be manufactured under all applicable regulations and rules including Good Manufacturing Practices, if required. If OSI is unable or unwilling to meet the manufacturing requirements, then Becton shall be free to manufacture the Product itself or through a Third Person, in such case Becton agrees to pay OSI the royalties specified in Article 4.1.

6. Legal Action.

6.1 Actual or Threatened Disclosure or Infringement. If information comes to the attention of Becton or OSI to the effect that any Patent Rights relating to an "A-List" Diagnostic Product or a "B-List" Diagnostic Product, with regard to which, in either case, Becton has an exclusive license, have been or are threatened to be infringed, Becton shall have the right, at its expense, to take such action as it may deem necessary to prosecute or prevent such infringement, including the right to bring or defend any suit, action or proceeding involving any such infringement. Becton shall notify OSI promptly of the receipt of any such information and of the commencement of any such suit, action or proceeding. If Becton determines that it is necessary or desirable for OSI to join any such suit, action or proceeding, OSI shall execute all papers and perform such other acts as may be reasonably required to permit Becton to act in OSI's name. In the event that Becton brings a suit, it shall be entitled to all sums recovered in such suit or in its settlement without any further obligation to OSI. If Becton does not, within 120 days after giving notice to OSI of the above-described information, notify OSI of Becton's intent to bring suit against any infringer, OSI shall have the right to bring suit for such alleged infringement, but it shall not be obligated to do so. OSI may join Becton as party plaintiff, if appropriate, in which event OSI shall hold Becton free, clear and harmless from any and all costs and expenses of such litigation, including reasonable attorneys' fees, and all sums recovered in any such suit or in its settlement shall belong to OSI without any further obligation to Becton. Each party shall always have the right to be represented by counsel of its own selection and at its own expense in any suit instituted by the other for infringement, under the terms of this Section.

If Becton lacks standing to bring any such suit, action or proceeding, then OSI shall do so at the request of Becton and at Becton's expense. If neither party brings suit, then the lower royalty rate set forth in Section 4.1 hereof shall apply with regard to Net Sales made 60 days after expiration of the 120-day notice period set forth above.

If information comes to the attention of Becton or OSI to the effect that any Patent Rights relating to a Product to which rights have been retained by OSI pursuant to this Agreement or to a Research Product have been or are threatened to be infringed, OSI shall have the right, at its expense, to take such action as it may deem necessary to prosecute or prevent such infringement, including the right to bring or defend any suit, action or proceeding involving any such infringement. OSI shall notify Becton promptly of the receipt of any such information and of the commencement of any such suit, action or proceeding. If OSI determines that it is necessary or desirable for Becton to join any such suit, action or proceeding, Becton shall execute all papers and perform such other acts as may be reasonably required to permit OSI to act in Becton's name. In the event that OSI brings a suit, it shall be entitled to all sums recovered in such suit or in its settlement without any further obligation to Becton. Becton shall always have the right to be represented by counsel of its own selection and at its own expense in any suit instituted by OSI for infringement, under the terms of this Section. If OSI lacks standing to bring any such suit, action or proceeding, then Becton shall do so at the request of OSI and at OSI's expense.

6.2 Defense of Infringement Claims.

Each party will cooperate with the other, at the expense of the party seeking such cooperation, in the defense of any suit, action or proceeding against either such party or

any sublicensee of such party alleging the infringement of the intellectual property rights of a Third Person by reason of the use Patent Rights or Technology in the manufacture, use or sale of a Diagnostic Product or a Research Product. Each party shall give the other party prompt written notice of the commencement of any such suit, action or proceeding or claim of infringement and will furnish the other party with a copy of each communication relating to the alleged infringement. The party defending any such suit or action shall have full authority (including the right to exclusive control of defense of any such suit, action or proceeding and the exclusive right to compromise, litigate, settle or otherwise dispose of any such suit, action or proceeding), to defend or settle any such suit, action or proceeding. If the parties agree that the other party should institute or join any suit, action or proceeding pursuant to this Section 6.2, the non-moving party may join the other party as a defendant if necessary or desirable, and each such party shall execute all documents and take all other actions, including giving testimony, which may reasonably be required in connection with the prosecution of such suit, action or proceeding.

6.3 Licenses under Patents.

If the manufacture, use or sale by Becton or OSI of a Product or a Research Product in any country would, in the opinion of both Becton and OSI, infringe a patent owned by a Third Person, Becton and OSI shall attempt to obtain a license under such patent. If Becton obtains a license under such patent, then one-half (1/2) of any payments made by Becton to such Third Person shall be fully creditable under Section 4.4 hereof against royalty payments due from Becton to OSI under Section 4.1 hereof but in no event shall the royalty payment be reduced by more than fifty percent (50%) in any reporting period. If OSI is of

the opinion that such manufacture, use or sale would not infringe such patent owned by a Third Person, OSI may, at its election, bring suit against such Third Person seeking a declaration that such patent is invalid or not infringed by Becton's manufacture, use or sale of the Product involved, or may bring opposition, nullity or other proceedings against such patent, as appropriate. If OSI is successful in such suit, Becton shall continued to pay royalties in such country as provided in Section 4. If OSI does not bring such suit or is unsuccessful in such suit, it shall join Becton in an attempt to obtain a license under such patent, and one-half (1/2) of any payments made by Becton to such Third Person for such license shall be fully creditable under Section 4.4 hereof against royalty payments due from Becton to OSI as to that patent and that country pursuant to this Agreement but in no event shall the royalty payment be reduced by more than fifty percent (50%) in any reporting period.

7. Treatment of Confidential Information.

7.1 Confidentiality.

7.1.1 Becton and OSI each recognize that the other party's Confidential Information constitutes highly valuable proprietary information. Subject to the disclosure obligations set forth in Section 7.3 and publication rights set forth in Section 7.2, Becton and OSI agree that for five (5) years from the date of disclosure, they will keep confidential, and will cause their Affiliates to keep confidential, all Confidential Information that is disclosed to them or to any of their Affiliates pursuant to this Agreement. Neither Becton nor OSI nor any of their Affiliates shall use Confidential Information except as expressly permitted in this Agreement.

7.1.2 Becton and OSI agree that any disclosure of Confidential Information to any officer, employee or agent of the other party or of any of the other party's Affiliates shall be made only to the extent necessary to carry out its responsibilities under this Agreement. The receiving party agrees not to disclose the other's Confidential Information to any Third Persons under any

circumstance without written permission. Both Becton and OSI shall take such action to preserve the confidentiality of each other's Confidential Information as they would customarily take to preserve the confidentiality of their own confidential information. Each party, upon the other's request, will return all Confidential Information disclosed pursuant to this Agreement including all copies and extracts of documents within sixty (60) days of the request after the termination of this Agreement except for one (1) copy which shall be retained for archival purposes only.

7.2 Publication. Notwithstanding Section 7.1, any results obtained in the course of the Research Program may be submitted for publication following approval by OSI's and Becton's managements. After receipt of the proposed publications by both Becton's and OSI's managements, written approval or disapproval shall be provided within thirty (30) days for a manuscript or within fourteen (14) days for a transcript of an oral presentation to be given at a scientific meeting.

7.3 Restrictions on Transferring Materials. Becton and OSI recognize that the biological, chemical and biochemical materials which are part of OSI Technology or Becton Technology represent valuable commercial assets. Accordingly, except as otherwise permitted by Section 12.6 hereof, throughout the term hereof and for five (5) years thereafter, OSI and Becton agree not to transfer to any Third Person any such material which

constitutes Technology owned solely by the other party. Additionally, except as otherwise permitted by Section 12.6 hereof, throughout the term hereof and for six (6) months thereafter, OSI and Becton agree not to transfer to any Third Person any biological, chemical or biochemical materials which comprise, consist of or are useful in the manufacture of any Product, unless prior consent for any such transfer is obtained from the other party, which consent may not be unreasonably withheld and unless such Third Person agrees as a condition of any such transfer not to transfer the material further and to use the material for research purposes not directed toward the development of Diagnostic Products. The provisions of this Section 7.3 specifically do not apply to transfer to Pfizer Inc. pursuant to any agreements between OSI and Pfizer Inc. for purposes other than developing Diagnostic Products.

8. Representations and Warranties. OSI and Becton each represents and warrants as follows:

8.1 It is a corporation duly organized, validly existing and is in good standing under the laws of the State of Delaware and New Jersey, respectively. It 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. It 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.

8.2 The execution, delivery and performance by it of this Agreement has been duly authorized by all necessary corporate action and does not and will not (a) require the consent or approval of its stockholders, (b) 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 (c) 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.

8.3 This Agreement is a legal, valid and binding obligation of it enforceable against it in accordance with its terms and conditions, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws, from time to time in effect, affecting creditor's rights generally.

8.4 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 fulfillment of its obligations.

8.5 It has good and marketable title to or valid leases or licenses for, all of its properties, rights and assets necessary for the fulfillment of its responsibilities under this Agreement, subject to no claim of any Third Person other than the relevant lessors or licensors.

9. Dispute Resolution. Any controversy or claim arising out of or relating to this contract, or breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof; provided, however, the parties expressly waive any right, whether statutory or otherwise, to claim or seek punitive damages for any act or omission arising under or related to this Agreement and

any claim for punitive damages shall not be heard or considered by the arbitrator and any finding or award of punitive damages shall be null, void and unenforceable as if never having been made.

10. Notices. All notices shall be mailed via certified mail, return receipt

requested, or sent by courier or overnight delivery service or by facsimile addressed as follows, or to such other address as may be designated from time to time:

If to Becton:	To Becton at its address as set forth at the beginning of this Agreement
	Attention: Sector President, Diagnostics
	with a copy to: Chief Patent and Licensing Counsel
If to OSI:	To OSI at its address as set forth at the beginning of this Agreement
	Attention: Chief Executive Officer

Notices shall be deemed given as of the date of receipt.

11. Governing Law. This Agreement shall be construed in accordance with the laws of the State of New York.

12. Miscellaneous.

12.1 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective legal representatives, successors and permitted assigns.

12.2 Headings. Paragraph headings are inserted for convenience of reference only and do not form a part of this Agreement.

12.3 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original.

12.4 Amendment; Waiver; etc. This Agreement may be amended, modified, superseded or cancelled, and any of the terms may be waived, only by a written instrument executed by each party 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 shall in no manner affect the rights at a later time to enforce the same.

12.5 No Third Party Beneficiaries. 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. Nothing contained in this Agreement shall be deemed to constitute the parties partners with each other or any Person.

12.6 Assignment and Successors. This Agreement may not be assigned by either party, except that each party may assign this Agreement and the rights and their interests, in whole or in part, (a) to any of the Affiliates of such party, or (b) upon a sale or transfer of all or substantially all of the business of such party relating to this Agreement, in either case upon notice to the other party.

12.7 Counterparts. This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

BECTON, DICKINSON AND COMPANY

By: /s/

Title: Senior Vice President

Date:

ONCOGENE SCIENCE, INC.

By: /s/

Title: Chief Executive Officer

Date:

SCHEDULE A

"A" LIST

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SCHEDULE B

"B" LIST

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** This portion redacted pursuant to a request for confidential treatment.

PRICING SCHEDULE

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** This portion redacted pursuant to a request for confidential treatment.

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EXHIBIT 21

SUBSIDIARIES OF THE COMPANY

Aston Molecules, Inc.

MYCOsearch Inc.

Applied bioTechnology, Inc.

Oncogene Science S.A.

EXHIBIT 23

Independent Auditors' Consent

The Board of Directors
Oncogene Science, Inc.:

We consent to incorporation by reference in the registration statements on Forms S-3 (No. 333-12593 and No. 333-2451) and on Forms S-8 (No. 333-06861, No. 33-64713, No. 33-60182, No. 33-38443 and No. 33-8980) of Oncogene Science, Inc. of our report dated December 3, 1996, relating to the consolidated balance sheets of Oncogene Science, Inc. and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended September 30, 1996, which reports appears in the September 30, 1996 annual report on Form 10-K of Oncogene Science, Inc.

KPMG PEAT MARWICK LLP

Jericho, New York
December 23, 1996

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