

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 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 0-17999

ImmunoGen, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts

04-2726691

State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

333 Providence Highway
Norwood, MA 02062

(Address of principal executive offices, including zip code)

(617) 769-4242

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last
report.)

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 No
--- ---

Indicate the number of shares outstanding of each of the issuer's classes
of common stock, as of the latest practicable date.

At February 11, 1997 there were 18,390,984 shares of common stock, par
value \$.01 per share, of the registrant outstanding.

At February 11, 1997 there were 5,500 shares of convertible preferred
stock, par value \$.01 per share, of the registrant outstanding.

IMMUNOGEN, INC.

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IMMUNOGEN, INC.
CONSOLIDATED BALANCE SHEETS
As of June 30, 1996 and December 31, 1996

	June 30, ----- 1996	December 31, ----- 1996

ASSETS		
Cash and cash equivalents	\$ 2,796,636	\$ 1,828,987
Prepays and other current assets	163,280	422,299
	-----	-----
Total current assets	2,959,916	2,251,286
	-----	-----
Property and equipment, net of accumulated depreciation	4,163,416	3,547,561
Note receivable	1,338,929	1,067,633
Other assets	43,700	43,700
	-----	-----
Total assets	\$ 8,505,961	\$ 6,910,180
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	733,446	985,585
Accrued compensation	233,515	250,181
Other accrued liabilities	832,573	763,534
Current portion of capital lease obligations	141,533	109,157
Current portion of deferred lease	--	152,088
	-----	-----
Total current liabilities	1,941,067	2,260,545
	-----	-----
Capital lease obligations	37,068	--
Deferred lease	--	25,355
Convertible debentures	3,812,943	--
Commitments		
Stockholders' equity :		
Preferred stock; \$.01 par value; authorized 5,000,000 as of September 30, 1996:		
Convertible preferred stock, Series A, \$.01 par value; issued and outstanding 2,500 shares at October 3, 1996 (liquidation preference - stated value plus accrued but unpaid dividends per share; excludes interest)	--	25
Convertible preferred stock, Series B, \$.01 par value; issued and outstanding 3,000 shares at October 16, 1996 (liquidation preference - stated value plus accrued but unpaid dividends per share; excludes interest)	--	30
Common stock, \$.01 par value; authorized 30,000,000 as of June 30, 1996 and December 31, 1996, respectively; Issued and outstanding 16,599,855 and 16,963,161 as of June 30, 1996 and December 31, 1996, respectively	165,999	169,632
Additional paid-in capital	128,084,708	134,884,120
	-----	-----
Accumulated deficit	128,250,707 (125,535,824)	135,053,807 (130,429,527)
	-----	-----
Total stockholders' equity	2,714,883	4,624,280
	-----	-----
Total liabilities and stockholders' equity	\$ 8,505,961	\$ 6,910,180
	=====	=====

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

IMMUNOGEN, INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS
 For the three months and six months ended December 31, 1995 and 1996

	Three Months Ended December 31,		Six Months Ended December 31,	
	1995	1996	1995	1996
Revenues:				
Development fees	\$ 86,834	\$ 71,076	\$ 223,162	\$ 153,232
Interest	22,281	15,219	56,614	36,599
Licensing	7,500	929	7,500	6,572
Other	13,929	29,667	27,857	58,704
Total revenues	130,544	116,891	315,133	255,107
Expenses:				
Research and development	2,721,238	2,031,389	5,645,838	3,977,622
General and administrative	507,693	548,330	961,264	986,249
Interest	228,166	5,862	592,272	72,724
Loss on disposal of assets	1,652,014	--	1,652,014	--
Total expenses	5,109,111	2,585,580	8,851,388	5,036,595
Loss before income taxes	(4,978,567)	(2,468,689)	(8,536,255)	(4,781,488)
Income tax expense	294	200	747	483
Net loss	(4,978,861)	(2,468,889)	(8,537,002)	(4,781,971)
Dividends on convertible preferred stock	--	111,732	--	111,732
Net loss to common shareholders	\$ (4,978,861)	\$ (2,580,621)	\$ (8,537,002)	\$ (4,893,703)
Loss per common share	\$ (0.36)	\$ (0.15)	\$ (0.65)	(0.29)
Shares used in computing loss per share amounts	13,757,414	16,960,993	13,169,662	16,939,002

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

IMMUNOGEN, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the year ended June 30, 1996 and for
the six months ended December 31, 1996

	Common Stock		
	Shares	Amount	Additional Paid-in Capital
Balance at June 30, 1995	12,578,606	\$125,786	\$118,988,736
Stock options exercised	168,500	1,685	120,900
Conversion of convertible debentures	3,852,749	38,528	6,281,587
Issuance of common stock warrants	--	--	2,693,485
Net loss	--	--	--
Balance at June 30, 1996	16,599,855	165,999	128,084,708
Stock options exercised	11,644	116	27,290
Conversion of convertible debentures into common stock	351,662	3,517	1,315,217
Exchange of convertible debentures for series A preferred stock	--	--	--
Issuance of series B convertible preferred stock	--	--	--
Dividends payable	--	--	--
Net loss for the six months ended December 31, 1996	--	--	--
Balance at December 31, 1996	16,963,161	\$169,632	\$129,427,215

	Preferred Stock				Total Stockholders' Equity
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	
Balance at June 30, 1995		\$	\$	\$(108,991,363)	\$ 10,123,159
Stock options exercised	--	--	--	--	122,585
Conversion of convertible debentures	--	--	--	--	6,320,115
Issuance of common stock warrants	--	--	--	--	2,693,485
Net loss	--	--	--	(16,544,461)	(16,544,461)
Balance at June 30, 1996	--	--	--	(125,535,824)	2,714,883
Stock options exercised	--	--	--	--	27,406
Conversion of convertible debentures into common stock	--	--	--	--	1,318,734
Exchange of convertible debentures for series A preferred stock	2,500	25	2,499,975	--	2,500,000
Issuance of series B convertible preferred stock	3,000	30	2,956,930	--	2,956,960
Dividends payable	--	--	--	(111,732)	(111,732)
Net loss for the six months ended December 31, 1996	--	--	--	(4,781,971)	(4,781,971)
Balance at December 31, 1996	5,500	\$55	\$5,456,905	\$(130,429,527)	\$ 4,624,280

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

IMMUNOGEN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended December 31, 1995 and 1996

	December 31,	
	----- 1995 -----	----- 1996 -----
Cash flows from operating activities:		
Net loss	\$(8,537,002)	\$(4,893,703)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	1,590,150	817,661
Loss on disposal of facility	1,652,014	--
Other	34,199	--
Loss on sale of property and equipment	--	2,934
Accretion of interest on note receivable	--	(58,704)
Dividends payable	--	111,732
Amortization of deferred lease	--	(38,022)
Changes in operating assets and liabilities:		
Other current assets	77,370	70,981
Accounts payable	(230,611)	252,139
Accrued compensation	115,838	16,666
Other non-current liabilities	(35,659)	--
Other accrued liabilities	(27,856)	(208,020)
	-----	-----
Net cash used for operating activities	(5,361,557)	(3,926,336)
	-----	-----
Cash flows from investing activities:		
Proceeds from sale of property and equipment	--	15,183
Purchase of property and equipment	(18,251)	(4,458)
	-----	-----
Net cash (used for) provided by investing activities	(18,251)	10,725
	-----	-----
Cash flows from financing activities:		
Proceeds from convertible debentures	3,600,000	--
Proceeds from convertible preferred stock	--	2,990,000
Stock issuances, net	7,151	27,406
Principal payments on capital lease obligations	(397,173)	(69,444)
	-----	-----
Net cash provided by (used for) financing activities	3,209,978	2,947,962
	-----	-----
Net change in cash and cash equivalents	(2,169,830)	(967,649)
	-----	-----
Cash and cash equivalents, beginning balance	3,047,236	2,796,636
	-----	-----
Cash and cash equivalents, ending balance	\$ 877,406	\$ 1,828,987
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 592,272	\$ 8,582
	=====	=====
Cash paid (refunded) for income taxes	\$ 5,000	\$ 1,197
	=====	=====
Supplemental disclosure of noncash financing activities:		
Conversion of convertible debentures including accrued interest	\$ --	\$ 1,318,734
	=====	=====
Conversion of convertible debentures to preferred stock	\$ --	\$ 2,500,000
	=====	=====
Deferred lease of leasehold improvements	\$ --	\$ 215,465
	=====	=====

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

IMMUNOGEN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. In the opinion of management, the accompanying financial statements include all adjustments, consisting of only normal recurring accruals, necessary to present fairly the consolidated financial position, results of operations and cash flows of ImmunoGen, Inc. (the "Company"), which include those of its wholly-owned subsidiary, ImmunoGen Securities Corp., and its 72%-owned subsidiary, Apoptosis Technology, Inc. ("ATI"). The financial disclosures herein should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 1996.

The Company has been unprofitable since inception and expects to incur net losses over the next several years, assuming it is able to raise sufficient working capital to continue operations. The Company's cash resources at December 31, 1996 were \$1.8 million. Subsequent to December 31, 1996, an additional \$3.0 million was received pursuant to a private placement of convertible preferred stock. An additional \$6.0 million is available to the Company under this agreement over the period ending December 31, 1997, if certain conditions are met. The Company continues actively to seek additional capital by pursuing one or more financing transactions and/or strategic partnering arrangements. While the Company remains hopeful that it will be able to consummate an additional financing transaction in the near term, no assurance can be given that such financing will be available to the Company on acceptable terms, if at all. If the Company is unable to obtain financing on acceptable terms in order to maintain operations, it could be forced to curtail further or discontinue operations.

B. In October 1996, the Company's \$2.5 million debenture issued in June 1996 was converted into 2,500 shares of the Company's Series A Convertible Preferred Stock, with a stated value of \$1,000 per share (the "Series A Stock"). Holders of the Series A Stock are entitled to receive, when and as declared by the Board of Directors, cumulative dividends at a rate per share equal to 9% per annum in cash or, at the Company's option, in shares of the Company's Common Stock in arrears on the conversion date. The 2,500 shares of Series A Stock are convertible into the same number of shares of Common Stock as the \$2.5 million debenture. Each share of Series A Stock is convertible into a number of shares of Common Stock determined by dividing the \$1,000 stated value per share by the lesser of (i) 85% of the average of the closing bid prices for the Common Stock for the five consecutive trading days prior to the conversion date, and (ii) \$2.50 (subject to certain adjustments).

C. On November 12, 1996 the shareholders of the Company approved the issuance of 12,000 shares of the Company's Convertible Preferred Stock (the "Preferred Stock") and related common stock purchase warrants (the "Warrants") pursuant to a financing agreement entered into in October 1996 (the "October 1996 Financing Agreement"), with the effect that, upon conversion of shares of Preferred Stock and exercise of Warrants, the holders of the Preferred Stock could own in excess of 20% of the number of shares of the Company's Common Stock outstanding on the date of issuance of the Preferred Stock.

D. The Company sold 3,000 shares of its Series B Convertible Preferred Stock (the "Series B Stock") for \$3.0 million in October 1996 and 3,000 shares of its Series C Convertible Preferred Stock (the "Series C Stock") for \$3.0 million in January 1997 to an institutional investor pursuant to the October 1996 Financing Agreement. Pursuant to this agreement, the Company has the right to require the investor to purchase up to \$12.0 million of convertible preferred stock from the Company in a series of private placements. The Company may require the investor to make additional investments of up to \$3.0 million during each of the quarters commencing on April 1, 1997 and July 1, 1997, respectively. If the aggregate investment as of September 30, 1997 is less than \$12.0 million, the Company may require the investor to make an additional investment of up to \$3.0 million in the quarter commencing on October 1, 1997 in an amount which would bring the total investment to \$12.0 million.

Holders of the Series B Stock and Series C Stock are entitled to receive, when and as declared by the Board of Directors, cumulative dividends at a rate per share equal to an annual rate of 9% of the stated value in cash, or at the Company's option, shares of Common Stock, in arrears on the conversion date. Each share of Series B Stock is convertible into a number of shares of the Company's Common Stock determined by dividing the \$1,000 stated value per share by the lesser of (i) \$3.60 (the average closing bid price of the Company's Common Stock on the NASDAQ National Market for the five consecutive trading days prior to the October 16, 1996 original issuance date of the Preferred Stock), and (ii) 85% of the average closing bid price for the Common Stock for the five consecutive trading days prior to the conversion date. Each share of Series C Stock is convertible into a number of shares of the Company's Common Stock determined by dividing the \$1,000 stated value per share by the lesser of (i) \$2.61 (the average closing bid price of the Company's Common Stock on the NASDAQ National Market for the five consecutive trading days prior to the January 24, 1997 original issuance date of the Series C Preferred Stock), and (ii) the Applicable Percentage (defined below) of the average closing bid price of the Company's Common Stock for the five consecutive trading days prior to the conversion date (subject to certain adjustments). The Applicable Percentage will be (i) 100%, if the conversion date is on or before March 4, 1997, (ii) 90%, if the conversion date is after March 4, 1997 but on or before April 13, 1997, and (iii) 85%, if the conversion date is after April 13, 1997.

As of January 27, 1997, 1,950 shares of the Series B Stock plus accrued dividends thereon had been converted into 927,167 shares of the Company's Common Stock.

Pursuant to the October 1996 Financing Agreement, the Company has issued warrants to the investor to purchase 187,500 shares of the Company's Common Stock. Warrants to purchase 62,500 shares of the Company's Common Stock were also issued to a third party pursuant to an arrangement between the investor and that party. These warrants have an exercise price of \$5.49 and expire in October 2001. Additionally, because conversion of the Series B Stock into shares of the Company's Common Stock did not occur until after the eightieth day following issuance of the Series B Stock, warrants to acquire an additional 250,000 shares of the Company's Common

Stock were issued to the investor in January 1997 with an exercise price of \$3.68 per share and an expiration date in January 2002. Similarly, if conversion of the preferred stock issued in any subsequent investment, including the Series C Stock, occurs after the eightieth day following its respective issue date, warrants to purchase a number of shares of the Company's Common Stock equal to 50% of the number of shares issuable upon conversion of such preferred stock will also be issued, with an exercise price equal to 150% of the closing sale price of the Common Stock on the date of issuance of the warrants.

E. In September 1995, the Company subleased approximately 82% of one of its Cambridge, Massachusetts facilities for a term which initially was to expire in February 1998. In July 1996, the Company signed an amendment to this sublease agreement, increasing the subleased space from 82% to 100% of the facility and extending the term of the sublease to February 1999 with options to further extend the sublease term to February 2000. This amendment became effective in late September 1996. In connection with the amendment, the sublessor agreed to fund certain construction costs at the Company's Norwood, Massachusetts facility, totaling approximately \$215,500. At December 31, 1996, this amount is reflected in the Company's consolidated balance sheets as a Deferred Lease and is being credited against rental expenses over the remaining term of the current sublease period.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Since inception, ImmunoGen has been primarily engaged in research and development of immunoconjugate products which the Company believes have significant commercial potential as human therapeutics. The major sources of the Company's working capital have been the proceeds of equity and convertible debt financings, license fees and income earned on investment of those funds. The Company expects no revenues to be derived from product sales for the foreseeable future.

Since December 1994, the Company has aggressively pursued a cost cutting and control program, beginning with a restructuring plan which included halting operations at two of its facilities, reducing or eliminating certain areas of research and focusing its clinical efforts on its lead products. In addition, the Company assigned the facility and equipment leases related to two facilities in Canton and Cambridge, Massachusetts to other biotechnology companies, and pursues an overall strategy of minimizing costs.

The Company has been unprofitable since inception and expects to incur net losses over the next several years. The Company's cash resources at December 31, 1996 were approximately \$1.8 million, and the Company received an additional \$3.0 million in January 1997 pursuant to a private placement of convertible preferred stock issued pursuant to a financing agreement entered into in October 1996 (the "October 1996 Financing Agreement"). An additional \$6.0 million is available to the Company under this agreement over a period ending December 31, 1997, if certain conditions are met. The Company continues actively to seek additional capital by pursuing one or more financing transactions and/or strategic partnering arrangements.

RESULTS OF OPERATIONS

Three Months Ended December 31, 1995 and 1996

The Company's revenues decreased approximately 10% from approximately \$131,000 for the three months ended December 31, 1995 to approximately \$117,000 for the three months ended December 31, 1996. Interest income totalled approximately \$22,000, or 17% of revenues, for the three months ended December 31, 1995, decreasing approximately 32% to approximately \$15,000, or 13% of revenues, for the three months ended December 31, 1996, reflecting the decrease in cash balances available for investment in the 1996 period. Revenues for the three months ended December 31, 1995 and 1996 include approximately \$87,000 and \$71,000, respectively, of development revenue, which represents revenue earned under the Small Business

Innovation Research Program of the U.S. National Science Foundation. Other income for the three months ended December 31, 1995 represents a gain on the sale of assets which were sold and leased back subject to a capital lease agreement entered into in fiscal 1994 which had been deferred and recorded as other income through December 1995. Other income for the three months ended December 31, 1996 represents accretion of interest on a note receivable related to the assignment of the Company's leases on its Canton facility and equipment.

The Company's total expenses decreased approximately 49% from approximately \$5.1 million for the three months ended December 31, 1995 to approximately \$2.6 million in the same period in 1996, primarily as a result of the Company's cost reduction efforts as described above (see "Overview").

Research and development costs constituted the primary component of the Company's total ongoing expenses (79% in each of the three month periods ended December 31, 1995 and 1996), decreasing from approximately \$2.7 million for the three months ended December 31, 1995 to approximately \$2.0 million for the three months ended December 31, 1996. This 25% decrease is principally the result of the savings associated with the Company's restructuring and other cost reduction efforts begun in fiscal 1995.

General and administrative expenses increased approximately 8% from approximately \$508,000 for the three months ended December 31, 1995 to approximately \$548,000 for the three months ended December 31, 1996. This increase represents costs associated with the Company's financing efforts.

Interest expense decreased from approximately \$228,000 for the three months ended December 31, 1995 to approximately \$6,000 for the three months ended December 31, 1996. The fiscal 1996 costs are primarily due to the interest costs associated with two of the Company's debenture financings entered into in the first quarter of fiscal 1996, and both periods include interest costs on the remaining principal balances of the Company's capital lease agreements. In October 1996, the Company converted a \$2.5 million convertible debenture issued in June 1996 into 2,500 shares of the Company's Series A Convertible Preferred Stock (the "Series A Stock"). Also in October 1996, the Company issued 3,000 shares of its Series B Convertible Preferred Stock (the "Series B Stock") pursuant to the October 1996 Financing Agreement. See "Liquidity and Capital Resources" for descriptions of both series. Holders of both series of stock are entitled to receive cumulative dividends at a rate per share equal to 9% per annum in arrears on the conversion date. The 100% increase in dividends on convertible preferred stock represents all dividends accumulated on both series of convertible preferred stock through December 31, 1996.

The loss on sale of assets in the three months ended December 31, 1995 represents a net loss on the Company's equipment lease at its Canton, Massachusetts facility recognized in connection with the assignment of that facility and related equipment lease to another biotechnology company.

Six Months Ended December 31, 1995 and 1996

The Company's revenues decreased 19% from approximately \$315,000 for the six months ended December 31, 1995 to approximately \$255,000 for the six months ended December 31, 1996. The major component of revenues in both years is development revenue earned under the Small Business Innovation Research Program of the U.S. National Science Foundation. This decrease in revenue was primarily caused by a decrease in interest income of approximately 35% from approximately \$57,000 for the six months ended December 31, 1995 to approximately \$37,000 for the six months ended December 31, 1996. This decrease is attributable to the decline in cash balances available for investment between these two periods. As in the three months ended December 31, 1995 and 1996, other income for the six months ended December 31, 1995 represents a gain on sale of assets sold and leased back subject to a capital lease agreement, and other income for the six months ended December 31, 1996 represents accretion of interest on a note receivable related to the assignment of the Company's leases on its Canton facility and equipment.

Total expenses decreased approximately 43% from approximately \$8.9 million for the six months ended December 31, 1995 to approximately \$5.0 million for the six months ended December 31, 1996. Significant components of this decrease include a charge in the six months ended December 31, 1995 for disposal of the Canton facility and equipment amounting to approximately \$1.7 million, as well as a charge of approximately \$600,000 of interest, financing and warrant costs charged to interest in connection with the Company's debenture financings.

For the six months ended December 31, 1995 and 1996, research and development costs constituted the primary component of the Company's total ongoing expenses (78% and 79%, respectively), decreasing 30% from approximately \$5.6 million for the 1995 period to approximately \$4.0 million for the 1996 period. As in the three months ended December 31, 1996, this decrease is principally the result of the savings associated with the Company's restructuring and other cost reduction efforts begun in fiscal 1995.

General and administrative expenses increased approximately 3% from the six months ended December 31, 1995 to the same period in fiscal 1996 and was approximately \$1.0 million in both periods. This small increase is attributable to the Company's ongoing financing efforts.

Interest expense decreased approximately 89% from approximately \$600,000 for the six months ended December 31, 1995 to approximately \$70,000 for the six months ended December 31, 1996. As in three months ended December 31, 1996, the costs in the earlier period are primarily due to interest, financing costs and warrant costs charged to interest on the Company's debenture financings, and both periods include interest costs on the remaining principal balances of the Company's capital lease agreements. Additionally, in October 1996, the Company converted a \$2.5 million convertible debenture issued in June 1996 into 2,500 shares of the Company's Series A Stock. Also in October 1996, the Company issued 3,000 shares of its Series

B Stock. See "Liquidity and Capital Resources" for descriptions of both series. Holders of both series of stock are entitled to receive cumulative dividends at a rate per share equal to 9% per annum in arrears on the conversion date. The 100% increase in dividends on convertible preferred stock represents dividends on both series of convertible preferred stock for the six months ended December 31, 1996.

LIQUIDITY AND CAPITAL RESOURCES

Since July 1, 1994 the Company has financed its operating deficit of approximately \$41.3 million from various sources, including issuances in fiscal 1996 of convertible debentures and in fiscal 1997 of convertible preferred stock, proceeds from the assignment of leases in fiscal year 1996 and from the exercise of stock options. Since July 1, 1994 the Company has earned approximately \$0.6 million of interest income. At December 31, 1996 approximately \$1.8 million of cash and cash equivalents remained available, and an additional \$3.0 million was received in January 1997 pursuant to the October 1996 Financing Agreement.

In October 1996, the Company's \$2.5 million debenture issued in June 1996 was converted into 2,500 shares of the Company's Series A Stock, with a stated value of \$1,000 per share. Holders of the Series A Stock are entitled to receive, when and as declared by the Board of Directors, cumulative dividends at a rate per share equal to 9% per annum in cash or, at the Company's option, in shares of the Company's Common Stock, in arrears on the conversion date. The 2,500 shares of Series A Stock are convertible into the same number of shares of Common Stock as the \$2.5 million debenture. Each share of Series A Stock is convertible into a number of shares of Common Stock determined by dividing the \$1,000 stated value per share plus accrued dividends by the lesser of (i) 85% of the average of the closing bid prices for the Common Stock for the five consecutive trading days prior to the conversion date, and (ii) \$2.50 (subject to certain adjustments).

The Company sold 3,000 shares of its Series B Convertible Preferred Stock (the "Series B Stock") for \$3.0 million in October 1996 and 3,000 shares of its Series C Convertible Preferred Stock (the "Series C Stock") for \$3.0 million in January 1997 to an institutional investor as part of an agreement which grants the Company the right to require the investor to purchase up to \$12.0 million of convertible preferred stock from the Company in a series of private placements. If certain conditions are met, the Company may require the investor to make additional investments of up to \$3.0 million during each of the quarters commencing on April 1, 1997 and July 1, 1997, respectively, and, if the aggregate investment as of September 30, 1997 is less than \$12.0 million, the Company may require the investor to make an additional investment of up to \$3.0 million in the quarter commencing on October 1, 1997 in an amount which would bring the total investment to \$12.0 million.

Holders of the Series B Stock and Series C Stock are entitled to receive, when and as declared by the Board of Directors, cumulative dividends at a rate per share equal to an annual rate of 9% of the stated value in cash, or at the Company's option, shares of Common Stock, in arrears on the conversion date. Each share of the Series B Stock is convertible into a number of shares of the Company's Common Stock determined by dividing the \$1,000 stated value per share by the lesser of (i) \$3.60 (the average closing bid price of the Company's Common Stock on the NASDAQ National Market for the five consecutive trading days prior to the October 16, 1996 original issuance date of the Series B Stock), and (ii) 85% of the average closing bid price of the Company's Common Stock for the five consecutive trading days prior to the conversion date (subject to certain adjustments). Each share of Series C Stock is convertible into a number of shares of the Company's Common Stock determined by dividing the \$1,000 stated value per share by the lesser of (i) \$2.61 (the average closing bid price of the Company's Common Stock on the NASDAQ National Market for the five consecutive trading days prior to the January 24, 1997 original issue date of the Series C Stock), and (ii) the Applicable Percentage (defined below) of the average closing bid price of the Company's Common Stock for the five consecutive trading days prior to the conversion date (subject to certain adjustments). The Applicable Percentage will be (i) 100%, if the conversion date is on or before March 4, 1997, (ii) 90%, if the conversion date is after March 4, 1997 but on or before April 13, 1997, and (iii) 85%, if the conversion date is after April 13, 1997. At the Company's option, accrued dividends payable on shares of Series B Stock or Series C Stock being converted may be paid in Common Stock in lieu of cash.

As of January 27, 1997, 1,950 shares of the Series B Stock plus accrued dividends thereon had been converted into 927,167 shares of the Company's Common Stock.

In connection with the October 1996 Financing Agreement, the Company has issued warrants to the investor to purchase 187,500 shares of the Company's Common Stock. Warrants to purchase 62,500 shares of the Company's Common Stock were also issued to a third party pursuant to an arrangement between the investor and that party. The warrants have an exercise price of \$5.49 and expire in October 2001. Additionally, because conversion of the Series B Stock into shares of the Company's Common Stock occurred after the eightieth day following issuance of the Series B Stock, warrants to acquire an additional 250,000 shares of the Company's Common Stock were issued to the investor with an exercise price of \$3.68 per share and an expiration date in January 2002. Similarly, if conversion of the preferred stock issued in any subsequent investment, including the Series C Stock, occurs after the eightieth day following its respective issue date, warrants to purchase a number of shares of the Company's Common Stock equal to 50% of the number of shares issuable upon conversion of such preferred stock will also be issued, with an exercise price equal to 150% of the closing sale price of the Common Stock on the date of issuance of the warrants.

In the period since July 1, 1994 approximately \$0.7 million was expended on property and equipment. Of this amount, approximately \$0.2 million was reimbursed to the Company by a sublessee as part of an amendment to a sublease agreement which became effective in fiscal 1997. No significant amounts are expected to be expended on property and equipment throughout the remainder of fiscal 1997.

ImmunoGen was committed under its agreements with ATI to provide ATI with \$3.0 million in research and development services and \$2.0 million in cash equity contributions over a three-year period. At June 30, 1995 these obligations had been fulfilled by the Company. ImmunoGen has also agreed to obtain or furnish an additional \$3.0 million in equity for ATI on such terms and conditions as may be mutually agreed to by ATI and the providers of such equity. As of December 31, 1996 amounts owed by ATI to ImmunoGen approximated \$12.0 million. The Company intends to convert a majority of this amount into equity of ATI, thereby satisfying the agreement to provide an additional \$3.0 million in equity.

The Company anticipates that its capital resources existing at December 31, 1996 plus the additional \$3.0 million received from its January 1997 sale of Series C Stock will enable it to maintain its current and planned operations through approximately June 1997. Receipt of the remaining \$6.0 million available to the Company under the October 1996 Financing Agreement would enable the Company to extend its operations through approximately February 1998. However, because the Company must satisfy certain conditions, including maintaining certain price and volume levels in trading of its Common Stock, there can be no assurance that the Company will receive any or all of the remaining \$6.0 million available under this financing arrangement. Because of its continuing losses from operations and working capital deficit, the Company will be required to obtain additional capital to satisfy its ongoing capital needs and to continue its operations. Although management continues to pursue additional funding arrangements, no assurance can be given that such financing will in fact be available on acceptable terms to the Company, if at all. If the Company is unable to obtain financing on acceptable terms in order to maintain operations, it could be forced to curtail further or discontinue its operations.

CERTAIN FACTS THAT MAY AFFECT FUTURE RESULTS OF OPERATIONS

This report contains certain forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties which could cause actual results to differ materially from those projected or suggested in such forward-looking statements as a result of various factors, including, but not limited to, the following: the uncertainties associated with clinical trials; the early stage of the Company's initial product development and lack of product revenues; the Company's history of operating losses and accumulated deficit; the Company's limited financial resources and uncertainty as to the availability of additional capital to fund its development on acceptable terms, if at all; the Company's lack of commercial manufacturing experience and commercial sales, distribution and marketing capabilities; reliance on suppliers of ricin and antibodies necessary for production of the products and technologies; the potential development by competitors of competing products and technologies; the Company's dependence on potential collaborative partners, and the lack of assurance that the Company will receive any funding under such relationships to develop and maintain strategic alliances; the lack of assurance regarding patent and other protection for the

Company's proprietary technology; governmental regulation of the Company's activities, facilities, products and personnel; the dependence on key personnel; uncertainties as to the extent of reimbursement for the costs of the Company's potential products and related treatment by government and private health insurers and other organizations; the potential adverse impact of government-directed health care reform; the risk of product liability claims; and general economic conditions. As a result, the Company's future development efforts involve a high degree of risk.

IMMUNOGEN, INC.
PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 2. Changes in Securities

On October 3, 1996, the Company filed Restated Articles of Organization which amended and restated the Company's Restated Articles of Organization previously in effect to eliminate all previously authorized shares of Preferred Stock, authorize 5,000,000 shares of a new class of Preferred Stock, and designate 2,500 shares of Series A Preferred Stock ("Series A Stock"). On October 16, 1996, the Company filed a Certificate of Vote of Directors Establishing a Series of a Class of Stock designating 3,000 shares of Series B Stock. On October 17, 1996, the Company issued all 3,000 shares of Series B Stock. On January 24, 1997, the Company filed a Certificate of Vote of Directors Establishing a Series of a Class of Stock designating 3,000 shares of Series C Stock. As of February 11, 1997, the Company has issued all 3,000 shares of Series C Stock to an institutional investor pursuant to the October 1996 Financing Agreement.

On January 24, 1997, the Company sold 3,000 shares of Series C Stock to an accredited investor for an aggregate cash consideration of \$3.0 million in a self-directed private placement under Regulation D of the Securities Act of 1933, as amended. If the Series C Shares are converted after the eightieth day following their issuance, the Company will issue to the investor warrants to purchase a number of shares of the Company's Common Stock equal to 50% of the number of shares issuable upon conversion of the Series C Stock at an exercise price equal to 150% of the closing price of the Common Stock on the date of issuance of the warrants.

Each share of Series A Stock is convertible into a number of shares of the Company's Common Stock determined by dividing the stated value of the Series A Stock of \$1,000 per share by the lesser of (i) 85% of the average of the closing bid prices for the Common Stock for the five consecutive trading days prior to the conversion date, and (ii) \$2.50 (subject to certain adjustments). Each share of Series B Stock is convertible into a number of shares of the Company's Common Stock determined by dividing the stated value of the Series B Stock of \$1,000 per share by the lesser of (i) \$3.60, and (ii) 85% of the average closing bid price of the Company's Common Stock for the five consecutive trading days prior to the conversion date (subject to certain adjustments). As of February 11, 1997, all 3,000 shares of Series B Stock plus accrued dividends thereon has been converted into 927,167 shares of the Company's Common Stock. Each share of Series C Stock is convertible into a number of shares of the Company's Common Stock determined by dividing the stated value of the Series C Stock of \$1,000 per share by the lesser of (i) the Applicable Percentage (defined below) of the average closing bid price of the Company's Common Stock for the five consecutive trading days prior to the conversion date (subject to certain adjustments), and (ii) \$2.61. The Applicable Percentage will be (i) 100%, if the conversion date is on or before March 4, 1997, (ii) 90%, if the conversion date is after March 4 but on or before April 13, 1997, and (iii) 85%, if the conversion date is after April 13, 1997.

Holders of the Series A Stock, Series B Stock and Series C Stock are entitled to receive, when and as declared by the Board of Directors, cumulative dividends at a rate per share equal to 9% per annum in cash or, at the Company's option, in shares of the Company's Common Stock, in arrears on the conversion date. The holders of all three series of preferred stock are not entitled to vote separately, as a series or otherwise, on any matter submitted to a vote of the shareholders of the Company. Each holder of both series of preferred stock has a liquidation preference equal to \$1,000 plus an amount equal to accrued but unpaid dividends per share, whether declared or not, but without interest, before any distribution or payment shall be made to the holders of any junior securities. No dividends may be paid on the Common Stock unless all dividends on the Series A Stock, Series B Stock and Series C Stock have been paid or amounts for their payment have been put aside.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders was held by the Company on November 12, 1996. At the Meeting, the following matters were voted upon:

The proposal to fix the number of directors at six and to elect six directors to hold office until the next Annual Meeting of Shareholders was approved by the following vote: 15,416,688 Shares FOR and 172,469 Shares WITHHELD.

The proposal to issue 12,000 Shares of the Company's Convertible Preferred Stock (the "Preferred Stock") and related common stock purchase warrants (the "Warrants"), with the effect that, upon conversion of Shares of Preferred Stock and exercise of Warrants, the holders of Preferred Stock could own in excess of 20% of the number of Shares of the Company's Common Stock outstanding on the date of issuance of the Preferred Stock was approved by the following vote: 7,253,261 Shares FOR, 422,964 Shares AGAINST, 183,211 Shares ABSTAINED and 7,729,721 Shares representing BROKER NO VOTES.

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit

- 4.1 Designation of Series B Preferred Stock
- 4.2 Designation of Series C Preferred Stock
- 10.38 Warrant dated January 6, 1997 issued to Southbrook International Investments, Ltd.
- 27 Financial Data Schedule

(b) No reports on Form 8-K were filed during the three months ended December 31, 1996.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IMMUNOGEN, INC.

Date: February 14, 1997

By: /s/Mitchel Sayare

Mitchel Sayare
Chief Executive Officer
(principal executive officer)

Date: February 14, 1997

By: /s/Frank J. Pocher

Frank J. Pocher
Executive Vice President, Operations
and Chief Financial Officer
(principal financial officer)

IMMUNOGEN, INC.

EXHIBIT INDEX

Exhibit

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4.1	Designation of Series B Preferred Stock
4.2	Designation of Series C Preferred Stock
10.38	Warrant dated January 6, 1997 issued to Southbrook International Investments, Inc.
27	Financial Data Schedule

The Commonwealth of Massachusetts
OFFICE OF THE MASSACHUSETTS SECRETARY OF STATE
WILLIAM FRANCIS GALVIN, Secretary
ONE ASHBURTON PLACE, BOSTON, MASS. 02108
FEDERAL IDENTIFICATION
No. 04 2726691

CERTIFICATE OF VOTE OF DIRECTORS ESTABLISHING
A SERIES OF A CLASS OF STOCK

General Laws, Chapter 156B, Section 26

We, Frank J. Pocher, Vice President, and

Jonathan L. Kravetz , Clerk of

IMMUNOGEN, INC.

(Name of Corporation)

located at 148 Sidney Street, Cambridge, MA 02139

do hereby certify that at a meeting of the directors of the corporation held on
October 3, 1996, the following vote establishing and designating a series of a
class of stock and determining the relative rights and preferences thereof was
duly adopted.

See Continuation Sheets Attached

(Pages 1 - 14)

Note: Votes for which the space provided above is not sufficient should be
set out on continuation sheets to be numbered 2A, 2B, etc. Continuation sheets
must have a left-hand margin 1 inch wide for binding and shall be 8 1/2" x 11".
Only one side should be used.

CONTINUATION SHEETS

Description and Designation of Series B Preferred Stock

SECTION I. DESIGNATION, AMOUNT AND PAR VALUE. The series of Preferred Stock shall be designated as the Series B Convertible Preferred Stock (the "Series B Preferred Stock"), and the number of shares so designated shall be 3,000. The par value of each share of Series B Preferred Stock shall be \$.01. Each share of Series B Preferred Stock shall have a stated value of \$1,000 per share (the "Stated Value").

SECTION II. DIVIDENDS.

A. Holders of outstanding shares of Series B Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available therefor, and the Company shall pay, cumulative dividends at the rate per share (as a percentage of the Stated Value per share) equal to 9% per annum, in cash or (at the option of the Company) shares of Common Stock, in arrears on the Conversion Date (as defined in Section 5(b)) or earlier if so determined by the Company. Dividends on the Series B Preferred Stock shall accrue daily commencing on the Original Issue Date (as defined in Section 6) and shall be deemed to accrue on such date whether or not earned or declared and whether or not there are profits, surplus or other funds of the Company legally available for the payment of dividends. The party that holds the Series B Preferred Stock on an applicable record date for any dividend payment will be entitled to receive such dividend payment and any other accrued and unpaid dividends which accrued prior to such dividend payment date, without regard to any sale or disposition of such Series B Preferred Stock subsequent to the applicable record date but prior to the applicable dividend payment date. Except as otherwise provided herein, if at any time the Company pays less than the total amount of dividends then accrued on account of the Series B Preferred Stock, such payment shall be distributed ratably among the holders of Series B Preferred Stock.

B. So long as any Series B Preferred Stock shall remain outstanding, neither the Company nor any subsidiary thereof shall redeem, purchase or otherwise acquire directly or indirectly any Junior Securities (as hereinafter defined), nor shall the Company directly or indirectly pay or declare any dividend or make any distribution (other than a dividend or distribution described in Section 5) upon, nor shall any distribution be made in respect of, any Junior Securities, nor shall any monies be set aside for or applied to the purchase or redemption (through a sinking fund or otherwise) of any Junior Securities, unless in each case all dividends on the Series B Preferred Stock for all past dividend periods shall have been paid or declared and a sum sufficient for the payment thereof set aside (or, if payment thereof is to be made in stock, such number of shares of Common Stock as are required to pay such dividend shall have been duly reserved for issuance to the holders of Series B Preferred Stock for payment thereof).

SECTION III. VOTING RIGHTS. Except as otherwise provided herein and as otherwise provided by law, the Series B Preferred Stock shall have no voting rights. However, so long as any shares of Series B Preferred Stock are outstanding, the Company shall not, without

the affirmative vote of the holders of a majority of the shares of the Series B Preferred Stock then outstanding, 1. alter or change adversely the powers, preferences or rights given to the Series B Preferred Stock or 2. authorize or create any class of stock ranking as to dividends or distribution of assets upon a Liquidation senior to, prior to or pari passu with the Series B Preferred Stock.

SECTION IV. LIQUIDATION. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary (a "Liquidation"), the holders of shares of Series B Preferred Stock shall be entitled to receive out of the assets of the Company, whether such assets are capital or surplus, for each share of Series B Preferred Stock an amount equal to the Stated Value, plus an amount equal to accrued but unpaid dividends per share, whether declared or not, but without interest, before any distribution or payment shall be made to the holders of any Junior Securities, and if the assets of the Company shall be insufficient to pay in full such amounts, then the entire assets to be distributed shall be distributed among the holders of Series B Preferred Stock ratably in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full. A sale, conveyance or disposition of all or substantially all of the assets of the Company or the effectuation by the Company of a transaction or series of related transactions in which more than 50% of the voting power of the Company is disposed of shall be deemed a Liquidation; provided that, a consolidation or merger of the Company with or into any other company or companies shall not be treated as a Liquidation, but instead shall be subject to the provisions of Section 5. The Company shall mail written notice of any such Liquidation, not less than 45 days prior to the payment date stated therein, to each record holder of Series B Preferred Stock.

SECTION V. CONVERSION.

A. 1. Each share of Series B Preferred Stock shall be convertible into shares of Common Stock at the Conversion Ratio (subject to reduction under Section 5(a)(ii)), at the option of the holder in whole or in part at any time after the Original Issue Date. Any conversion under this Section 5(a) shall be of a minimum amount of 100 shares of Series B Preferred Stock. The holder of the Series B Preferred Stock shall effect conversions by surrendering the certificate or certificates representing the shares of Series B Preferred Stock to be converted to the Company, together with the form of conversion notice attached hereto as Exhibit A (the "Holder Conversion Notice") in the manner set forth in Section 5(j). Each Holder Conversion Notice shall specify the number of shares of Series B Preferred Stock to be converted and the date on which such conversion is to be effected, which date may not be prior to the date the holder of Series B Preferred Stock delivers such Notice by facsimile (the "Holder Conversion Date"). Subject to Section 5(c), each Holder Conversion Notice, once given, shall be irrevocable, except that the original holder of the Series B Preferred Stock may revoke in whole or in part the conversion requested by such Holder Conversion Notice to the extent the conversion contemplated by such notice would result in such holder owning more than 4.9% of the then outstanding shares of the Common Stock. If a holder of Series B Preferred Stock is converting less than all of the shares of Series B Preferred Stock represented by the certificate(s) tendered by such holder with the Holder Conversion Notice, the Company shall promptly deliver to such holder a certificate for such number of shares as have not been converted.

2. CERTAIN REGULATORY APPROVAL. If on the Conversion Date (as defined below) applicable to any conversion under Section 5(a) or 5(b), (A) the Common Stock is then listed for trading on the Nasdaq National Market, (B) the Conversion Price (as defined below) then in effect is such that the aggregate number of shares of Common Stock that would then be issuable upon conversion of all outstanding shares of Series B Preferred Stock and Warrants, together with any shares of Common Stock previously issued upon conversion of Series B Preferred Stock, would exceed 3,392,298 shares of Common Stock (the "Issuable Maximum"), and (C) the Company has not previously obtained Shareholder Approval (as defined below), then the Company shall issue to the converting holder of the Series B Preferred Stock the Issuable Maximum and, with respect to any shares of Common Stock that would be issuable to such holder, in respect of the Conversion Notice at issue in excess of the Issuable Maximum, the Company shall have the option to either (i) as promptly as possible, but in no event later than 60 days after such Conversion Date, convene a meeting of the holders of the Common Stock and obtain the Shareholder Approval (as defined below) or (ii) redeem the balance of the Series B Preferred Stock subject to such Conversion Notice for a redemption price equal to the product of (A) the Per Share Market Value and (B) the Conversion Ratio (as defined in Section 6) (the "Redemption Price"), each as calculated on the Conversion Date; provided, however, that if the Company elects to obtain the Shareholder Approval under paragraph (i) above and the Company fails for any reason to obtain such Shareholder Approval within the time period set forth in (i) above, the Company shall be obligated to redeem the Series B Preferred Stock not converted as a result of the provisions of this Section in accordance with the provisions of paragraph (ii) above, and in such case the interest contemplated by the immediately succeeding sentence shall be deemed to accrue from the Conversion Date. If the Company shall have elected to redeem shares of Series B Preferred Stock pursuant to this Section and fails for any reason to pay the Redemption Price under (ii) above within seven days after the Conversion Date, the Company will pay interest on the Redemption Price at a rate of 18% per annum, in cash to the converting holder of Series B Preferred Stock, accruing from the Conversion Date until the Redemption Price and any accrued interest thereon is paid in full. "Shareholder Approval" means the approval by a majority of the total votes cast on the proposal, in person or by proxy, at a meeting of the shareholders of the Company held in accordance with the Company's articles of organization and by-laws, of the issuance by the Company of shares of Common Stock exceeding the Issuable Maximum as a consequence of the conversion of Series B Preferred Stock into Common Stock at a price less than the greater of the book or market value on the Original Issue Date as and to the extent required pursuant to Rule 4460(i) of the Nasdaq Stock Market (or any successor or replacement provision thereof).

B. Provided that ten (10) Trading Days (as defined in Section 6) shall have elapsed from the date the Securities and Exchange Commission (the "Commission") has declared a registration statement registering the resale of the shares of Common Stock issuable upon conversion of the Series B Preferred Stock and related warrants (the "Underlying Shares Registration Statement") effective under the Securities Act of 1933, as amended (the "Securities Act"), each share of the Series B Preferred Stock shall be convertible into shares of Common Stock at the Conversion Ratio (subject to reduction under Section 5(a)(ii)) at the option of the Company in whole or in part at any time on or after the expiration of four (4) years after the Original Issue Date; PROVIDED, HOWEVER, that the Company is not permitted to deliver a Company

Conversion Notice (as defined below) within ten (10) days of issuing any press release or other public statement relating to such conversion or during any Event (as defined in Section 5(d)(i) below); and PROVIDED, FURTHER, that the Company shall have no right to deliver a Company Conversion Notice and effect the conversion of shares of Series B Preferred Stock under this Section 5(b) unless all of such shares may be converted into shares of Common Stock in accordance with Section 5(a)(ii). The Company shall effect such conversion by delivering to the holders of such shares of Series B Preferred Stock to be converted a written notice in the form attached hereto as EXHIBIT B (the "Company Conversion Notice"), which Company Conversion Notice, once given, shall be irrevocable. Each Company Conversion Notice shall specify the number of shares of Series B Preferred Stock to be converted and the date on which such conversion is to be effected, which date will be at least one (1) Trading Day after the date the Company delivers such Notice by facsimile to the holder (the "Company Conversion Date"). The Company shall give such Company Conversion Notice in accordance with Section 5(j) below at least one (1) Trading Day before the Company Conversion Date. Any such conversion shall be effected on a pro rata basis among the holders of Series B Preferred Stock. Upon the conversion of shares of Series B Preferred Stock pursuant to a Company Conversion Notice, the holders of the Series B Preferred Stock shall surrender the certificates representing such shares at the office of the Company or of any transfer agent for the Series B Preferred Stock or Common Stock not later than three (3) Trading Days after the Company Conversion Date. Each of a Holder Conversion Notice and a Company Conversion Notice is sometimes referred to herein as a "Conversion Notice," and each of a "Holder Conversion Date" and a "Company Conversion Date" is sometimes referred to herein as a "Conversion Date."

C. Not later than three (3) Trading Days after the Conversion Date, the Company will deliver to the holder of Series B Preferred Stock (i) a certificate or certificates which shall be free of restrictive legends and trading restrictions (other than those then required by law), representing the number of shares of Common Stock being acquired upon the conversion of shares of Series B Preferred Stock (subject to any reduction required pursuant to Section 5(a)(iii)), and (ii) one or more certificates representing the number of shares of Series B Preferred Stock not converted; PROVIDED, HOWEVER, that the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon conversion of any shares of Series B Preferred Stock (or with respect to shares subject to redemption pursuant to Section 5(a)(ii), to pay the Redemption Price under such Section) until certificates evidencing such shares of Series B Preferred Stock are either delivered for conversion to the Company or any transfer agent for the Series B Preferred Stock or Common Stock, or the holder of Series B Preferred Stock notifies the Company that such certificates have been lost, stolen or destroyed and provides a bond (or other adequate security reasonably acceptable to the Company) reasonably satisfactory to the Company to indemnify the Company from any loss incurred by it in connection therewith and provided, further, that no dividends shall accrue on the Series B Preferred Stock after the Conversion Date unless the Company fails to deliver a certificate or certificates representing the shares of Common Stock issuable upon the Conversion in question, in which event such dividends shall accrue until such certificates are delivered. The Company shall, upon request of the holder of Series B Preferred Stock, use its best efforts to deliver any certificate or certificates required to be delivered by the Company under this Section 5(c) electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. In the case

of a conversion pursuant to a Holder Conversion Notice, if such certificate or certificates are not delivered by the date required under this Section 5(c), the holder shall be entitled by written notice to the Company at any time on or before its receipt of such certificate or certificates thereafter, to rescind such conversion, in which event the Company shall immediately return the certificates representing the shares of Series B Preferred Stock tendered for conversion.

D. 1. The conversion price for each share of Series B Preferred Stock (the "Conversion Price") in effect on any Conversion Date shall be the lesser of (a) the average Per Share Market Value for the five (5) Trading Days immediately preceding the Original Issue Date (the "Initial Conversion Price") and (b) the "Applicable Percentage" (as defined below) of the average Per Share Market Value for the five (5) Trading Days immediately preceding the Conversion Date; PROVIDED, HOWEVER, (x) if the Underlying Shares Registration Statement is not filed with the Commission on or prior to the 25th day after the Original Issue Date, or (y) if the Underlying Shares Registration Statement is not declared effective by the Commission on or prior to the 80th day after the Original Issue Date, or (z) if the Underlying Shares Registration Statement is declared effective but thereafter ceases to be effective at any time between the date originally declared effective and the date which is four (4) years after the Original Issue Date or such earlier date when all securities subject to the registration requirements of the Registration Rights Agreement and covered by such Underlying Shares Registration Statement have been sold or may be sold without volume or other restrictions pursuant to Rule 144 or 144A (each as promulgated under the Securities Act), as the case may be, as determined by counsel to the Company pursuant to a written opinion letter addressed to the holders of the then outstanding shares of Series B Preferred Stock to such effect, without being succeeded within 30 days by a subsequent registration statement filed with and declared effective by the Commission (any such failure being hereinafter referred to as an "Event", and for purposes of clauses (x) or (y), the date on which such Event occurs, or for purposes of clause (z), the date on which such 30-day limit is exceeded, being hereinafter referred to as an "Event Date"), the Conversion Price shall be decreased by 3% per month (for example, if the Applicable Percentage is 90%, 87% at the Event Date and 84% commencing the 30th day after such Event Date) and the dividends to be paid in respect of the Series B Preferred Stock shall be increased to 18% per annum. Commencing on the 60th day after the Event Date, the 3% monthly penalty shall be paid to the holder in cash. "Applicable Percentage" means (i) 100% if the Conversion Date occurs on or prior to the 40th day after the Original Issue Date, (ii) 90% if the Conversion Date occurs between the 41st and 80th day after the Original Issue Date, and (iii) 85% if the Conversion Date is more than 80 days after the Original Issue Date.

2. If the Company, at any time while any shares of Series B Preferred Stock are outstanding, (a) shall pay a stock dividend or otherwise make a distribution or distributions on shares of its Junior Securities payable in shares of its capital stock (whether payable in shares of its Common Stock or of capital stock of any class), (b) subdivide outstanding shares of Common Stock into a larger number of shares, (c) combine outstanding shares of Common Stock into a smaller number of shares, or (d) issue by reclassification of shares of Common Stock any shares of capital stock of the Company, the Initial Conversion Price designated in Section 5(d)(i) shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock of the Company outstanding before such event and of which

the denominator shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section 5(d)(ii) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

3. If the Company, at any time while any shares of Series B Preferred Stock are outstanding, shall issue rights or warrants to all holders of Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Per Share Market Value of Common Stock at the record date mentioned below, the Initial Conversion Price designated in Section 5(d)(i) shall be multiplied by a fraction, of which the denominator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Per Share Market Value. Such adjustment shall be made whenever such rights or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights or warrants. However, upon the expiration of any right or warrant to purchase Common Stock the issuance of which resulted in an adjustment in the Initial Conversion Price designated in Section 5(d)(i) pursuant to this Section 5(d)(iii), if any such right or warrant shall expire and shall not have been exercised, the Initial Conversion Price designated in Section 5(d)(i) shall immediately upon such expiration be recomputed and effective immediately upon such expiration be increased to the price which it would have been (but reflecting any other adjustments in the Initial Conversion Price made pursuant to the provisions of this Section 5 after the issuance of such rights or warrants) had the adjustment of the Initial Conversion Price made upon the issuance of such rights or warrants been made on the basis of offering for subscription or purchase only that number of shares of Common Stock actually purchased upon the exercise of such rights or warrants actually exercised.

4. If the Company, at any time while shares of Series B Preferred Stock are outstanding, shall distribute to all holders of Common Stock (and not to holders of Series B Preferred Stock) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security (excluding those referred to in Section 5(d)(iii) above), then in each such case the Initial Conversion Price at which each share of Series B Preferred Stock shall thereafter be convertible shall be determined by multiplying the Initial Conversion Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the Per Share Market Value of Common Stock determined as of the record date mentioned above, and of which the numerator shall be such Per Share Market Value of the Common Stock on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of Common Stock as determined by the Board of Directors in good faith; provided, however, that in the event of a distribution exceeding ten percent (10%) of the net assets of the Company, such fair market value shall be

determined by a nationally recognized or major regional investment banking firm or firm of independent certified public accountants of recognized standing (which may be the firm that regularly examines the financial statements of the Company) (an "Appraiser") selected in good faith by the holders of a majority in interest of the shares of Series B Preferred Stock then outstanding; and PROVIDED, further that the Company, after receipt of the determination by such Appraiser shall have the right to select an additional Appraiser, in which case the fair market value shall be equal to the average of the determinations by each such Appraiser. In either case the adjustments shall be described in a statement provided to the holders of Series B Preferred Stock of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

5. All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be.

6. Whenever the Initial Conversion Price is adjusted pursuant to Section 5(d)(ii),(iii), (iv) or (v), the Company shall promptly mail to the holders of Series B Preferred Stock, a notice setting forth the Initial Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

7. In case of any reclassification of the Common Stock, any consolidation or merger of the Company with or into another person, the sale or transfer of all or substantially all of the assets of the Company or any compulsory share exchange pursuant to which the Common Stock is converted into other securities, cash or property, the holders of Series B Preferred Stock then outstanding shall have the right thereafter to convert such shares only into the shares of stock and other securities and property receivable upon or deemed to be held by holders of Common Stock following such reclassification, consolidation, merger, sale, transfer or share exchange, and the holders of Series B Preferred Stock shall be entitled upon such event to receive such amount of securities or property as the shares of the Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such reclassification, consolidation, merger, sale, transfer or share exchange would have been entitled. The terms of any such consolidation, merger, sale, transfer or share exchange shall include such terms so as to continue to give to the holder of Series B Preferred Stock the right to receive the securities or property set forth in this Section 5(d)(vii) upon any conversion following such consolidation, merger, sale, transfer or share exchange. This provision shall similarly apply to successive reclassifications, consolidations, mergers, sales, transfers or share exchanges.

8. If:

- (A) the Company shall declare a dividend (or any other distribution) on its Common Stock; or
- (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of its Common Stock; or

- (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; or
- (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock of the Company (other than a subdivision or combination of the outstanding shares of Common Stock), any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; or
- (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding-up of the affairs of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of Series B Preferred Stock, and shall cause to be mailed to the holders of Series B Preferred Stock at their last respective addresses as they shall appear upon the stock books of the Company, at least 30 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding-up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding-up; PROVIDED, HOWEVER, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice.

E. If at any time conditions shall arise by reason of action taken by the Company which in the opinion of the Board of Directors are not adequately covered by the other provisions hereof and which might materially and adversely affect the rights of the holders of Series B Preferred Stock (different than or distinguished from the effect generally on rights of holders of any class of the Company's capital stock) or if at any time any such conditions are expected to arise by reason of any action contemplated by the Company, the Company shall, at least 30 calendar days prior to the effective date of such action, mail a written notice to each holder of Series B Preferred Stock briefly describing the action contemplated and the material adverse effects of such action on the rights of such holders and an Appraiser selected by the

holders of majority in interest of the Series B Preferred Stock shall give its opinion as to the adjustment, if any (not inconsistent with the standards established in this Section 5), of the Conversion Price (including, if necessary, any adjustment as to the securities into which shares of Series B Preferred Stock may thereafter be convertible) and any distribution which is or would be required to preserve without diluting the rights of the holders of shares of Series B Preferred Stock; PROVIDED, HOWEVER, that the Company, after receipt of the determination by such Appraiser, shall have the right to select an additional Appraiser, in which case the adjustment shall be equal to the average of the adjustments recommended by each such Appraiser. The Board of Directors shall make the adjustment recommended forthwith upon the receipt of such opinion or opinions or the taking of any such action contemplated, as the case may be; provided, however, that no such adjustment of the Conversion Price shall be made which in the opinion of the Appraiser(s) giving the aforesaid opinion or opinions would result in an increase of the Conversion Price to more than the Conversion Price then in effect.

F. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued Common Stock solely for the purpose of issuance upon conversion of Series B Preferred Stock as herein provided, free from preemptive rights or any other actual contingent purchase rights of persons other than the holders of Series B Preferred Stock, such number of shares of Common Stock as shall be issuable (taking into account the adjustments and restrictions of Section 5(d) hereof) upon the conversion of the aggregate principal amount of all outstanding shares of Series B Preferred Stock. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly and validly authorized, issued and fully paid and nonassessable.

G. Upon a conversion hereunder the Company shall not be required to issue stock certificates representing fractions of shares of Common Stock, but may if otherwise permitted, make a cash payment in respect of any final fraction of a share based on the Per Share Market Value at such time. If the Company elects not to, or is unable to, make such a cash payment, the holder of Series B Preferred Stock shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

H. The issuance of certificates for shares of Common Stock on conversion of Series B Preferred Stock shall be made without charge to the holders thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the holder of such shares of Series B Preferred Stock so converted and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

I. Shares of Series B Preferred Stock converted into Common Stock shall be canceled and shall have the status of authorized but unissued shares of preferred stock.

J. Each Holder Conversion Notice shall be given by facsimile and by mail, postage prepaid, addressed to the attention of the Chief Financial Officer of the Company at the facsimile telephone number and address of the principal place of business of the Company. Each Company Conversion Notice shall be given by facsimile and by mail, postage prepaid, addressed to each holder of Series B Preferred Stock at the facsimile telephone number and address of such holder appearing on the books of the Company or provided to the Company by such holder for the purpose of such Company Conversion Notice, or if no such facsimile telephone number or address appears or is so provided, at the principal place of business of the holder. Any such notice shall be deemed given and effective upon the earliest to occur of (i)(a) if such Conversion Notice is delivered via facsimile at the facsimile telephone number specified in this Section 5(j) prior to 4:30 p.m. (Eastern Standard Time) on any date, such date (or, in the case of a Company Conversion Notice, the next Trading Day) or such later date as is specified in the Conversion Notice, and (b) if such Conversion Notice is delivered via facsimile at the facsimile telephone number specified in this Section 5(j) after 11:59 p.m. (Eastern Standard Time) on any date, the next date (or, in the case of a Company Conversion Notice, the next Trading Day after such next day) or such later date as is specified in the Conversion Notice, (ii) five days after deposit in the United States mails or (iii) upon actual receipt by the party to whom such notice is required to be given.

SECTION VI. DEFINITIONS. For the purposes hereof, the following terms shall have the following meanings:

"Business Day" means any day of the year on which commercial banks are not required or authorized to be closed in New York City.

"Common Stock" means shares now or hereafter authorized of the class of Common Stock, \$.01 par value, of the Company and stock of any other class into which such shares may hereafter have been reclassified or changed.

"Conversion Ratio" means, at any time, a fraction, of which the numerator is the Stated Value plus accrued but unpaid dividends, and of which the denominator is the Conversion Price at such time.

"Junior Securities" means the Common Stock, and all other classes of equity securities of the Company, other than the 2,500 issued and outstanding shares of the Company's Series A Convertible Preferred Stock and shares of the Company's Convertible Preferred Stock issued to the original holder of the Series B Preferred Stock.

"Original Issue Date" shall mean the date of the first issuance of any shares of the Series B Preferred Stock regardless of the number of transfers of any particular shares of Series B Preferred Stock and regardless of the number of certificates which may be issued to evidence such Series B Preferred Stock.

"Per Share Market Value" means on any particular date (a) the closing bid price per share of the Common Stock on such date on The Nasdaq National Market or Nasdaq Small

Cap Market or other stock exchange on which the Common Stock has been listed or if there is no such price on such date, then the closing bid price on such exchange on the date nearest preceding such date, or (b) if the Common Stock is not listed on The Nasdaq National Market or Nasdaq Small Cap Market or any stock exchange, the closing bid price for a share of Common Stock in the over-the-counter market, as reported by the Nasdaq Stock Market at the close of business on such date, or (c) if the Common Stock is not quoted on the Nasdaq Stock Market, the closing bid price for a share of Common Stock in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), or (d) if the Common Stock is not reported by the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), then the average of the "Pink Sheet" quotes for the relevant conversion period, as determined in good faith by the holder, or (e) if the Common Stock is not publicly traded the fair market value of a share of Common Stock as determined by an Appraiser (as defined in Section 5(d)(iv) above) selected in good faith by the holders of a majority in interest of the shares of the Series B Preferred Stock; PROVIDED, HOWEVER, that the Company, after receipt of the determination by such Appraiser, shall have the right to select an additional Appraiser, in which case, the fair market value shall be equal to the average of the determinations by each such Appraiser.

"Person" means a corporation, an association, a partnership, organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

"Trading Day" means (a) a day on which the Common Stock is traded on The Nasdaq National Market or Nasdaq Small Cap Market or principal stock exchange on which the Common Stock has been listed, or (b) if the Common Stock is not listed on The Nasdaq National Market or Nasdaq Small Cap Market or any stock exchange, a day on which the Common Stock is traded in the over-the-counter market, as reported by the Nasdaq Stock Market, or (c) if the Common Stock is not quoted on the Nasdaq Market, a day on which the Common Stock is quoted in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or any similar organization or agency succeeding its functions of reporting prices).

EXHIBIT A

NOTICE OF CONVERSION AT THE ELECTION OF HOLDER

(To be Executed by the Registered Holder to Convert shares of Series B Preferred Stock)

The undersigned hereby irrevocably elects to convert the number of shares of Series B Convertible Preferred Stock indicated below into shares of Common Stock, par value \$.01 per share (the "Common Stock"), of ImmunoGen, Inc. (the "Company") according to the conditions hereof, as of the date written below. If shares are to be issued in the name of a person other than undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the Holder for any conversion, except for such transfer taxes, if any.

Conversion calculations:

Date to Effect Conversion

Number of shares of Series B Preferred Stock to be
Converted

Applicable Conversion Price

Number of shares of Common Stock to Issue

Signature

Name:

Address:

The Company undertakes to promptly upon its receipt of this conversion notice (and, in any case prior to the time it effects the conversion requested hereby), notify the converting holder by facsimile and telephone of the number of shares of Common Stock outstanding on such date and the number of shares of Common Stock which would be issuable to the holder if the conversion requested in this conversion notice were effected in full, whereupon, the holder may, within one day of the notice from the Company, revoke in whole or in part the conversion requested hereby to the extent that it determines that such conversion would result in it owning in excess of 4.9% of the outstanding shares of Common Stock on such date, and the Company shall issue to the holder one or more certificates representing shares of Series B Preferred Stock which have not been converted as a result of this provision. If the holder waives the applicability of this limitation by notice to the Company delivered upon its receipt of the Company's notice regarding the number of outstanding shares of Common Stock or if the Purchaser fails to respond to the Company's notice within one day thereafter, the Company shall effect in full the conversion requested in this notice.

EXHIBIT B

IMMUNOGEN, INC.

NOTICE OF CONVERSION AT
THE ELECTION OF THE COMPANY

The undersigned in the name and on behalf of ImmunoGen, Inc. (the "Company") hereby notifies the addressee hereof that the Company hereby elects to exercise its right to convert [] shares of its Series B Convertible Preferred Stock held by the Holder into shares of Common Stock, par value \$.01 per share (the "Common Stock") of the Company according to the terms hereof, as of the date written below. No fee will be charged to the Holder for any conversion hereunder, except for such transfer taxes, if any which may be incurred by the Company if shares are to be issued in the name of a person other than the person to whom this notice is addressed.

Conversion calculations:

Date to Effect Conversion

Number of Shares of Series B Preferred Stock
to be Converted

Applicable Conversion Price

Number of Shares of Common Stock outstanding at
close of trading on Conversion Date

Number of shares of Common Stock to Issue

Signature

Name:

Address:

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IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, we have hereto signed our names this 16th day of October in the year 1996.

/s/ Frank J. Pocher, Vice President

/s/ Jonathan L. Kravetz, Clerk

THE COMMONWEALTH OF MASSACHUSETTS

Certificate of Vote of Directors Establishing
A Series of a Class of Stock

(General Laws, Chapter 156B, Section 26)

I hereby approve the within certificate and, the filing fee
in the amount of \$
having been paid, said certificate is hereby filed this

day of

19

WILLIAM FRANCIS GALVIN
Secretary of State

TO BE FILLED IN BY CORPORATION
PHOTO COPY OF CERTIFICATE TO BE SENT

TO:

Susan E. Hislop, Esquire
Mintz, Levin, Cohn, Ferris, Glovsky, and Popeo, P.C.
One Financial Center, Boston, MA 02111

Telephone 617 542 6000

The Commonwealth of Massachusetts
OFFICE OF THE MASSACHUSETTS SECRETARY OF STATE
WILLIAM FRANCIS GALVIN, Secretary
ONE ASHBURTON PLACE, BOSTON, MASS. 02108

FEDERAL IDENTIFICATION
No. 04 2726691

CERTIFICATE OF VOTE OF DIRECTORS ESTABLISHING
A SERIES OF A CLASS OF STOCK

General Laws, Chapter 156B, Section 26

We, Frank J. Pocher, Vice President, and
Jonathan L. Kravetz , Clerk of

IMMUNOGEN, INC.

Name of Corporation

located at 148 Sidney Street, Cambridge, MA 02139

do hereby certify that at a meeting of the directors of the corporation held on
January 14, 1997 , the following vote establishing and designating a series of a
class of stock and determining the relative rights and preferences thereof was
duly adopted.

See Continuation Sheets Attached

(pages 1 - 13)

Note: Votes for which the space provided above is not sufficient should be set
out on continuation sheets to be numbered 2A, 2B, etc. Continuation sheets must
have a left-hand margin 1 inch wide for binding and shall be 8 1/2" x 11". Only
one side should be used.

CONTINUATION SHEETS

Description and Designation of Series C Preferred Stock

SECTION 1. DESIGNATION, AMOUNT AND PAR VALUE. The series of Preferred Stock shall be designated as the Series C Convertible Preferred Stock (the "Series C Preferred Stock"), and the number of shares so designated shall be 3,000. The par value of each share of Series C Preferred Stock shall be \$.01. Each share of Series C Preferred Stock shall have a stated value of \$1,000 per share (the "Stated Value").

Section 2. Dividends.

A. Holders of outstanding shares of Series C Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available therefor, and the Company shall pay, cumulative dividends at the rate per share (as a percentage of the Stated Value per share) equal to 9% per annum, in cash or (at the option of the Company) shares of Common Stock, in arrears on the Conversion Date (as defined in Section 5(B)) or earlier if so determined by the Company. If the Company exercises its option to pay dividends in shares of Common Stock, the number of shares issuable shall be determined by dividing the accrued dividends payable by the Conversion Price (as defined in Section 5(D)(1)) then in effect. Dividends on the Series C Preferred Stock shall accrue daily commencing on the Original Issue Date (as defined in Section 6) and shall be deemed to accrue on such date whether or not earned or declared and whether or not there are profits, surplus or other funds of the Company legally available for the payment of dividends. The party that holds the Series C Preferred Stock on an applicable record date for any dividend payment will be entitled to receive such dividend payment and any other accrued and unpaid dividends which accrued prior to such dividend payment date, without regard to any sale or disposition of such Series C Preferred Stock subsequent to the applicable record date but prior to the applicable dividend payment date. Except as otherwise provided herein, if at any time the Company pays less than the total amount of dividends then accrued on account of the Series C Preferred Stock, such payment shall be distributed ratably among the holders of Series C Preferred Stock.

B. So long as any Series C Preferred Stock shall remain outstanding, neither the Company nor any subsidiary thereof shall redeem, purchase or otherwise acquire directly or indirectly any Junior Securities (as hereinafter defined), nor shall the Company directly or indirectly pay or declare any dividend or make any distribution (other than a dividend or distribution described in Section 5) upon, nor shall any distribution be made in respect of, any Junior Securities, nor shall any monies be set aside for or applied to the purchase or redemption (through a sinking fund or otherwise) of any Junior Securities, unless in each case all dividends on the Series C Preferred Stock for all past dividend periods shall have been paid or declared and a sum sufficient for the payment thereof set aside (or, if payment thereof is to be made in stock, such number of shares of Common Stock as are required to pay such dividend shall have been duly reserved for issuance to the holders of Series C Preferred Stock for payment thereof).

SECTION 3. VOTING RIGHTS. Except as otherwise provided herein and as otherwise provided by law, the Series C Preferred Stock shall have no voting rights. However, so long as any shares of Series C Preferred Stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the shares of the Series C Preferred Stock then outstanding, (a) alter or change adversely the powers, preferences or rights given to the Series C Preferred Stock or (b) authorize or create any class of stock ranking as to dividends or distribution of assets upon a Liquidation senior to, prior to or pari passu with the Series C Preferred Stock.

SECTION 4. LIQUIDATION. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary (a "Liquidation"), the holders of shares of Series C Preferred Stock shall be entitled to receive out of the assets of the Company, whether such assets are capital or surplus, for each share of Series C Preferred Stock an amount equal to the Stated Value, plus an amount equal to accrued but unpaid dividends per share, whether declared or not, but without interest, before any distribution or payment shall be made to the holders of any Junior Securities, and if the assets of the Company shall be insufficient to pay in full such amounts, then the entire assets to be distributed shall be distributed among the holders of Series C Preferred Stock ratably in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full. A sale, conveyance or disposition of all or substantially all of the assets of the Company or the effectuation by the Company of a transaction or series of related transactions in which more than 50% of the voting power of the Company is disposed of shall be deemed a Liquidation; provided that, a consolidation or merger of the Company with or into any other company or companies shall not be treated as a Liquidation, but instead shall be subject to the provisions of Section 5. The Company shall mail written notice of any such Liquidation, not less than 45 days prior to the payment date stated therein, to each record holder of Series C Preferred Stock.

Section 5. Conversion.

A. Each share of Series C Preferred Stock shall be convertible into shares of Common Stock at the Conversion Ratio, at the option of the holder in whole or in part at any time after the Original Issue Date. Any conversion under this Section 5(A) shall be of a minimum amount of 100 shares of Series C Preferred Stock. The holder of the Series C Preferred Stock shall effect conversions by surrendering the certificate or certificates representing the shares of Series C Preferred Stock to be converted to the Company, together with the form of conversion notice attached hereto as Exhibit A (the "Holder Conversion Notice") in the manner set forth in Section 5(J). Each Holder Conversion Notice shall specify the number of shares of Series C Preferred Stock to be converted and the date on which such conversion is to be effected, which date may not be prior to the date the holder of Series C Preferred Stock delivers such Notice by facsimile (the "Holder Conversion Date"). Subject to Section 5(C), each Holder Conversion Notice, once given, shall be irrevocable, except that the original holder of the Series C Preferred Stock may revoke in whole or in part the conversion requested by such Holder Conversion Notice to the extent the conversion contemplated by such notice would result in such holder owning more than 4.9% of the then outstanding shares of the Common Stock. If a holder of Series C Preferred Stock is converting less than all of the shares of Series C Preferred Stock represented

by the certificate(s) tendered by such holder with the Holder Conversion Notice, the Company shall promptly deliver to such holder a certificate for such number of shares as have not been converted.

B. Provided that ten (10) Trading Days (as defined in Section 6) shall have elapsed from the date the Securities and Exchange Commission (the "Commission") has declared a registration statement registering the resale of the shares of Common Stock issuable upon conversion of the Series C Preferred Stock and related warrants (the "Underlying Shares Registration Statement") effective under the Securities Act of 1933, as amended (the "Securities Act"), each share of the Series C Preferred Stock shall be convertible into shares of Common Stock at the Conversion Ratio at the option of the Company in whole or in part at any time on or after the expiration of four (4) years after the Original Issue Date; PROVIDED, HOWEVER, that the Company is not permitted to deliver a Company Conversion Notice (as defined below) within ten (10) days of issuing any press release or other public statement relating to such conversion or during any Event (as defined in Section 5(D)(1) below). The Company shall effect such conversion by delivering to the holders of such shares of Series C Preferred Stock to be converted a written notice in the form attached hereto as EXHIBIT B (the "Company Conversion Notice"), which Company Conversion Notice, once given, shall be irrevocable. Each Company Conversion Notice shall specify the number of shares of Series C Preferred Stock to be converted and the date on which such conversion is to be effected, which date will be at least one (1) Trading Day after the date the Company delivers such Notice by facsimile to the holder (the "Company Conversion Date"). The Company shall give such Company Conversion Notice in accordance with Section 5(J) below at least one (1) Trading Day before the Company Conversion Date. Any such conversion shall be effected on a pro rata basis among the holders of Series C Preferred Stock. Upon the conversion of shares of Series C Preferred Stock pursuant to a Company Conversion Notice, the holders of the Series C Preferred Stock shall surrender the certificates representing such shares at the office of the Company or of any transfer agent for the Series C Preferred Stock or Common Stock not later than three (3) Trading Days after the Company Conversion Date. Each of a Holder Conversion Notice and a Company Conversion Notice is sometimes referred to herein as a "Conversion Notice," and each of a "Holder Conversion Date" and a "Company Conversion Date" is sometimes referred to herein as a "Conversion Date."

C. Not later than three (3) Trading Days after the Conversion Date, the Company will deliver to the holder of Series C Preferred Stock (i) a certificate or certificates which shall be free of restrictive legends and trading restrictions (other than those then required by law), representing the number of shares of Common Stock being acquired upon the conversion of shares of Series C Preferred Stock, and (ii) one or more certificates representing the number of shares of Series C Preferred Stock not converted; PROVIDED, HOWEVER, that the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon conversion of any shares of Series C Preferred Stock until certificates evidencing such shares of Series C Preferred Stock are either delivered for conversion to the Company or any transfer agent for the Series C Preferred Stock or Common Stock, or the holder of Series C Preferred Stock notifies the Company that such certificates have been lost, stolen or destroyed and provides a bond (or other adequate security reasonably acceptable to the Company) reasonably satisfactory to the Company to indemnify the Company from any loss incurred by it in connection therewith

and PROVIDED, FURTHER, that no dividends shall accrue on the Series C Preferred Stock after the Conversion Date unless the Company fails to deliver a certificate or certificates representing the shares of Common Stock issuable upon the Conversion in question, in which event such dividends shall accrue until such certificates are delivered. The Company shall, upon request of the holder of Series C Preferred Stock, use its best efforts to deliver any certificate or certificates required to be delivered by the Company under this Section 5(C) electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. In the case of a conversion pursuant to a Holder Conversion Notice, if such certificate or certificates are not delivered by the date required under this Section 5(C), the holder shall be entitled by written notice to the Company at any time on or before its receipt of such certificate or certificates thereafter, to rescind such conversion, in which event the Company shall immediately return the certificates representing the shares of Series C Preferred Stock tendered for conversion.

D. 1. The conversion price for each share of Series C Preferred Stock (the "Conversion Price") in effect on any Conversion Date shall be the lesser of (a) the average Per Share Market Value for the five (5) Trading Days immediately preceding the Original Issue Date (the "Initial Conversion Price") and (b) the "Applicable Percentage" (as defined below) of the average Per Share Market Value for the five (5) Trading Days immediately preceding the Conversion Date; PROVIDED, HOWEVER, (x) if the Underlying Shares Registration Statement is not filed with the Commission on or prior to the 25th day after the Original Issue Date, or (y) if the Underlying Shares Registration Statement is not declared effective by the Commission on or prior to the 80th day after the Original Issue Date, or (z) if the Underlying Shares Registration Statement is declared effective but thereafter ceases to be effective at any time between the date originally declared effective and the date which is four (4) years after the Original Issue Date or such earlier date when all securities subject to the registration requirements of the Registration Rights Agreement and covered by such Underlying Shares Registration Statement have been sold or may be sold without volume or other restrictions pursuant to Rule 144 or 144A (each as promulgated under the Securities Act), as the case may be, as determined by counsel to the Company pursuant to a written opinion letter addressed to the holders of the then outstanding shares of Series C Preferred Stock to such effect, without being succeeded within 30 days by a subsequent registration statement filed with and declared effective by the Commission (any such failure being hereinafter referred to as an "Event", and for purposes of clauses (x) or (y), the date on which such Event occurs, or for purposes of clause (z), the date on which such 30-day limit is exceeded, being hereinafter referred to as an "Event Date"), the Conversion Price shall be decreased by 3% per month (for example, if the Applicable Percentage is 90%, 87% at the Event Date and 84% commencing the 30th day after such Event Date) and the dividends to be paid in respect of the Series C Preferred Stock shall be increased to 18% per annum. Commencing on the 60th day after the Event Date, the 3% monthly penalty shall be paid to the holder in cash. "Applicable Percentage" means (i) 100% if the Conversion Date occurs on or prior to the 40th day after the Original Issue Date, (ii) 90% if the Conversion Date occurs between the 41st and 80th day after the Original Issue Date, and (iii) 85% if the Conversion Date is more than 80 days after the Original Issue Date.

2. If the Company, at any time while any shares of Series C Preferred Stock are outstanding, (a) shall pay a stock dividend or otherwise make a distribution or

distributions on shares of its Junior Securities payable in shares of its capital stock (whether payable in shares of its Common Stock or of capital stock of any class), (b) subdivide outstanding shares of Common Stock into a larger number of shares, (c) combine outstanding shares of Common Stock into a smaller number of shares, or (d) issue by reclassification of shares of Common Stock any shares of capital stock of the Company, the Initial Conversion Price designated in Section 5(D)(1) shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock of the Company outstanding before such event and of which the denominator shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section 5(D)(2) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

3. If the Company, at any time while any shares of Series C Preferred Stock are outstanding, shall issue rights or warrants to all holders of Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Per Share Market Value of Common Stock at the record date mentioned below, the Initial Conversion Price designated in Section 5(D)(1) shall be multiplied by a fraction, of which the denominator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Per Share Market Value. Such adjustment shall be made whenever such rights or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights or warrants. However, upon the expiration of any right or warrant to purchase Common Stock the issuance of which resulted in an adjustment in the Initial Conversion Price designated in Section 5(D)(1) pursuant to this Section 5(D)(3), if any such right or warrant shall expire and shall not have been exercised, the Initial Conversion Price designated in Section 5(D)(1) shall immediately upon such expiration be recomputed and effective immediately upon such expiration be increased to the price which it would have been (but reflecting any other adjustments in the Initial Conversion Price made pursuant to the provisions of this Section 5 after the issuance of such rights or warrants) had the adjustment of the Initial Conversion Price made upon the issuance of such rights or warrants been made on the basis of offering for subscription or purchase only that number of shares of Common Stock actually purchased upon the exercise of such rights or warrants actually exercised.

4. If the Company, at any time while shares of Series C Preferred Stock are outstanding, shall distribute to all holders of Common Stock (and not to holders of Series C Preferred Stock) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security (excluding those referred to in Section 5(D)(3) above), then in each such case the Initial Conversion Price at which each share of Series C Preferred Stock shall thereafter be convertible shall be determined by multiplying the Initial Conversion Price in effect immediately prior to the record date fixed for determination of stockholders entitled

to receive such distribution by a fraction of which the denominator shall be the Per Share Market Value of Common Stock determined as of the record date mentioned above, and of which the numerator shall be such Per Share Market Value of the Common Stock on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of Common Stock as determined by the Board of Directors in good faith; PROVIDED, HOWEVER, that in the event of a distribution exceeding ten percent (10%) of the net assets of the Company, such fair market value shall be determined by a nationally recognized or major regional investment banking firm or firm of independent certified public accountants of recognized standing (which may be the firm that regularly examines the financial statements of the Company) (an "Appraiser") selected in good faith by the holders of a majority in interest of the shares of Series C Preferred Stock then outstanding; and PROVIDED, further that the Company, after receipt of the determination by such Appraiser shall have the right to select an additional Appraiser, in which case the fair market value shall be equal to the average of the determinations by each such Appraiser. In either case the adjustments shall be described in a statement provided to the holders of Series C Preferred Stock of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

5. All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be.

6. Whenever the Initial Conversion Price is adjusted pursuant to Section 5(D)(2),(3), (4) or (5), the Company shall promptly mail to the holders of Series C Preferred Stock, a notice setting forth the Initial Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

7. In case of any reclassification of the Common Stock, any consolidation or merger of the Company with or into another person, the sale or transfer of all or substantially all of the assets of the Company or any compulsory share exchange pursuant to which the Common Stock is converted into other securities, cash or property, the holders of Series C Preferred Stock then outstanding shall have the right thereafter to convert such shares only into the shares of stock and other securities and property receivable upon or deemed to be held by holders of Common Stock following such reclassification, consolidation, merger, sale, transfer or share exchange, and the holders of Series C Preferred Stock shall be entitled upon such event to receive such amount of securities or property as the shares of the Common Stock into which such shares of Series C Preferred Stock could have been converted immediately prior to such reclassification, consolidation, merger, sale, transfer or share exchange would have been entitled. The terms of any such consolidation, merger, sale, transfer or share exchange shall include such terms so as to continue to give to the holder of Series C Preferred Stock the right to receive the securities or property set forth in this Section 5(D)(7) upon any conversion following such consolidation, merger, sale, transfer or share exchange. This provision shall similarly apply to successive reclassifications, consolidations, mergers, sales, transfers or share exchanges.

8. If:

- (A) the Company shall declare a dividend (or any other distribution) on its Common Stock; or
- (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of its Common Stock; or
- (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; or
- (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock of the Company (other than a subdivision or combination of the outstanding shares of Common Stock), any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; or
- (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding-up of the affairs of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of Series C Preferred Stock, and shall cause to be mailed to the holders of Series C Preferred Stock at their last respective addresses as they shall appear upon the stock books of the Company, at least 30 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding-up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding-up; PROVIDED, HOWEVER, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice.

E. If at any time conditions shall arise by reason of action taken by the Company which in the opinion of the Board of Directors are not adequately covered by the other

provisions hereof and which might materially and adversely affect the rights of the holders of Series C Preferred Stock (different than or distinguished from the effect generally on rights of holders of any class of the Company's capital stock) or if at any time any such conditions are expected to arise by reason of any action contemplated by the Company, the Company shall, at least 30 calendar days prior to the effective date of such action, mail a written notice to each holder of Series C Preferred Stock briefly describing the action contemplated and the material adverse effects of such action on the rights of such holders and an Appraiser selected by the holders of majority in interest of the Series C Preferred Stock shall give its opinion as to the adjustment, if any (not inconsistent with the standards established in this Section 5), of the Conversion Price (including, if necessary, any adjustment as to the securities into which shares of Series C Preferred Stock may thereafter be convertible) and any distribution which is or would be required to preserve without diluting the rights of the holders of shares of Series C Preferred Stock; PROVIDED, HOWEVER, that the Company, after receipt of the determination by such Appraiser, shall have the right to select an additional Appraiser, in which case the adjustment shall be equal to the average of the adjustments recommended by each such Appraiser. The Board of Directors shall make the adjustment recommended forthwith upon the receipt of such opinion or opinions or the taking of any such action contemplated, as the case may be; PROVIDED, HOWEVER, that no such adjustment of the Conversion Price shall be made which in the opinion of the Appraiser(s) giving the aforesaid opinion or opinions would result in an increase of the Conversion Price to more than the Conversion Price then in effect.

F. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued Common Stock solely for the purpose of issuance upon conversion of Series C Preferred Stock as herein provided, free from preemptive rights or any other actual contingent purchase rights of persons other than the holders of Series C Preferred Stock, such number of shares of Common Stock as shall be issuable (taking into account the adjustments and restrictions of Section 5(D) hereof) upon the conversion of the aggregate principal amount of all outstanding shares of Series C Preferred Stock. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly and validly authorized, issued and fully paid and nonassessable.

G. Upon a conversion hereunder the Company shall not be required to issue stock certificates representing fractions of shares of Common Stock, but may if otherwise permitted, make a cash payment in respect of any final fraction of a share based on the Per Share Market Value at such time. If the Company elects not to, or is unable to, make such a cash payment, the holder of Series C Preferred Stock shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

H. The issuance of certificates for shares of Common Stock on conversion of Series C Preferred Stock shall be made without charge to the holders thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the holder of such shares of Series C Preferred Stock so converted and the Company shall not be required to issue or deliver such certificates unless or until the person or

persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

I. Shares of Series C Preferred Stock converted into Common Stock shall be canceled and shall have the status of authorized but unissued shares of preferred stock.

J. Each Holder Conversion Notice shall be given by facsimile and by mail, postage prepaid, addressed to the attention of the Chief Financial Officer of the Company at the facsimile telephone number and address of the principal place of business of the Company. Each Company Conversion Notice shall be given by facsimile and by mail, postage prepaid, addressed to each holder of Series C Preferred Stock at the facsimile telephone number and address of such holder appearing on the books of the Company or provided to the Company by such holder for the purpose of such Company Conversion Notice, or if no such facsimile telephone number or address appears or is so provided, at the principal place of business of the holder. Any such notice shall be deemed given and effective upon the earliest to occur of (i)(a) if such Conversion Notice is delivered via facsimile at the facsimile telephone number specified in this Section 5(J) prior to 4:30 p.m. (Eastern Standard Time) on any date, such date (or, in the case of a Company Conversion Notice, the next Trading Day) or such later date as is specified in the Conversion Notice, and (b) if such Conversion Notice is delivered via facsimile at the facsimile telephone number specified in this Section 5(J) after 11:59 p.m. (Eastern Standard Time) on any date, the next date (or, in the case of a Company Conversion Notice, the next Trading Day after such next day) or such later date as is specified in the Conversion Notice, (ii) five days after deposit in the United States mails or (iii) upon actual receipt by the party to whom such notice is required to be given.

SECTION 6. DEFINITIONS. For the purposes hereof, the following terms shall have the following meanings:

"Business Day" means any day of the year on which commercial banks are not required or authorized to be closed in New York City.

"Common Stock" means shares now or hereafter authorized of the class of Common Stock, \$.01 par value, of the Company and stock of any other class into which such shares may hereafter have been reclassified or changed.

"Conversion Ratio" means, at any time, a fraction, of which the numerator is the Stated Value plus accrued but unpaid dividends, and of which the denominator is the Conversion Price at such time.

"Junior Securities" means the Common Stock, and all other classes of equity securities of the Company, other than the 2,500 issued and outstanding shares of the Company's Series A Convertible Preferred Stock, the 2,100 issued and outstanding shares of the Company's Series B Convertible Preferred Stock, and shares of the Company's Convertible Preferred Stock issued to the original holder of the Series C Preferred Stock.

"Original Issue Date" shall mean the date of the first issuance of any shares of the Series C Preferred Stock regardless of the number of transfers of any particular shares of Series C Preferred Stock and regardless of the number of certificates which may be issued to evidence such Series C Preferred Stock.

"Per Share Market Value" means on any particular date (a) the closing bid price per share of the Common Stock on such date on The Nasdaq National Market or Nasdaq Small Cap Market or other stock exchange on which the Common Stock has been listed or if there is no such price on such date, then the closing bid price on such exchange on the date nearest preceding such date, or (b) if the Common Stock is not listed on The Nasdaq National Market or Nasdaq Small Cap Market or any stock exchange, the closing bid price for a share of Common Stock in the over-the-counter market, as reported by the Nasdaq Stock Market at the close of business on such date, or (c) if the Common Stock is not quoted on the Nasdaq Stock Market, the closing bid price for a share of Common Stock in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), or (d) if the Common Stock is not reported by the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), then the average of the "Pink Sheet" quotes for the relevant conversion period, as determined in good faith by the holder, or (e) if the Common Stock is not publicly traded the fair market value of a share of Common Stock as determined by an Appraiser (as defined in Section 5(D)(4) above) selected in good faith by the holders of a majority in interest of the shares of the Series C Preferred Stock; PROVIDED, HOWEVER, that the Company, after receipt of the determination by such Appraiser, shall have the right to select an additional Appraiser, in which case, the fair market value shall be equal to the average of the determinations by each such Appraiser.

"Person" means a corporation, an association, a partnership, organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

"Trading Day" means (a) a day on which the Common Stock is traded on The Nasdaq National Market or Nasdaq Small Cap Market or principal stock exchange on which the Common Stock has been listed, or (b) if the Common Stock is not listed on The Nasdaq National Market or Nasdaq Small Cap Market or any stock exchange, a day on which the Common Stock is traded in the over-the-counter market, as reported by the Nasdaq Stock Market, or (c) if the Common Stock is not quoted on the Nasdaq Market, a day on which the Common Stock is quoted in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or any similar organization or agency succeeding its functions of reporting prices).

EXHIBIT A

NOTICE OF CONVERSION AT THE ELECTION OF HOLDER

(To be Executed by the Registered Holder to Convert shares of Series C Preferred Stock)

The undersigned hereby irrevocably elects to convert the number of shares of Series C Convertible Preferred Stock indicated below into shares of Common Stock, par value \$.01 per share (the "Common Stock"), of ImmunoGen, Inc. (the "Company") according to the conditions hereof, as of the date written below. If shares are to be issued in the name of a person other than undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the Holder for any conversion, except for such transfer taxes, if any.

Conversion calculations:

Date to Effect Conversion

Number of shares of Series C Preferred Stock to be
Converted

Applicable Conversion Price

Number of shares of Common Stock to Issue

Signature

Name:

Address:

The Company undertakes to promptly upon its receipt of this conversion notice (and, in any case prior to the time it effects the conversion requested hereby), notify the converting holder by facsimile and telephone of the number of shares of Common Stock outstanding on such date and the number of shares of Common Stock which would be issuable to the holder if the conversion requested in this conversion notice were effected in full, whereupon, the holder may, within one day of the notice from the Company, revoke in whole or in part the conversion requested hereby to the extent that it determines that such conversion would result in it owning in excess of 4.9% of the outstanding shares of Common Stock on such date, and the Company shall issue to the holder one or more certificates representing shares of Series C Preferred Stock which have not been converted as a result of this provision. If the holder waives the applicability of this limitation by notice to the Company delivered upon its receipt of the Company's notice regarding the number of outstanding shares of Common Stock or if the Purchaser fails to respond to the Company's notice within one day thereafter, the Company shall effect in full the conversion requested in this notice.

EXHIBIT B

IMMUNOGEN, INC.

NOTICE OF CONVERSION AT
THE ELECTION OF THE COMPANY

The undersigned in the name and on behalf of ImmunoGen, Inc. (the "Company") hereby notifies the addressee hereof that the Company hereby elects to exercise its right to convert [] shares of its Series C Convertible Preferred Stock held by the Holder into shares of Common Stock, par value \$.01 per share (the "Common Stock") of the Company according to the terms hereof, as of the date written below. No fee will be charged to the Holder for any conversion hereunder, except for such transfer taxes, if any which may be incurred by the Company if shares are to be issued in the name of a person other than the person to whom this notice is addressed.

Conversion calculations:

Date to Effect Conversion

Number of Shares of Series C Preferred Stock
to be Converted

Applicable Conversion Price

Number of Shares of Common Stock outstanding at
close of trading on Conversion Date

Number of shares of Common Stock to Issue

Signature

Name:

30

Address:

31

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, we have hereto signed our names this 23rd day of January in the year 1997,

/s/ Frank J. Pocher, Vice President

/s/ Jonathan L. Kravetz, Clerk

THE COMMONWEALTH OF MASSACHUSETTS

Certificate of Vote of Directors Establishing
A Series of a Class of Stock

(General Laws, Chapter 156B, Section 26)

I hereby approve the within certificate and, the filing fee
in the amount of \$
having been paid, said certificate is hereby filed this

day of

19

WILLIAM FRANCIS GALVIN
Secretary of State

TO BE FILLED IN BY CORPORATION
PHOTO COPY OF CERTIFICATE TO BE SENT

TO:

Susan E. Hislop, Esquire
Mintz, Levin, Cohn, Ferris, Glovsky, and Popeo, P.C.
One Financial Center, Boston, MA 02111

Telephone 617 542 6000

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES OR BLUE SKY LAWS OF ANY STATE. THESE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION, AND NEITHER THESE SECURITIES NOR ANY INTEREST OR PARTICIPATION THEREIN MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, ENCUMBERED OR IN ANY OTHER MANNER TRANSFERRED OR DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF AND IN COMPLIANCE WITH APPLICABLE STATE SECURITIES OR BLUE SKY LAWS.

IMMUNOGEN, INC.

WARRANT CERTIFICATE

DATED JANUARY 6, 1997

WARRANTS TO PURCHASE COMMON STOCK

IMMUNOGEN, INC., a Massachusetts corporation (the "Company"), hereby certifies that, for value received, Southbrook International Investments, Ltd., a corporation organized and existing under the laws of the British Virgin Islands ("Holder"), or its registered assigns, is the registered owner of 250,000 Warrants (the "Warrants"), each of which will entitle the Holder thereof to purchase one share, as adjusted from time to time as provided in Section 7, of the Common Stock of the Company (the "Common Stock," each such share being a "Warrant Share" and all such shares being the "Warrant Shares") at the exercise price of \$3.68 per share (as adjusted from time to time as provided in Section 7, the "Exercise Price") at any time on or after January 6, 1997 (the "Initial Exercise Date") until and including January 6, 2002 (the "Expiration Date"), all subject to the following terms and conditions:

1. REGISTRATION OF WARRANTS. The Company shall register each Warrant, upon records to be maintained by the Company for that purpose, in the name of the record holder of such Warrant from time to time. The Company may deem and treat the registered holder of each Warrant as the absolute owner thereof for the purpose of any exercise thereof or any distribution to the holder thereof, and for all other purposes, and the Company shall not be affected by the notice to the contrary.

2. REGISTRATION OF TRANSFERS AND EXCHANGES.

a. The Company shall register the transfer of any Warrants upon records to be maintained by the Company for that purpose, upon surrender of this Warrant Certificate, with the Form of Assignment attached hereto duly completed and signed, to the Company at the office specified in or pursuant to Section 3(c). Upon any such registration of transfer, a new Warrant Certificate, in substantially the form of this Warrant Certificate, evidencing the Warrants so transferred shall be issued to the transferee and a new Warrant Certificate, in similar form, evidencing the remaining Warrants not so transferred, if any, shall be issued to the then registered holder thereof.

b. This Warrant Certificate is exchangeable, upon the surrender hereof by the holder hereof at the office of the Company specified in or pursuant to Section 3(c), for new Warrant Certificates, in substantially the form of this Warrant Certificate, evidencing in the aggregate the right to purchase the number of Warrant Shares which may then be purchased hereunder, each of such new Warrant Certificates to be dated the date of such exchange and to represent the right to purchase such number of Warrant Shares as shall be designated by said holder hereof at the time of such surrender.

3. DURATION AND EXERCISE OF WARRANTS.

a. Warrants shall be exercisable by the registered holder thereof on any business day before 5:00 P.M., New York time, at any time and from time to time on or after the Initial Exercise Date to and including the Expiration Date. At 5:00 P.M., New York time, on the Expiration Date, each Warrant not exercised prior thereto shall be and become void and of no value.

b. Subject to the limitations set forth in Section 3(c) and to the other provisions of this Warrant Certificate, including adjustments to the number of Warrant Shares issuable on the exercise of each Warrant and to the Exercise Price pursuant to Section 7, the holder of each Warrant shall have the right to purchase from the Company (and the Company shall be obligated to issue and sell to such holder of a Warrant) at the Exercise Price one fully paid Warrant Share which is non-assessable.

c. Subject to Sections 2(b), 4 and 8, upon surrender of this Warrant Certificate, with the Form of Election to Purchase attached hereto duly completed and signed, to the Company at its office at 148 Sidney Street, Cambridge, Massachusetts, Attention: Treasurer, or at such other address as the Company may specify in writing to the then registered holder of the Warrants, and upon payment of the Exercise Price multiplied by the number of Warrant Shares then issuable upon exercise of the Warrants being exercised in lawful money of the United States of America, all as specified by the holder of this Warrant Certificate in the Form of Election to Purchase, the Company shall promptly issue and cause to be delivered to or upon the written order of the registered holder of such Warrants, and in such name or names as such registered holder may designate, a certificate for the Warrant Shares issued upon such exercise of such Warrants. Any person so designated to be named therein shall be deemed to have become holder of record of such Warrant Shares as of the Date of Exercise of such Warrants.

The "Date of Exercise" of any Warrant means the date on which the Company shall have received (i) this Warrant Certificate, with the Form of Election to Purchase attached hereto appropriately completed and duly signed, and (ii) payment of the Exercise Price for such Warrant.

d. The Warrants evidenced by this Warrant Certificate shall be exercisable, either as an entirety or, from time to time, for part of the number of Warrants evidenced by this Warrant Certificate. If less than all of the Warrants evidenced by this Warrant Certificate are exercised at any time, the Company shall issue, at its expense, a new Warrant Certificate, in substantially the form of this Warrant Certificate, for the remaining number of Warrants evidenced by this Warrant Certificate.

4. PAYMENT OF TAXES. The Company will pay all documentary stamp taxes attributable to the issuance of Warrant Shares upon the exercise of the Warrants represented by this Certificate; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares in a name other than that of the Holder, and the Company shall not be required to issue or deliver the certificates for Warrant Shares unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid. The holder shall be responsible for all other tax liability that may arise as a result of holding or transferring the Warrants represented by this Certificate or receiving the Warrant Shares under this Warrant Certificate.

5. REPLACEMENT OF WARRANT. If this warrant is mutilated, lost, stolen or destroyed, the Company may in its discretion issue in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a new Warrant of like tenor, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and indemnity, if requested, satisfactory to it. Applicants for a substitute Warrant certificate also shall comply with such other reasonable regulations and pay such other reasonable charges as the Company may prescribe.

6. RESERVATION OF WARRANT SHARES. The Company will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Common Stock or its authorized and

issued Common Stock held in its treasury, for the purpose of enabling it to satisfy any obligation to issue Warrant Shares upon exercise of the Warrants, the maximum number of Warrant Shares (as adjusted from time to time pursuant to Section 7 hereof) which may then be deliverable upon the exercise of this Warrant and all other outstanding warrants issued and sold pursuant to the Purchase Agreement.

7. ADJUSTMENT TO THE NUMBER OF WARRANT SHARES ISSUABLE. The number of Warrant Shares issuable upon the exercise of this Warrant is subject to adjustment from time to time as set forth in this SECTION 7. Upon each such adjustment of the Exercise Price pursuant to this Section 7, the Holder shall thereafter prior to the Expiration Date be entitled to purchase, at the Exercise Price resulting from such adjustment, the number of Warrant Shares obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment. In the event the Company and the holders of Warrants disagree as to any adjustment to the Exercise Price hereunder, an Appraiser selected by the holders of a majority in interest of the Warrants shall give its opinion as to the adjustment, if any (not inconsistent with the standards established in this Section 7), of the Exercise Price; PROVIDED, HOWEVER, that the Company, after receipt of the determination by such Appraiser, shall have the right to promptly select an additional Appraiser, in which case the adjustment shall be equal to the average of the adjustments recommended by each such Appraiser. The Board of Directors shall make the adjustment recommended forthwith upon the receipt of such opinion or opinions; PROVIDED, however, that no such adjustment of the Exercise Price shall be made which in the opinion of the Appraiser(s) giving the aforesaid opinion or opinions would result in an increase of the Exercise Price to more than the Exercise Price then in effect.

a. If the Company, at any time while this Warrant is outstanding, (i) shall pay a stock dividend or otherwise make a distribution or distributions on shares of its Common Stock payable in shares of its capital stock (whether payable in shares of its Common Stock or of capital stock of any class), (ii) subdivide outstanding shares of Common Stock into a larger number of shares, (iii) combine outstanding shares of Common Stock into a smaller number of shares, or (iv) issue by reclassification of shares of Common Stock any shares of capital stock of the Company, the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding before such event and of which the denominator shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section 7(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification.

b. If the Company, at any time while this Warrant is outstanding, shall distribute to all holders of Common Stock (and not to the Holder) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security (excluding those referred to in SECTION 7(d) hereof), then in each such case the Exercise Price for which the Warrant Shares shall be purchased shall be determined by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the Exercise Price determined as of the record date mentioned above, and of which the numerator shall be the Exercise Price on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of Common Stock as determined by the Board of Directors of the Company (the "BOARD OF DIRECTORS") in good faith; provided, however, that in the event of a distribution exceeding 10% of the net assets of the Company, such fair market value shall be determined by a nationally recognized or major regional investment banking firm or firm of independent certified public accountants of recognized standing (which may be the firm that regularly examines the financial statements of the Company) (an "APPRAISER") selected in good faith by the holders of a majority of the Warrants that are then outstanding; and further provided, however, that the Company, after receipt of the determination by such Appraiser shall have the right to select an additional Appraiser, in which case the fair market value shall be equal to the average of the determinations by each such Appraiser. In either case the adjustments shall be described in a statement provided to the Holder and all other holders of Warrants of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such

adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

c. In case of any reclassification of the Common Stock, any consolidation or merger of the Company with or into another person, the sale or transfer of all or substantially all of the assets of the Company or any compulsory share exchange pursuant to which the Common Stock is converted into other securities, cash or property, then the Holder shall have the right thereafter to exercise this Warrant only into the shares of stock and other securities and property receivable upon or deemed to be held by holders of Common Stock following such reclassification, consolidation, merger, sale, transfer or share exchange, and the Holder shall be entitled upon such event to receive such amount of securities or property as the shares of the Common Stock into which this Warrant could have been converted immediately prior to such reclassification, consolidation, merger, sale, transfer or share exchange would have been entitled. The terms of any such consolidation, merger, sale, transfer or share exchange shall include such terms so as to continue to give to the Holder the right to receive the securities or property set forth in this SECTION 7(c) upon any exercise following such consolidation, merger, sale, transfer or share exchange. This provision shall similarly apply to successive reclassifications, consolidations, mergers, sales, transfers or share exchanges.

d. If and whenever after the date hereof, the Company shall issue or sell any shares of Common Stock for a consideration per share less than the Exercise Price then in effect, then, forthwith upon such issue or sale, the Exercise Price shall be reduced to the price (calculated to the nearest cent) determined by dividing (i) an amount equal to the sum of (A) the number of shares of Common Stock outstanding immediately prior to such issue or sale multiplied by the Exercise Price, and (B) the consideration, if any, received by the Company upon such issue or sale by (ii) the total number of shares of Common Stock outstanding immediately after such issue or sale.

e. For the purposes of subsection (b) of this section, the following clauses shall also be applicable:

i. Issuance Of Rights Or Options. In case at any time after the date hereof the Company shall grant (whether directly or by assumption in a merger or otherwise) any rights (other than the Warrants) to subscribe for or to purchase, or any options for the purchase of, Common Stock or any stock or securities convertible into or exchangeable for Common Stock (such convertible or exchangeable stock or securities being herein called "Convertible Securities") whether or not such rights or options or the right to convert or exchange any such Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon the exercise of such rights or options or upon conversion or exchange of such Convertible Securities (determined as provided below) shall be less than the Exercise Price then in effect, then the total maximum number of shares of Common Stock issuable upon the exercise of such rights or options or upon conversion or exchange of the total maximum amount of such Convertible Securities issuable upon the exercise of such rights or options shall (as of the date of granting of such rights or options) be deemed to be outstanding and to have been issued for such price per share. Except as provided in clause (iii) of this subsection, no further adjustments of any Exercise Price shall be made upon the actual issue of such Common Stock or of such Convertible Securities upon exercise of such rights or options or upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities. For the purposes of this clause (i), the price per share for which Common Stock is issuable upon the exercise of any such rights or options or upon conversion or exchange of any such Convertible Securities shall be determined by dividing (A) the total amount, if any, received or receivable by the Company as consideration for the granting of such rights or options, plus the minimum aggregate amount of additional consideration payable to the Company upon the exercise of all such rights or options, plus, in the case of such rights or options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable upon the issue or sale of such Convertible Securities and upon the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the exercise of such rights or options or upon the

conversion or exchange of all such Convertible Securities issuable upon the exercise of such rights or options.

ii. Issuance Of Convertible Securities. In case the Company shall issue (whether directly or by assumption in a merger or otherwise) or sell any Convertible Securities, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the price per share for which the Common Stock issuable upon conversion or exchange of such Convertible Securities (determined as provided below) shall be less than the Exercise Price then in effect, then the total maximum number of shares of Common Stock issuable upon conversion or exchange of all such Convertible Securities shall (as of the date of the issue or sale of such Convertible Securities) be deemed to be outstanding and to have been issued for such price per share. Except as provided in clause (iii) of this subsection no further adjustments of any Exercise Price shall be made upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities. If any such issue or sale of such Convertible Securities is made upon exercise of any rights to subscribe for or to purchase or any option to purchase any such Convertible Securities for which adjustments of any Exercise Price have been or are to be made pursuant to other provisions of this subsection (e), no further adjustment of any Exercise Price shall be made by reason of such issue or sale. For the purposes of this clause (ii), the price per share for which Common Stock is issuable upon conversion or exchange of Convertible Securities shall be determined by dividing (A) the total amount received or receivable by the Company as consideration for the issue or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities.

iii. Change In Option Price Or Conversion Rate. If the purchase price provided for in any rights or options referred to in clause (i) above, or the additional consideration, if any, payable upon the conversion or exchange of Convertible Securities referred to in clause (i) or (ii) above, or the rate at which any Convertible Securities referred to in clause (i) or (ii) above are convertible into or exchangeable for Common Stock, shall change (other than under or by reason of provisions designed to protect against dilution), then the Exercise Price in effect at the time of such event shall forthwith be readjusted to the Exercise Price which would have been in effect at such time had such rights, options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold; and on the expiration of any such option or right or the termination of any such right to convert or exchange such Convertible Securities, the Exercise Price then in effect hereunder shall forthwith be increased to the Exercise Price which would have been in effect at the time of such expiration or termination had such right, option or Convertible Security, to the extent outstanding immediately prior to such expiration or termination, never been issued, and the Common Stock issuable thereunder shall no longer be deemed to be outstanding. If the purchase price provided for in any such right or option referred to in clause (i) above or the rate at which any Convertible Securities referred to in clause (i) or (ii) above are convertible into or exchangeable for Common Stock, shall decrease at any time under or by reason of provisions with respect thereto designed to protect against dilution, then in case of the delivery of Common Stock upon the exercise of any such right or option or upon conversion or exchange of any such Convertible Security, the Exercise Price then in effect hereunder shall forthwith be adjusted to such respective amount as would have obtained had such right, option or Convertible Security never been issued as to such Common Stock and had adjustments been made upon the issuance of the shares of Common Stock delivered as aforesaid, but only if as a result of such adjustment the Exercise Price then in effect hereunder is thereby decreased.

iv. Consideration For Stock. In case any shares of Common Stock or Convertible Securities or any rights or options to purchase any such Common Stock or Convertible Securities shall be issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by

the Company therefor, without deduction therefrom of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith. In case any shares of Common Stock or Convertible Securities or any rights or options to purchase any such Common Stock or Convertible Securities shall be issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company shall be deemed to be the fair value of such consideration as determined, in good faith and in the exercise of reasonable business judgment, by the Board of Directors, without deduction of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith. In case any shares of Common Stock or Convertible Securities or any rights or options to purchase such shares of Common Stock or Convertible Securities shall be issued in connection with any merger or consolidation in which the Company is the surviving corporation (other than any consolidation or merger in which the previously outstanding shares of Common Stock of the Company shall be changed into or exchanged for the stock or other securities of another corporation), the amount of consideration therefor shall be deemed to be the fair value as determined reasonably and in good faith by the Board of Directors of such portion of the assets and business of the non-surviving corporation as such Board may determine to be attributable to such shares of Common Stock, Convertible Securities, rights or options, as the case may be. In the event of any consolidation or merger of the Company in which the Company is not the surviving corporation or in which the previously outstanding shares of Common Stock of the Company shall be changed into or exchanged for the stock or other securities of another corporation or in the event of any sale of all or substantially all of the assets of the Company for stock or other securities of any corporation, the Company shall be deemed to have issued a number of shares of its Common Stock for stock or securities or other property of the other corporation computed on the basis of the actual exchange ratio on which the transaction was predicated and for a consideration equal to the fair market value on the date of such transaction of all such stock or securities or other property of the other corporation, and if any such calculation results in adjustment of the Exercise Price, the determination of the number of shares of Common Stock issuable upon exercise of the Warrants immediately prior to such merger, consolidation or sale, for purposes of Section 7(f), shall be made after giving effect to such adjustment of the Exercise Price.

v. Record Date. In case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in Common Stock or in Convertible Securities, or (B) to subscribe for or purchase Common Stock or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

vi. Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock for the purposes of this subsection (e).

vii. Certain Issues Excepted. Anything herein to the contrary notwithstanding, the Company shall not be required to make any adjustment of any Exercise Price in case of the issuance of shares Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock or Series F Preferred Stock pursuant to the Purchase Agreement.

f. If:

- i. the Company shall declare a dividend (or any other distribution) on its Common Stock; or
- ii. the Company shall declare a special nonrecurring cash dividend on or a redemption of its Common Stock; or
- iii. the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, or
- iv. the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock of the Company (other than a subdivision or combination of the outstanding shares of Common Stock), any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or
- v. the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding-up of the affairs of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of exercise of this Warrant, and shall cause to be mailed to the Holder in accordance with SECTION 10 hereof, at least thirty (30) days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding-up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding-up; provided, however, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice.

g. In any case in which this SECTION 7 shall require that an adjustment be made effective as of the record date for a specified event, the Company may elect to defer until occurrence of such event (A) issuing to the Holder, if this Warrant is exercised after such record date, the Warrant Shares and other capital stock of the Company, if any, issuable upon such exercise over and above the Warrant Shares and other capital stock of the Company, if any, issuable upon such exercise on the basis of the Exercise Price prior to adjustment and (B) paying to the Holder any amount in cash in lieu of a fractional share pursuant to Section 8 hereof, provided, however, that the Company shall deliver to the Holder a due bill or other appropriate instrument evidencing the Holder's right to receive such additional Warrant Shares, other capital stock and/or cash upon the occurrence of the event requiring such adjustment.

h. Any determination that the Company or the Board of Directors must make pursuant to this SECTION 7 shall be conclusive if made in good faith.

8. FRACTIONAL SHARES. The Company shall not be required to issue fractional Warrant Shares on the exercise of this Warrant. The number of full Warrant Shares which shall be issuable upon the exercise of this Warrant shall be computed on the basis of the aggregate number of Warrant Shares purchasable on exercise of this Warrant so presented. If any fraction of a Warrant Share would, except for the provisions of this SECTION 6, be issuable on the exercise of this Warrant, the Company shall pay an amount in cash equal to the Exercise Price multiplied by such fraction.

9. WARRANT AGENT.

a. The Company shall serve as warrant agent under this warrant. Upon thirty (30) days' notice to the Holder, the Company and the Holder may appoint a new warrant agent. Such new warrant agent shall be a corporation doing business under the laws of the United States or any state thereof, in good standing and having a combined capital and surplus of not less than U.S. \$50,000,000. The combined capital and surplus of any such new warrant agent shall be deemed to be the combined capital and surplus as set forth in the most recent annual report of its condition published by such warrant agent prior to its appointment; provided that such reports are published at least annually pursuant to law or to the requirements of a federal or state supervising or examining authority. After acceptance in writing of such appointment by the new warrant agent, it shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as the warrant agent, without any further assurance, conveyance, act or deed, but if for any reason it shall be necessary or expedient to execute and deliver any further assurance, conveyance, act or deed the same shall be done at the expense of the Company and shall be legally and validly executed and delivered by the Company.

b. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or shareholders services business shall be a successor warrant agent under this Warrant without any further act; provided that such corporation (i) would be eligible for appointment as successor to the warrant agent under the provisions of this Section 9 or (ii) is a wholly-owned subsidiary of the warrant agent. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the register maintained by the warrant agent pursuant to this Warrant.

10. NOTICES. All notices or other communications hereunder shall be given, and shall be deemed duly given and received if given, by facsimile and by mail, postage prepaid: (1) if to the Company, addressed as follows: IMMUNOGEN, INC., 148 Sidney Street, Cambridge, Massachusetts 02139, Attention: Treasurer, or to facsimile no. (617) 769-4242; or (ii) if to the Holder, addressed to the Holder at the facsimile telephone number and address of the Holder appearing on the Warrant Register or such other address or facsimile number as the Holder may provide to the Company in accordance with this SECTION 10. Any such notice shall be deemed given and effective upon the earliest to occur of (i) receipt of such facsimile at the facsimile telephone number specified in this SECTION 10, (ii) five (5) Business Days after deposit in the United States mails or (iii) upon actual receipt by the party to whom such notice is required to be given.

11. MISCELLANEOUS.

a. This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

b. Nothing in this Warrant shall be construed to give to any person or corporation other than the Company, the Holder and any registered holder of Warrant Shares any legal or equitable right, remedy or cause under this Warrant; this Warrant shall be for the sole and exclusive benefit of the Company, the Holder and any other registered holder of Warrant Shares.

c. This Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York without regard to the principles of conflicts of law thereof.

d. The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

e. In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

IMMUNOGEN, INC., in its corporate capacity
and in its capacity as the Warrant Agent
hereunder

By: _____

Name: Kathleen A. Carroll

Title: Vice President, Finance and Administration

FORM OF ELECTION TO PURCHASE

(To Be Executed by the Holder if the Holder Desires to Exercise Warrants Evidenced by the Foregoing Warrant Certificate)

To ImmunoGen, Inc.:

The undersigned hereby irrevocably elects to exercise _____ Warrants evidenced by the foregoing Warrant Certificate for, and to purchase thereunder, _____ full shares of Common Stock issuable upon exercise of said Warrants and delivery of \$_____ in cash and any applicable taxes payable by the undersigned pursuant to such Warrant Certificate.

The undersigned requests that certificates for such shares be issued in the name of

PLEASE INSERT SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER

(PLEASE PRINT NAME AND ADDRESS)

If said number of Warrants shall not be all the Warrants evidenced by the foregoing Warrant Certificate, the undersigned requests that a new Warrant Certificate evidencing the Warrants not so exercised be issued in the name of and delivered to:

(Please print name and address)

Dated: -----,---

Name of Holder:
(Print) -----
(By:) -----
(Title:) -----

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, _____ hereby sells, assigns, and transfers to each assignee set forth below all of the rights of the undersigned in and to the number of Warrants (as defined in and evidenced by the foregoing Warrant Certificate) set opposite the name of such assignee below and in and to the foregoing Warrant Certificate with respect to said Warrants and the shares of Common Stock issuable upon exercise of said Warrants:

Name of Assignee	Address	Number of Warrants
-----	-----	-----

If the total of said Warrants shall not be all the Warrants evidenced by the foregoing Warrant Certificate, the undersigned requests that a new Warrant Certificate evidencing the Warrants not so assigned be issued in the name of and delivered to the undersigned.

Dated: _____, ---

Name of Holder:
(Print) _____

(By:) _____

(Title:) _____

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	DEC-31-1996	
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	2,251,286	14,757,087
	11,209,526	
	6,910,180	
2,260,545		0
0		0
	5,456,960	
	129,596,847	
6,910,180		0
		0
	255,107	
		0
	4,963,871	
	0	
	72,724	
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	0	
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		0
	(4,893,703)	
	(0.29)	
	(0.29)	