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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2007

or

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

Commission File Number 0-15006

AVANT IMMUNOTHERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

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

119 Fourth Avenue, Needham, Massachusetts 02494

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(781) 433-0771**

Securities registered pursuant to Section 12(b) of the Act:

Title of Class:	**Name of Each Exchange on Which Registered:**
Common Stock, par value $.001	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ☒

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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this Chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer ☒	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ☒

The aggregate market value of the voting and non-voting common stock held by non-affiliates as of June 30, 2007 was $61,372,907 (excludes shares held by directors and executive officers). Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the actions of the management or policies of the registrant, or that such person is controlled by or under common control with the registrant. The number of shares of common stock outstanding at March 13, 2008 was 14,927,002 shares on a post-split basis.

AVANT IMMUNOTHERAPEUTICS, INC.
ANNUAL REPORT ON FORM 10-K
YEAR ENDED DECEMBER 31, 2007
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Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: *This report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws. You can identify forward-looking statements by the use of the words "believe," "expect," "anticipate," "intend," "estimate," "project," "will," "should,""may," "plan," "intend," "assume" and other expressions which predict or indicate future events and trends to and which do not relate to historical matters. You should not rely on forward-looking statements, because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of AVANT. These risks, uncertainties and other factors may cause the actual results, performance or achievements of AVANT to be materially different from the anticipated future results, performance or achievements expressed or implied by the forward-looking statements.*

There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statements made by AVANT. These factors include, but are not limited to: (1) the integration of multiple technologies and programs; (2) the ability to adapt AVANT's vectoring systems to develop new, safe and effective orally administered vaccines against diseases and disease causing agents; (3) the ability to successfully complete product research and further development, including animal, pre-clinical and clinical studies, and commercialization of TP10, CETi-1, CholeraGarde® (Peru-15), Ty800, ETEC E. coli, and other products and AVANT's expectations regarding market growth; (4) the cost, timing, scope and results of ongoing safety and efficacy trials of CholeraGarde® (Peru-15), Ty800, ETEC E. coli and other preclinical and clinical testing; (5) the ability to negotiate strategic partnerships or other dispositions for AVANT's cardiovascular programs, including TP10 and CETi; (6) the ability of AVANT to manage multiple late stage clinical trials for a variety of product candidates; (7) the volume and profitability of product sales of Megan®Vac 1, Megan®Egg and other future products; (8) the process of obtaining regulatory approval for the sale of Rotarix® in major commercial markets, as well as the timing and success of worldwide commercialization of Rotarix® by our partner, Glaxo; (9) Glaxo's strategy and business plans to launch and supply Rotarix® worldwide, including in the U.S. and other major markets and its payment of royalties to AVANT; (10) changes in existing and potential relationships with corporate collaborators and partners; (11) the availability, cost, delivery and quality of clinical and commercial grade materials supplied by contract manufacturers; (12) the timing, cost and uncertainty of obtaining regulatory approvals to use CholeraGarde® (Peru-15) and Ty800, ETEC E. coli, among other purposes, to protect travelers and people in endemic regions from diarrhea causing diseases, respectively; (13) the ability to obtain substantial additional funding; (14) the ability to develop and commercialize products before competitors that are superior to the alternative products developed by competitors; (15) the ability to retain certain members of management; (16) AVANT's expectations regarding research and development expenses and general and administrative expenses; (17) AVANT's expectations regarding CETP's ability to improve cholesterol levels and AVANT's ability to develop and commercialize CETP; (18) AVANT's expectations regarding cash balances, capital requirements, anticipated royalty payments (including those from Paul Royalty Fund) revenues and expenses, including infrastructure expenses; (19) our belief regarding the validity of our patents and potential litigation; and (20) other factors detailed from time to time in filings with the Securities and Exchange Commission.

In addition, on October 19, 2007, AVANT entered into an Agreement and Plan of Merger (the "Merger Agreement") with Celldex Therapeutics, Inc. ("Celldex"), a Delaware corporation, and Callisto Merger Corporation, a Delaware corporation and wholly owned subsidiary of AVANT (the "Merger") which Merger closed on March 7, 2008. See Note 1 of the notes to the unaudited consolidated financial statements for more information. Forward-looking statements regarding the Merger Agreement are subject to risks and uncertainties that may cause actual future experience and results to differ materially from those discussed in these forward-looking statements. Important factors that might cause such a difference include, but are not limited to, costs related to the Merger, the risk that AVANT's and Celldex's businesses will not be integrated successfully; the combined company's inability to further identify, develop and achieve commercial success for new products and technologies; the possibility of Merger-related delays in the research and development necessary to select drug development candidates and delays in clinical trials; the risk that clinical trials may

not result in marketable products; the risk that the combined company may be unable to successfully secure regulatory approval of and market its drug candidates; the risks associated with reliance on outside financing to meet capital requirements; risks associated with Celldex's new and uncertain technology; risks of the development of competing technologies; risks related to the combined company's ability to protect its proprietary technologies; risks related to patent-infringement claims; and risks of new, changing and competitive technologies and regulations in the U.S. and internationally.

In addition, the factors described under "Item 1A. Risk Factors" in this report may result in these differences. You should carefully review all of these factors. These forward-looking statements were based on information, plans and estimates at the date of this report, and we do not promise to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

Except as otherwise noted, references to the number of shares of common stock, stock options and warrants, exercise prices of stock options and warrants, common stock prices, and other share and per share data or amounts have not been adjusted to reflect the one-for-twelve reverse stock split effected on March 7, 2008. In addition, all references to each outstanding option to purchase shares of AVANT common stock under the 1999 Stock Option and Incentive Plan, whether vested or unvested, terminated under their terms on March 7, 2008 in connection with the consummation of the Merger and such options are of no further force and effect.

PART I

Item 1. BUSINESS

A. General

As used herein, the terms "we," "us," "our," or "AVANT" refer to AVANT Immunotherapeutics, Inc., a Delaware corporation organized in 1983 and its subsidiaries. We are a biopharmaceutical company that uses novel applications of immunology to develop products for the prevention and treatment of diseases. We are developing a broad portfolio of vaccines and immunotherapeutics addressing a wide range of applications including bacterial diseases, food safety and cardiovascular disease. These include single-dose, oral vaccines that protect against important disease-causing infectious agents, a treatment to reduce complement-mediated tissue damage and a novel, proprietary vaccine candidate for cholesterol management. Our strategy is to demonstrate proof-of-concept for our product candidates before leveraging their value through partnerships or, in appropriate situations, continuing late stage development ourselves. Demonstrating proof-of-concept for a product candidate generally involves bringing it through Phase 1 clinical trials and one or more Phase 2 clinical trials so that we are able to demonstrate, based on human trials, good safety data for the product candidate and some data indicating its effectiveness. Our current collaborations encompass the commercialization of an oral human rotavirus vaccine, the development of oral cholera, typhoid fever, and ETEC vaccines, and vaccines addressed to human food safety and animal health. Our product candidates address large market opportunities for which we believe current therapies are inadequate or non-existent.

AVANT's web site is located at http://www.avantimmune.com. On AVANT's web site, investors can obtain a copy of AVANT's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934, as amended, as soon as reasonably practicable after AVANT files such material electronically with, or furnishes it to, the Securities and Exchange Commission. None of the information posted on our website is incorporated by reference into this Annual Report.

Our focus is on using the power of the immune system to prevent and treat disease. We have assembled a broad portfolio of technologies and intellectual property that we believe will give us a strong competitive position in vaccines and immunotherapeutics. This portfolio includes:

- *Cholera*- and *Salmonella*-vectored vaccine delivery technologies;
- patent rights directed to a rotavirus strain;
- our VitriLife® patented drying system for the preservation of proteins, cells, bacteria and viruses;
- technology and patents for complement inhibitors based on sCR1 "TP10"; and

- technology and patents supporting our CETP product candidates, which are aimed at increasing levels of HDL, or "good" cholesterol.

We currently have three products on the market and four products in clinical development. Our goal is to become a leading developer of innovative vaccines and immunotherapeutics that address health care needs on a global basis. Our success has depended and will continue to depend upon many factors, including our ability, and that of our licensees and collaborators, to successfully develop, obtain regulatory approval for and commercialize our product candidates. To date, commercial sales have only been generated from Rotarix® and our Megan poultry vaccines. We have had no commercial revenues from sales of our human therapeutic or other human vaccine products and we have had a history of operating losses. It is possible that we may not be able to successfully develop, obtain regulatory approval for or commercialize our product candidates, and we are subject to a number of risks that you should be aware of before investing in AVANT. These risks are disclosed more fully in "Item 1A. Risk Factors."

Merger with Celldex: On October 22, 2007, AVANT and Celldex Therapeutics, Inc. ("Celldex"), a privately-held company, announced the signing of a definitive merger agreement (the "Merger"). On March 7, 2008, AVANT announced the completed Merger of Callisto Merger Corporation, a wholly owned subsidiary of AVANT, with and into Celldex. The Merger has created a NASDAQ-listed, fully-integrated and diversified biopharmaceutical company with a deep pipeline of product candidates addressing indications in oncology, infectious and inflammatory diseases.

The total value of the Merger transaction is approximately $75 million.

At the special meeting of AVANT shareholders held on March 6, 2008 in connection with the Merger, stockholders approved four proposals: (i) the issuance of shares of AVANT common stock pursuant to the Merger Agreement in the amount necessary to result in the Celldex stockholders owning 58% of AVANT common stock on a fully diluted basis, (ii) an amendment to AVANT's Third Restated Certificate of Incorporation to increase the number of authorized shares to 300,000,000, (iii) an amendment to AVANT's Third Restated Certificate of Incorporation to effect a reverse stock split in a ratio ranging from one-for-twelve to one-for-twenty of all the issued and outstanding shares of AVANT common stock, the final ratio to be determined within the discretion of the AVANT board of directors and (iv) adoption of the 2008 Stock Option and Incentive Plan.

AVANT's board of directors approved a 1-for-12 reverse stock split of AVANT's common stock, which became effective on March 7, 2008. As a result of the reverse stock split, each twelve shares of common stock will be combined and reclassified into one share of common stock and the total number of shares outstanding will be reduced from approximately 180 million shares (including the shares issued to Celldex stockholders in the merger) to approximately 15 million shares.

Also, pursuant to the terms of the Merger Agreement, Celldex shareholders received 4.96 shares of common stock in exchange for each share of Celldex common stock and Class A common stock they own. AVANT stockholders retained 42% of, and the former Celldex stockholders now own 58% of, the outstanding shares of AVANT's common stock on a fully-diluted basis. AVANT also assumed all of Celldex's stock options outstanding at the time of the Merger.

Our common stock will continue to trade under the symbol "AVAND" for 20 trading days starting March 10, 2008 to designate that it is trading on a post-reverse split basis, and will resume trading under the symbol "AVAN" after the 20-day period expires on April 7, 2008.

We believe the resulting combined company will be a stronger, more competitive company capable of achieving greater financial strength, operational efficiencies, earning power, access to capital and more growth potential than either company would have separately, and that the Merger should allow us

to deliver significant benefits to our customers, stockholders and employees. We believe that the proposed Merger offers the following strategic and financial benefits:

- a greater ability to mitigate overall development risk through creation of a fully-integrated biopharmaceutical company with a deep product development pipeline;
- the advantage to Celldex of the use of AVANT's cGMP manufacturing capability with experience in production areas with complementary pipelines addressing a broad spectrum of indications in large markets;
- an increased pool of near-term development milestones;
- a stronger technology platform, including vector vaccine delivery, manufacturing and preservation technologies and the APC Targeting Technology™ engine to generate new clinical product candidates on an ongoing basis;
- a broader, more balanced portfolio of product candidates, with significant market potential;
- the opportunity for each company's stockholders to participate in the potential growth of the combined company after the Merger;
- the synergies that could be created in combining the research, development and technological strengths of AVANT and Celldex;
- larger access to third-party funding and validation for Global Health Vaccine programs;
- efficiencies created by eliminating redundant expenses; and
- a seasoned management team.

For more information on the Merger with Celldex, please see the Registration Statement on Form S-4 with the SEC, which registration statement includes a proxy statement/prospectus, dated December 21, 2007, and related materials to register the shares of AVANT common stock that were issued in the Merger. See also "Item 1A. Risk Factors."

Acquisition of UPT: In January 2003, we acquired the technology and intellectual property portfolio of Universal Preservation Technologies, Inc. ("UPT"), a privately held company based in San Diego, California, and licensed certain patent rights from Elan Drug Delivery Limited (formerly a subsidiary of Elan Corporation plc, now Innovata plc). Through this transaction, AVANT has gained exclusive rights to UPT's VitriLife® process for use in AVANT's oral vaccines and certain other non-injectable applications.

Acquisition of Megan: On December 1, 2000, we acquired Megan Health, Inc. ("Megan"), a Delaware corporation, pursuant to an Agreement and Plan of Merger dated as of November 20, 2000 by and among AVANT, AVANT Acquisition Corp., a Delaware corporation and our wholly-owned subsidiary, and Megan.

Acquisition of VRI: On August 21, 1998, we acquired Virus Research Institute, Inc. ("VRI"), a Delaware corporation, pursuant to an Agreement and Plan of Merger dated as of May 12, 1998 by and among AVANT, TC Merger Corp., a Delaware corporation and our wholly-owned subsidiary, and VRI.

Using our expertise in immunology, we are building business franchises in major disease areas: bacterial vaccines and immunotherapeutics for cardiovascular diseases. Each of our business franchises addresses large market opportunities for which current therapies are inadequate or non-existent. We have pursued some of these opportunities independently in a highly focused manner. In other cases, we have leveraged the financial support and development capabilities of corporate and public sector partners to bring our development projects to fruition. The research we have pursued over the past several years has matured into an exciting portfolio of product candidates.

Our products are derived from a broad set of complementary technologies which have the ability to utilize the human immune system and enable the creation of preventative and therapeutic agents. We are using these technologies to develop vaccines and immunotherapeutics that prevent or treat disease caused by infectious organisms, and treatment vaccines that modify undesirable activity by the body's own proteins or cells. Our products are in various stages of research and development. Below is a table of our currently active programs:

CURRENT PROGRAMS AND PARTNERSHIPS

Technology	Product	Indication/Field	Partner	Status
Bacterial Vaccines				
Global Health	CholeraGarde®	Cholera	IVI	Phase 2b
	Ty800	Typhoid fever	NIH	Phase 2
Travelers'	ETEC	Enterotoxigenic *E coli* infection	—	Pre-clinical
	Shigella	Dysentery	—	Pre-clinical
Food Safety and Animal Health	Megan®Vac 1	Salmonella infection in chicken	Lohmann	Marketed
	Megan®Egg	Salmonella infection in laying hens and eggs	Lohmann	Marketed
	Other Food Safety and Animal Health Vaccines	Bacterial contamination of food sources and animal health	Pfizer	Pre-clinical
Viral Vaccines	Rotarix®	Rotavirus infection	GlaxoSmithKline	Marketed
Immunotherapeutics				
Cardiovascular Diseases	TP10	Transplantation	—	Phase 2
		AMD	—	Pre-clinical
	CETi	Cholesterol management	—	Phase 2

B. Development Strategy

AVANT's strategy is to utilize our expertise to design and develop vaccines and immunotherapeutics that have significant and growing market potential; to establish governmental and corporate alliances to fund development; and to commercialize our products either through corporate partners or, in appropriate circumstances, by our own direct selling efforts. Our goal is to demonstrate clinical proof-of-concept for each product, and then seek partners to help see those products which we cannot develop ourselves through to commercialization. This approach allows us to maximize the overall value of our technology and product portfolios while best ensuring the expeditious development of each individual product. Implementation of this strategy is exemplified by our lead programs which are discussed in the following sections.

Factors that may significantly harm our commercial success, and ultimately the market price of our common stock, include but are not limited to, announcements of technological innovations or new commercial products by our competitors, disclosure of unsuccessful results of clinical testing or regulatory proceedings and governmental approvals, adverse developments in patent or other proprietary rights, public concern about the safety of products developed by AVANT and general economic and market conditions. See "Item 1A. Risk Factors."

C. Viral Vaccine Development Programs

1. Rotavirus Vaccine

We have developed a novel vaccine against rotavirus infection. Rotavirus, a major cause of diarrhea and vomiting in infants, affects approximately 80% of the approximately 4 million infants born each year in the United States. As a result, on an annual basis, about 500,000 infants require medical attention and 50,000 are hospitalized. The economic burden in the United States is estimated at over $1 billion in direct medical and indirect societal costs. In the United States, a vaccine against rotavirus

disease has become a universal pediatric vaccine. In the rest of the world, rotavirus is a cause of significant infant mortality. We completed Phase 1 clinical trials of the orally delivered live human rotavirus vaccine selected to elicit a broadly protective immune response to the most prevalent strains of rotavirus. During 1997, we completed a Phase 1/2 clinical trial designed to define the optimal vaccine dose and optimal age for immunization. Based on the assessment of the safety and immunogenicity of the vaccine, we initiated a Phase 2 efficacy study in 1997. This trial, conducted at four U.S. medical centers, was designed to examine the vaccine's ability to prevent rotavirus disease and to further study the safety of the vaccine. A total of 215 infants were enrolled in the study and were immunized with the vaccine. In 1998, we announced positive results from this trial, which were published in *Lancet* in July 1999. The results showed that approximately 90 percent of the vaccinated infants were protected from rotavirus disease and demonstrated a statistical significance at $p<0.001$. Examination of the safety data revealed that mild fever in a small number of infants was the only side effect significantly more common in the vaccine group than in the placebo group.

AVANT licensed the Rotarix® technology in 1995 from Cincinnati Children's Hospital Medical Center ("CCH") and owes CCH a license fee of 30% on net royalties received from GlaxoSmithKline ("Glaxo"). In May 2005, AVANT entered into an agreement whereby an affiliate of Paul Royalty Fund ("PRF") purchased an interest in the net royalties AVANT will receive on worldwide sales of Rotarix® (see Note 9 of our audited consolidated financial statements).

In 1997, AVANT licensed this rotavirus vaccine to Glaxo. AVANT and Glaxo have collaborated on the development and commercialization of our oral rotavirus vaccine, Rotarix®. As discussed under "F. Collaborative Agreements", with the successful completion of the Phase 2 clinical trial and the development by Glaxo of a viable manufacturing process, Glaxo has assumed financial responsibility for all subsequent clinical and development activities and paid us an initial milestone payment of $500,000. Glaxo completed Phase 1/2 bridging studies in over 6,500 infants in Europe, Latin America and Asia using the two-dose oral Rotarix® vaccine. Glaxo initiated global Phase 3 clinical trials of Rotarix® in the third quarter of 2003 and AVANT recognized a $1.0 million milestone payment.

Glaxo gained approval for Rotarix® in Mexico during 2004, which represented the first in a series of worldwide approvals and commercial launches for the product. During 2005, Glaxo launched Rotarix® in additional Latin American countries as well as Asia Pacific countries, and they filed for market approval with the European regulatory authorities, which triggered a $2 million milestone fee payable to AVANT, which was paid in January 2005. In February 2006, the European Commission granted approval of Rotarix® in the European Union, which triggered a $4 million milestone payment from Glaxo, 50% of which is creditable against future royalties. Rotarix® is now licensed in over 70 countries worldwide in addition to the European Union market. Glaxo filed a Biologics License Application (BLA) with the FDA for United States market approval in 2007. On February 20, 2008, Rotarix® received a favorable recommendation from the U.S. Food and Drug Administration's (FDA) Vaccines and Related Biological Products Advisory Committee (VRBPAC). The committee's favorable recommendation, although not binding, will be considered by the FDA in its review of the BLA for the candidate vaccine, which is currently underway. Assuming product development and commercialization continues satisfactorily, we may receive an additional milestone payment totaling $1.5 million upon market approval of Rotarix® by the FDA, $750,000 of which AVANT will retain. AVANT expects Glaxo to gain U.S. market approval in 2008.

In May 2005, AVANT entered into an agreement whereby an affiliate of PRF purchased an interest in the net royalties AVANT will receive on worldwide sales of Rotarix® (see Note 9 of our audited consolidated financial statements). Under the PRF agreement, AVANT retained 50% of the $4 million milestone payment from Glaxo for the European Commission approval discussed above and of any future Glaxo milestone payments, with the balance payable to PRF and CCH. The PRF agreement also provides for a $10 million milestone payment to AVANT if Rotarix® is launched in the United States in 2008. AVANT expects to achieve this milestone in the second half of 2008.

Royalty rates on Rotarix® escalate from 7% to 10% based on net product sales in countries that have valid patent protection. These royalty rates are discounted by 30% for "non-patent" countries (primarily international markets). In September 2006, AVANT received notice from Glaxo that Glaxo would begin paying royalties on sales of Rotarix® vaccine at the lower of the two royalty rates under their 1997 license agreement. Glaxo's decision to pay the lower royalty rate (which is 70% of the full rate) is based upon Glaxo's assertion that Rotarix® is not covered by the patents Glaxo licensed from AVANT in Australia and certain European countries.

If Glaxo's position stands, the royalties to which PRF is entitled will no longer be limited by a $27.5 million annual threshold, which AVANT projected may have been reached in later years as sales of Rotarix® increased. Irrespective of Glaxo's position, AVANT will still retain the royalties on worldwide sales of Rotarix® once PRF receives 2.45 times the aggregate cash payments it makes to AVANT, though the potential amount of such residual royalties will be lower if Glaxo's position stands.

D. Bacterial Vaccine Development Programs

Overview

Modern biotechnology offers great potential for improving health conditions worldwide. New vaccine technologies, in particular, can provide avenues to disease prevention and treatment with notable advantages over drugs in terms of patient compliance and cost. They also offer strategies to solve global health problems, to protect both civilians and the military from infectious disease threats, and to increase the safety of our food supply. Our goal is to become a leading developer of innovative vaccines that address health care needs on a global basis. In this regard, we acquired VitriLife®, a new technology with the potential to improve product stability, reducing the need for vaccine refrigeration. With this technology and our *Cholera*- and *Salmonella*-vectored delivery technologies, named VibrioVec® and SalmoVec®, we can now develop a new generation of bacterial vaccines that have an ideal product profile: safe and effective, oral, single-dose, rapidly protective with temperature stable products.

AVANT is developing a series of single-dose, genetically-attenuated, live bacterial vaccines to prevent diarrhea, enteric disease and dysentery. These diarrheal vaccines are targeted to address the U.S. and European travelers' market as well as the healthcare requirements of developing countries, where for example the need for cholera and typhoid fever vaccines is particularly acute. We believe that vaccines for the travelers' market are appropriate indications for a small company such as AVANT to pursue independently with our own sales and marketing effort in the United States and with partners outside the United States. AVANT's single-dose oral vaccine technology is currently addressed to serious bacterial diseases, but combines the advantages of rapid onset of protection with the flexibility to address a variety of different causes of disease. The attenuated live bacteria used to create these vaccines can also serve as vectors for the development of vaccines against other bacterial and viral diseases. By engineering key disease antigens into the DNA of the vector organisms, AVANT can extend the protective ability of its single-dose oral vaccines to a wide variety of illnesses. AVANT has also partnered with Pfizer Inc ("Pfizer"), who will apply AVANT's vaccine technology to animal health and human food safety markets.

In November 2004, we opened our manufacturing facility in Fall River, Massachusetts to support the clinical development of our portfolio of bacterial vaccines, as well other next-generation bacterial vaccines for clinical trials and eventually commercial sale. AVANT currently leases 16,200 square feet of office, laboratory and manufacturing space in the Fall River facility.

1. Global Health

AVANT's oral, bacterial vaccine technology can address the healthcare requirements of developing countries, where, for example, the need for cholera and typhoid vaccines is particularly acute. These vaccine technologies may provide avenues to disease prevention and treatment with notable advantages over drugs in terms of ease of use, patient compliance, thermostability and cost. Thus, they may offer strategies to solve global health problems. Development of safe and effective cholera and typhoid vaccines is the first step in establishing AVANT's single-dose, oral bacterial vaccine franchise.

CholeraGarde® Vaccine: We are developing an attenuated form of the bacterium *Vibrio cholerae* as a potential cholera vaccine. In several Phase 1/2 clinical studies, single oral doses of the cholera vaccine, CholeraGarde® (or Peru-15), were administered to more than 75 human subjects and shown to be safe, immunogenic and protective against infection with the virulent organism. In 1999, we announced the collaboration on a Phase 2b clinical trial of the Peru-15 vaccine with Walter Reed Army Institute of Research ("WRAIR") and the NIH. AVANT and the NIAID also signed a Clinical Trial Agreement that allowed for the clinical evaluation of the Peru-15 vaccine formulation at CCH. AVANT and WRAIR have successfully manufactured clinical supplies of the vaccine at WRAIR's facility for use in the study.

The Phase 2b trial, which began in October 2000 at CCH, tested the safety, immunogenicity and protective capacity of the vaccine against a challenge with live virulent cholera. Results of the study demonstrated the ability of AVANT's vaccine candidate, CholeraGarde®, to provide complete protection against the trial's primary endpoint, moderate and severe diarrhea. During 2002, AVANT completed a Phase 2 dose-ranging study with CholeraGarde® to assess the safety and immunogenicity of this vaccine and supported the start of trials in December 2002 with the International Vaccine Institute ("IVI") in Bangladesh where cholera is endemic.

In January 2004, we announced positive preliminary results of the adult portion from the Phase 2 clinical trial of CholeraGarde® in Bangladesh. In 70 adult patients, enrolled as part of this ongoing study that is assessing the safety and immunogenicity of the vaccine in adults prior to moving into progressively younger pediatric populations, vaccination with the single-dose, oral cholera vaccine was well tolerated. Moreover, over 70% of the vaccinated adults responded with a favorable immune response. In July 2005, the Bangladesh study results in children and infants showed CholeraGarde® to be well tolerated and highly immunogenic, with 77% of children aged 9 months to 5 years generating protective immune responses. These results showed the vaccine to be consistently well tolerated and immunogenic against the cholera organism in all portions of this trial.

In July 2005, AVANT reported that it and Harvard Medical School would receive approximately $500,000 from the National Institutes of Health to apply AVANT's VitriLife® formulation to CholeraGarde®. In the future, AVANT plans to utilize VitriLife®, a proprietary technology that confers thermostability to live bacterial vaccines, and other drying and preservation technologies at the Fall River facility for its other bacterial vaccines.

In August 2006, IVI received $21 million in funding from the Bill & Melinda Gates Foundation for a Cholera Vaccine Initiative ("CHOVI"), which will include conducting further clinical trials of CholeraGarde®, AVANT's cholera vaccine. IVI plans to conduct Phase 2 clinical trials of CholeraGarde® in Bangladesh and India beginning in 2008 followed by Phase 3 field studies. IVI will be purchasing clinical materials produced at AVANT's Fall River, MA manufacturing facility for the trials. We see the initiation of these trials as serving the dual role of addressing a significant health issue in the developing world and advancing development of AVANT's vaccine franchise.

AVANT has decided to focus only on the fully-funded opportunity for CholeraGarde® in the developing world. AVANT has determined that the high clinical costs of our own Phase 3 clinical trials in the United States and the investment in a commercial manufacturing facility are not justified by the limited market opportunities for a cholera vaccine in developed countries at this time. This decision has freed up resources for our Ty800 and ETEC programs.

Ty800 Typhoid Fever Vaccine: AVANT has developed an oral vaccine to offer rapid, single-dose protection against *Salmonella typhi*, the cause of typhoid fever. Ty800 is targeted for both the travelers' market and global health needs. The National Institute of Allergy and Infectious Disease ("NIAID") of the National Institutes of Health ("NIH") and AVANT have entered into a cooperative agreement for the NIAID to conduct a Phase 1/2 in-patient dose-ranging clinical trial aimed at demonstrating the safety and immunogenicity of the Ty800 typhoid fever vaccine. NIAID has funded the production of

Ty800 vaccine for clinical testing and completed the Phase 1/2 trial at a NIH-funded clinical site. Results showed the single-dose, oral vaccine to be well tolerated and immunogenic, with over 90% of vaccinated subjects generating immune responses. AVANT initiated its own sponsored Phase 2 trial of Ty800 in July 2007. Enrollment was completed in late September 2007 and results are expected in the first half of 2008.

2. Travelers' Vaccines

With our acquisition of Megan in 2000, AVANT gained access to technologies for developing vaccines against *Campylobacter* and ETEC. When combined with our existing *Shigella* vaccine program, AVANT now has a number of travelers' vaccine programs in pre-clinical development—all addressing important causes of serious diarrheal diseases worldwide. In November 2007, AVANT entered into an agreement with the Division of Microbiology and Infectious Diseases of the NIAID, whereby NIAID will sponsor a Phase 1 study of AVANT's investigational single-dose, oral vaccine designed to offer combined protection against both enterotoxigenic *Escherichia coli* (ETEC) and cholera. AVANT expects NIAID to initiate the Phase 1 trial of its ETEC vaccine candidate in the first half of 2008. AVANT's long-term goal is to develop a combination vaccine containing Cholera, Ty800, *S. paratyphi* and ETEC as a "super enteric vaccine" to address the travelers' market.

3. BioDefense Vaccine Programs

In January 2003, AVANT was awarded a subcontract by DVC in the amount of $2.5 million to develop for the U.S. Department of Defense an oral combination vaccine against anthrax and plague using AVANT's proprietary vaccine technologies. AVANT has received a number of additional subcontract modifications from DVC to support further development and pre-clinical animal testing of vaccine constructs of anthrax and plague vaccine candidates. Total contract funding awarded by DVC totaled approximately $12 million. As a result of AVANT's restructuring in 2007, the Company is no longer investing its resources in biodefense research and development activities and terminated its contracts with DVC as of September 30, 2007. Through December 31, 2007, AVANT had received approximately $9.7 million in payments under the subcontract agreements. AVANT does not expect future revenues from the biodefense vaccine programs.

4. Animal Health and Food Safety Vaccine Programs

On December 1, 2000, AVANT acquired all of the outstanding capital stock of Megan, a company engaged in the discovery and development of human and animal vaccines using patented gene modification technologies. Megan has commercialized three veterinary vaccines; Argus™ SC, licensed by the United States Department of Agriculture ("USDA") in March 1998 and marketed by Intervet, Inc., and Megan®Vac 1 and Megan®Egg, licensed by the USDA in November 1998 and 2003, respectively, and marketed by Lohmann Animal Health International ("LAHI").

Megan®Vac 1: Megan®Vac 1 is a double gene-deleted modified vaccine for use in chickens for protection against multiple species and/or strains of Salmonella bacteria. The vaccine is administered to chicks at the hatchery in a spray cabinet with a field boost generally given at around two weeks of age. The objective of the vaccine is to eliminate or reduce the overall load of *Salmonella spp.* in the bird and environment, thus reducing bacteria levels on broiler carcasses in the processing plant. While the reduction of *Salmonella spp.* in the broiler may provide some direct health benefit to the chicken, the primary purpose of the vaccine is to increase food safety. Megan®Vac 1 is also registered in New Zealand. Registration activities are currently underway for Australia.

Megan®Egg: Megan®Egg is from the same master seed as Megan®Vac 1 with titer, dosage recommendations, and product configuration specifically targeting the layer (commercial table-egg pullets) and breeder hen markets. Pullets generally receive three vaccinations during the growing period

and are protected throughout the lay period without further vaccination. In the case of table-egg layers and breeder hens, the primary objective is elimination or reduction of Salmonella enteritidis levels in the eggs, birds, and poultry houses.

Because AVANT's focus is on human health care, in September 2002, we appointed LAHI as the exclusive distributor of our Megan Health poultry vaccines in North America. LAHI performs all marketing and distribution activities of Megan's marketed products for the commercial poultry market. In connection with our acquisition of Megan, we entered into a licensing agreement with Pfizer whereby Pfizer has licensed Megan's technology for the development of animal health and food safety vaccines outside of Megan's existing poultry products.

E. Immunotherapeutic Programs

1. Complement Inhibitors

We have been developing a new class of immunotherapeutics that inhibit a part of the immune system called the complement system. The complement system is a series of proteins that are important initiators of the body's acute inflammatory response against disease, infection and injury. Excessive complement activation also plays a role in some persistent inflammatory conditions. Our lead compound, TP10, a soluble form of naturally occurring Complement Receptor 1, has effectively shown to inhibit the activation of the complement cascade in animal models and in human clinical trials. We believe that regulating the complement system could have therapeutic and prophylactic applications in several acute and chronic conditions, including reperfusion injury from surgery or ischemic disease, organ transplant, multiple sclerosis, rheumatoid arthritis, age-related macular degeneration ("AMD"), and myasthenia gravis. Medical problems that result from excessive complement activation represent multi-billion dollar market opportunities. In the United States, several million people are afflicted with these complement-mediated conditions.

We elected to develop and commercialize TP10 for cardiac surgery. The objective of our clinical studies was to assess the ability of TP10 to mitigate the injury to the heart, brain and other organs that occurs when patients are placed on cardiopulmonary bypass ("CPB") circuits, thus potentially improving post-operative outcomes. In February 2002, AVANT announced that TP10 had not achieved a significant reduction in the primary endpoint of death, myocardial infarction, prolonged intubation or prolonged intra-aortic balloon pumping following preliminary analysis of a Phase 2 adult cardiac surgery trial conducted in 564 patients. However, further analysis of the study data demonstrated an important treatment benefit in male patients participating in the trial, with no significant treatment benefit observed in female patients. Adverse events reported following treatment with TP10 were generally similar to those seen in placebo treated patients and were said by investigators to be routinely observed following cardiopulmonary bypass. The important treatment benefits seen in the male population were directly related to morbidity and mortality and the benefit seen was highly significant. Results of this Phase 2 adult trial were presented at the American Heart Association's Annual Meeting in November 2003 and were published in *Circulation* in September 2004.

In February 2004, AVANT announced plans to start a Phase 2b double-blind, placebo-controlled trial of TP10 in approximately 300 women undergoing cardiopulmonary by-pass surgery. The trial was designed to examine the effect of TP10 versus placebo at approximately 30 sites throughout the United States. The goals of the trial were to determine the efficacy of TP10 in women undergoing cardiac surgery, as well as augment the safety data for that patient population to allow for the design of a subsequent registration-directed trial. In February 2006, AVANT reported that the females-only study did not meet the primary endpoint, thus confirming the results for female subjects in the previous TP10 trial. Because of these study results, AVANT is seeking a corporate partner to complete the development and commercialization of TP10 for an organ transplantation indication or an AMD indication.

In addition to TP10, AVANT has identified other product candidates to inhibit activation of the complement system. The lead candidate under research evaluation is a form of sCR1 ("TP10") that has been modified by the addition of sialyl Lewis × ("sLe^x") carbohydrate side chains yielding sCR1sLe^x. sLe^x is a carbohydrate which mediates binding of leukocytes including neutrophils to selectin proteins. Selectin-mediated binding of neutrophils to activated endothelial cells is a critical event in inflammation. We have confirmed the presence of the desired carbohydrate structures and confirmed the presence of both anti-complement and selectin-binding functions in *in vitro* experiments. Research results published in the July 1999 issue of *Science* showed that the sCR1sLe^x molecule, which simultaneously blocks complement activation and cell-mediated inflammatory events, can significantly limit damage to cerebral tissue in a mouse model of ischemic stroke. sCR1sLe^x may be effective in complement- and selectin-dependent indications such as stroke and myocardial infarction. We believe that sCR1sLe^x has the ability to target the complement-inhibiting activity of sCR1 to the site of inflammation and, at the same time, inhibit the leukocyte/endothelial cell adhesion process.

AVANT plans to seek partnering arrangements to capture the value inherent in the complement inhibitor programs and their strong intellectual property. AVANT can offer a worldwide license for all fields as a part of such a partnership arrangement.

2. Cholesterol Management Vaccine

We are developing an immunotherapeutic vaccine against endogenous cholesteryl ester transfer protein ("CETP"), which may be useful in reducing risks associated with atherosclerosis. CETP is a key intermediary in the balance of HDL and LDL. We are developing this vaccine (CETi) to stimulate an immune response against CETP which we believe may improve the ratio of HDL to LDL cholesterol and reduce the progression of atherosclerosis. We have conducted preclinical studies of rabbits which had been administered the CETi vaccine and fed a high-cholesterol, high-fat diet. In these studies, vaccine-treated rabbits exhibited reduced lesions in their blood vessels compared to a control group of untreated rabbits which developed significant blood vessel lesions. These studies have demonstrated, in animal models, the ability of CETi vaccine to elevate HDL and reduce the development of blood vessel lesions.

Atherosclerosis is one of the leading causes of morbidity and mortality in the United States and most of the Western world. Current pharmacologic treatments require daily administration and can result in high costs and poor patient compliance. A vaccine directed at lowering CETP activity, such as the one we are developing, may offer several advantages over conventional approaches, including requiring less frequent dosing, lower costs, reduced side effects, and improved patient compliance.

In June 1999, we initiated a double-blinded placebo controlled, Phase 1 clinical trial of our CETi vaccine in adult volunteers. The object of the study was to demonstrate the safety of single administrations of the vaccine at four different dose levels. AVANT completed the Phase 1 clinical trial in late 2000 and results indicated that the vaccine was very well tolerated in the 48 adult volunteers who participated in the study. The only serious adverse reaction reported during the study (allergic reaction to shower gel) was not related to study medication. There were no differences in the safety profiles of placebo groups and active vaccine groups. In addition there was limited evidence of an immune response in one subject treated with the highest dose. In early 2001, AVANT announced results from a double-blinded placebo controlled extension of the earlier completed Phase 1 trial of the CETi vaccine in healthy adult volunteers receiving a second dose of the vaccine. Results from the extension study showed measurable antibody titers in all dose groups treated with study medication and suggested a dose-response relationship.

These data were helpful in moving the program forward to a placebo controlled Phase 2 study, which was initiated in August 2001, in approximately 200 patients with low levels of HDL cholesterol. The objectives of the study were to evaluate the safety, immunogenicity and dose-response relationship

of the CETi product in patients who received initial immunizations followed by a booster. In October 2003, AVANT completed the CETi vaccine Phase 2 efficacy study. The results of the study demonstrated proof-of-concept in humans, in that high anti-CETP antibodies correlated with increased HDL levels. In addition, the CETi vaccine worked as designed to elicit anti-CETP antibodies in a high percentage of patients treated, approximately 90%, however, the levels of anti-CETP antibodies were not as high as expected.

In pre-clinical testing, AVANT has identified a new adjuvanted formulation for the vaccine that elicits more than a 10-fold increase in anti-CETP antibody titers when compared to the CETi vaccine. AVANT is seeking a corporate partner to complete development and to commercialize the newly formulated CETP vaccine.

F. Collaborative Agreements

GlaxoSmithKline ("Glaxo"): In 1997, we entered into an agreement with Glaxo to collaborate on the development and commercialization of our oral rotavirus vaccine. Under the terms of the agreement, Glaxo received an exclusive worldwide license to commercialize our rotavirus vaccine. We were responsible for continuing the Phase 2 clinical efficacy study of the rotavirus vaccine, which was completed in August 1998. Subject to the development by Glaxo of a viable manufacturing process, Glaxo assumed responsibility for all subsequent clinical trials and all other development activities. Glaxo made an initial license payment of $250,000 in 1997 upon execution of the agreement. In June 1999, we received a milestone payment of $500,000 from Glaxo for successfully completing the Phase 2 clinical efficacy study and establishing a commercially viable process to manufacture the vaccine. Glaxo initiated global Phase 3 clinical trials of Rotarix® in the third quarter of 2003, and AVANT recognized a $1.0 million milestone. Glaxo gained approval for Rotarix® in Mexico during 2004, which represented the first in a series of worldwide approvals for the product. Glaxo filed for market approval with the European regulatory authorities in late 2004, triggering a $2 million milestone fee payable to AVANT. In February 2006, the European Commission granted approval of Rotarix® in the European Union, which triggered a $4 million milestone payment from Glaxo. Assuming product development and commercialization continues satisfactorily, we may receive an additional milestone payment totaling $1.5 million upon market approval of Rotarix® by U.S. regulatory authorities.

Royalty rates on Rotarix® escalate from 7% to 10% based on net product sales in countries for which we have valid patent protection. These royalty rates are discounted by 30% for "non-patent" countries (primarily international markets). Our internal commercialization models for Rotarix® suggest a blended royalty rate ranging from mid to high single digits over the next three years. The term of this agreement is through the expiration of the last of the relevant patents covered by the agreement, although Glaxo may terminate the agreement upon 90 days prior written notice. In September 2006, AVANT received notice from Glaxo that Glaxo would begin paying royalties on sales of Rotarix® vaccine at the lower of the two royalty rates under their 1997 license agreement. Glaxo's decision to pay the lower royalty rate (which is 70% of the full rate) is based upon Glaxo's assertion that Rotarix® is not covered by the patents Glaxo licensed from AVANT in Australia and certain European countries.

AVANT licensed the Rotarix® technology from CCH in 1995 and owes a license fee of 30% to CCH on net royalties received from Glaxo. In May 2005, AVANT entered into an agreement whereby an affiliate of PRF purchased an interest in the net royalties AVANT will receive on worldwide sales of Rotarix® (see Note 9 of our audited consolidated financial statements). Under the PRF agreement, AVANT will retain 50% of future Glaxo milestone payments, with the balance payable to PRF and CCH.

Pfizer Inc ("Pfizer"): In connection with our acquisition of Megan in 2000, we entered into a licensing agreement with Pfizer whereby Pfizer licensed Megan's technology for the development of animal health and food safety vaccines. Upon execution of the agreement, Pfizer made an initial license

payment of $2.5 million together with a $3 million equity investment. In December 2002, we received a milestone payment of $500,000 from Pfizer as a result of the submission of an application with the USDA for licensure of a food safety vaccine. Under the agreement, we may receive additional milestone payments of up to $3 million based upon attainment of specified milestones. We have received research and development funding from Pfizer through November 2002 totaling $1 million and may receive royalty payments on eventual product sales. The term of this agreement is through the expiration of the last of the patents covered by the agreement. AVANT has no obligations to incur any research and development costs in connection with this agreement.

On June 1, 2006, AVANT entered into a Collaborative Research and Development Agreement with Pfizer aimed at the discovery and development of vaccines to protect animals. In 2007, further funded work at AVANT on the joint research program was terminated by Pfizer. Under this collaboration arrangement, AVANT recognized $62,500 and $137,500 in product development and licensing revenue from Pfizer in 2007 and 2006, respectively.

DynPort Vaccine Company LLC ("DVC"): In January 2003, AVANT was awarded a subcontract by DVC in the amount of $2.5 million to develop for the U.S. Department of Defense an oral combination vaccine against anthrax and plague using AVANT's proprietary vaccine technologies. AVANT has received a number of additional subcontract modifications from DVC to support further development and pre-clinical animal testing of vaccine constructs of anthrax and plague vaccine candidates. Total contract funding awarded by DVC totaled approximately $12 million. As a result of AVANT's restructuring in 2007, the Company is no longer investing its resources in biodefense research and development activities and terminated its contracts with DVC as of September 30, 2007. Through December 31, 2007, AVANT had received approximately $9.7 million in payments under the subcontract agreements.

Lohmann Animal Health International ("LAHI"): In September 2002, AVANT appointed LAHI as the exclusive distributor of its Megan Health poultry vaccines in North America. LAHI, an established animal health company, markets and distributes the Megan's marketed products for the commercial poultry market. Under the distribution agreement, AVANT receives a percentage of Megan®Vac 1 and Megan®Egg product sales in the form of royalty payments. From the inception of the agreement to December 31, 2007, AVANT has received approximately $704,600 in royalties under the agreement. Royalties received in 2007, 2006 and 2005 were $115,925, $116,595 and $126,598, respectively. The initial term of the agreement is five years with automatic extensions thereafter unless the agreement is terminated by either party.

Inflazyme Pharmaceuticals Ltd. ("Inflazyme", formerly AdProTech, Ltd ("AdProTech")): In March 2004, AVANT granted a license to AdProTech for non-exclusive rights to use certain components of its intellectual property surrounding complement inhibition. In April 2004, AVANT received an initial license payment of $1 million from AdProTech and AdProTech was acquired by Inflazyme which assumed the license. AVANT has no continuing involvement or obligation under this license agreement, thus it recognized the $1 million as revenue during the first quarter of 2004. Under the agreement, AVANT is entitled to annual license fees, milestone payments of up to $13.5 million in the aggregate and royalties on eventual product sales. AVANT has no obligations to incur any research and development costs in connection with this agreement.

Select Vaccines Limited ("Select Vaccines"): In February 2007, AVANT entered into a research and development partnership with Select Vaccines Limited, an Australian biotechnology company, focused on the use of Select Vaccines' virus-like particles ("VLPs") as a platform technology for the development of viral vaccines. On November 1, 2007, AVANT notified Select Vaccines that, effective December 31, 2007, AVANT for strategic reasons was exercising its rights to terminate its Collaboration and License Agreement with Select Vaccines.

We depend on our collaborative relationships and may enter into more of them in the future. Some of the above referenced agreements give our collaborator substantial responsibility to commercialize a product and to make decisions about the amount and timing of resources that are devoted to developing and commercializing a product. As a result, we do not have complete control over how resources are used toward some of our products.

In addition, some of these agreements relate to products in the early stages of research and development. Others require AVANT and our collaborator to jointly decide on the feasibility of developing a particular product using our technologies. In either case, these agreements may terminate without benefit to us if the underlying products are not fully developed. Moreover, once specific products are chosen for development, the agreements relating to them may require AVANT to meet specified milestones, to invest money and other resources in the development process or to negotiate additional licenses and other agreements, which may not be possible or advantageous. If we fail to meet our obligations under those agreements, they could terminate and we might need to enter into relationships with other collaborators and to spend additional time, money, and other valuable resources in the process.

Moreover, we cannot predict whether our collaborators will continue their development efforts or, if they do, whether their efforts will achieve success. Many of our collaborators face the same kinds of risks and uncertainties in their business that we face. A delay or setback to a collaborator will, at a minimum, delay the commercialization of any affected products, and may ultimately prevent it. Moreover, any collaborator could breach its agreement with us or otherwise not use best efforts to promote our products. A collaborator may choose to pursue alternative technologies or products that compete with our technologies or products. In either case, if a collaborator failed to successfully develop one of our products, we would need to find another collaborator. Our ability to do so would depend upon our legal right to do so at the time and whether the product remained commercially viable.

G. Competition

Competition in the biotechnology and vaccine industries is intense. We face competition from many companies in the United States and abroad, including a number of large pharmaceutical companies, firms specialized in the development and production of vaccines, adjuvants and vaccine and immunotherapeutic delivery systems and major universities and research institutions. These competitors include Baxter, Glaxo, Merck, Novartis, Pfizer, Roche, Sanofi Pasteur, Acambis, Cambridge Biostability, Crucell, Emergent, Intercell, Iomai, Novavax, VaxGen and Vical. Most of our competitors have substantially greater resources, more extensive experience in conducting pre-clinical studies and clinical testing and obtaining regulatory approvals for their products, greater operating experience, greater research and development and marketing capabilities and greater production capabilities than those of AVANT. There can be no assurance that our competitors will not develop technologies and products that are safer or more effective than any which are being developed by us or which would render our technology and products obsolete and noncompetitive. In addition, our competitors may succeed in obtaining approval from the Food and Drug Administration ("FDA") for products more rapidly than we do. There can be no assurance that the vaccines and immunotherapeutic products under development by us and our collaborators will be able to compete successfully with existing products or products under development by other companies, universities and other institutions or that they will obtain regulatory approval in the United States or elsewhere. We believe that the principal competitive factors in the vaccine and immunotherapeutic market are product quality, measured by efficacy and safety, ease of administration and price.

Our competitive position will also depend upon our ability to attract and retain qualified personnel, obtain patent protection or otherwise develop proprietary products or processes and secure sufficient capital resources for the often lengthy period between technological conception and

commercial sales. We will require substantial capital resources to complete development of some or all of our products, obtain the necessary regulatory approvals and successfully manufacture and market our products. In order to secure capital resources, we anticipate having to sell additional capital stock, which would dilute existing stockholders. We may also attempt to obtain funds through research grants and agreements with commercial collaborators. However, these types of fundings are uncertain because they are at the discretion of the organizations and companies that control the funds. As a result, we may not receive any funds from grants or collaborations. Alternatively, we may borrow funds from commercial lenders, likely at high interest rates, which would increase the risk of any investment in AVANT.

H. Manufacturing

We have no experience in volume manufacturing and we have relied upon collaborators or contractors to manufacture our proposed products for both clinical and commercial purposes. While we believe that there is currently sufficient capacity worldwide for the production of our potential products by our collaborators or through contract manufacturers, establishing long-term relationships with contract manufacturers and securing multiple sources for the necessary quantities of clinical and commercial materials required can be a challenge. Qualifying the initial source of clinical and ultimately commercial material is a time consuming and expensive process due to the highly regulated nature of the pharmaceutical/biotech industry. These costs are hopefully mitigated in the economies of scale realized in commercial manufacture and product sale. The key difficulty in qualifying more than one source for each product is the duplicated time and expense in doing so without the potential to mitigate these costs if the secondary source is never utilized.

To date, we have been arranging with contract manufacturers for the manufacture of clinical trial supplies of TP10, CETi, and our bacterial vaccines. Manufacture of our rotavirus vaccine is the responsibility of Glaxo, which has received from us a world-wide exclusive license to commercialize this vaccine.

We contracted with Lonza Biologics plc for process development and scale-up of TP10 for clinical trials. The CETi vaccine was manufactured under contracts with NeoMPS, Inc. and Bioconcepts, Inc. WRAIR has manufactured Cholera Peru-15, Bengal-15 and Ty800 vaccines under collaborative agreements with us. LAHI manufactures Megan®Vac 1 and Megan®Egg.

The manufacturing processes for our other vaccine and immunotherapeutic delivery systems and vaccines utilize known technologies. We believe that the products we currently have under development can be scaled up to permit manufacture in commercial quantities. However, there can be no assurance that we will not encounter difficulties in scaling up the manufacturing processes.

Use of third party manufacturers limits our control over and ability to monitor the manufacturing process. As a result, we may not be able to detect a variety of problems that may arise and may face additional costs in the process of interfacing with and monitoring the progress of our contract manufacturers. If third party manufacturers fail to meet our manufacturing needs in an acceptable manner, we would face delays and additional costs while we develop internal manufacturing capabilities or find alternative third party manufacturers. It may not be possible to have multiple third party manufacturers ready to supply us with needed material at all or without incurring significant costs.

We intend to establish manufacturing arrangements with manufacturers that comply with the FDA's requirements and other regulatory standards, although there can be no assurance that we will be able to do so. We have established our own manufacturing facility in Fall River, Massachusetts to produce bacterial vaccine products that we may develop at scale for clinical trials. In order for us to establish a commercial manufacturing facility, we will require substantial additional funds and will be required to hire and retain significant additional personnel and comply with the extensive cGMP regulations of the

FDA applicable to such facility. The commercial manufacturing facility would also need to be licensed for the production of vaccines by the FDA.

I. Marketing

Under the terms of existing and future collaborative agreements, we rely and expect to continue to rely on the efforts of our collaborators for the sale and marketing of our products. We have agreements with, among others, Glaxo, Pfizer, Inflazyme (formerly AdProTech), and LAHI for the development and commercialization of some of our products. The relevant aspects of these relationships have been previously discussed under the heading "F. Collaborative Agreements." There can be no assurance that our collaborators will develop and market vaccine products incorporating our technologies, or, if marketed, that such efforts will be successful. The failure of our collaborators to successfully market products would harm our business.

We have retained, and in the future intend to retain, marketing rights to some of our product candidates, including vaccine and immunotherapeutic delivery systems and vaccine candidates, in selected geographic areas and for specified indications. We intend to seek marketing and distribution agreements and/or co-promotion agreements for the distribution of our products in these geographic areas and for these indications. We believe that these arrangements could enable us to generate greater financial return than might be obtained from early stage licensing and collaboration agreements. We have no marketing and sales staff and limited experience relating to marketing and distribution of commercial products, including vaccines. If we determine in the future to engage in direct marketing of our products, we will be required to recruit an experienced marketing group, develop a supporting distribution capability and incur significant additional expenditures. There can be no assurance that we will be able to establish a successful marketing force. We may choose or find it necessary to enter into strategic partnerships on uncertain, but potentially unfavorable, terms to sell, market and distribute our products. Any delay in the marketing or distribution of our products, whether it results from problems with internal capabilities or with a collaborative relationship, could harm the value of an investment in AVANT.

J. Patents, Licenses and Proprietary Rights

AVANT's policy is to protect our technology by filing patent applications and obtaining patent rights covering our own technology, both in the United States and in foreign countries. In addition, we have acquired and will seek to acquire as needed or desired, exclusive rights of others through assignment or license to complement our portfolio of patent rights. We also rely on trade secrets, unpatented know-how and technological expertise and innovation to develop and maintain our competitive position.

Patents: The successful development and marketing of products by AVANT will depend in part on our ability to create and maintain intellectual property, including patent rights. We have established a proprietary patent position in the areas of complement inhibitor technology, cholesterol regulation technology, vaccine technologies, and preservation technologies, and we are the owner or exclusive licensee of numerous patents and pending applications around the world. Although we continue to pursue patent protection for our products, no assurance can be given that any pending application will issue as a patent, that any issued patent will have a scope that will be of commercial benefit, or that we will be able to successfully enforce our patent position against infringers. AVANT routinely reviews its patent portfolio and adjusts its strategies for prosecution and maintenance of individual cases according to a number of factors including program priorities, stage of development, and patent term.

AVANT owns or licenses rights under more than 415 granted patents around the world covering inventions relating to our business. In the area of complement inhibitor technology, we have rights to 84 patents and patent applications worldwide with the key patents in this area expiring in 2009 and 2016. In the area of cholesterol regulation, we have rights to 52 patents and patent applications worldwide with the key patents in this area expiring in 2016 and 2019. In the area of rotavirus vaccines, we have rights to 20 patents and patent applications worldwide, with the key patents in this area expiring in 2011 and 2012. In the area of cholera and typhoid vaccines, we have rights to 77 patents and patent applications worldwide with the key patents in this area expiring between 2013 and 2016.

In the area of complement inhibitors, we are co-owner with The Johns Hopkins University and Brigham & Women's Hospital, whose rights AVANT has exclusively licensed, of patents and applications covering inventions relating to soluble complement receptor type I ("sCR1"). These rights are based in part on the work of Dr. Douglas Fearon and include U.S. and foreign patents which claim nucleic acid sequences encoding CR1, sCR1 and active fragments; purification methods; and therapeutic uses of sCR1. We also own a number of other issued patents and patent applications relating to modified sCR1 molecules ("sCR1-sLe^x") and their uses.

We have an exclusive license to four United States patents, and corresponding foreign patents and applications, directed to vectors that are used in our VibrioVec® vaccine delivery system. We have exclusive licenses to sixteen U.S. patents, and corresponding foreign patents and applications, directed to vectors that are used in our SalmoVec® vaccine delivery system. We also have an exclusive license to nineteen issued U.S. and foreign patents directed to a rotavirus strain that has been developed by a licensee into a commercial rotavirus vaccine. We have forty-two issued patents and additional pending patent applications in the U.S. and selected foreign countries relating to control of cholesteryl ester transfer protein (CETP) activity through vaccination. We also have one issued patent and a pending application on the use of a recombinantly produced single protein of *B. anthracis* for vaccination against anthrax, as well as pending applications in the U.S. and selected countries on new live, attenuated bacterial strains for delivering isolated anthrax and/or plague antigens, to provide effective oral vaccines for anthrax and plague.

In December 2000, we acquired Megan and by this acquisition obtained exclusive rights to vaccine technology patents and applications based on the work of Dr. Roy Curtiss III. These patent rights complemented and expanded the existing patent rights of AVANT in this technological area. In connection with our acquisition of Megan, we entered into a licensing agreement with Pfizer whereby Pfizer has licensed Megan's technology for the development of animal health and food safety vaccines.

Our 2003 acquisition of intellectual property from Pharmacia relating to immunological control of cholesterol, coupled with our September 2001 acquisition of a portfolio of granted and pending patents from The Immune Response Corporation, consolidated AVANT's ownership of the intellectual property that covers the technology of anti-atherosclerosis vaccines targeting CETP activity. AVANT now owns 42 granted patents around the world relating to CETP vaccine technology.

In January 2003, AVANT completed licensing and acquisition agreements which gave us ownership or exclusive rights in certain defined fields to a portfolio of patents and applications filed by Universal Preservation Technologies, Inc. and Elan Drug Delivery Ltd. (now Innovata plc). This portfolio affords AVANT exclusive rights in a particular technology of foam preservation of biomolecules and cells. This technology should be especially useful in AVANT's vaccine programs to produce vaccine dosage forms that are shelf stable at room temperatures and do not require refrigeration.

There can be no assurance that patent applications owned by or licensed to AVANT will result in granted patents or that, if granted, the resultant patents will afford protection against competitors with similar technology. It is also possible that third parties may obtain patents or other proprietary rights that may be necessary or useful to AVANT. In cases where third parties are first to invent a particular product or technology, it is possible that those parties will obtain patents that will be sufficiently broad

to prevent us from using important technology or from further developing or commercializing important vaccine and immunotherapeutic systems and vaccine candidates. If licenses from third parties are necessary but cannot be obtained, commercialization of the covered products might be delayed or prevented. Even if these licenses can be obtained, they would probably require us to pay ongoing royalties and other costs, which could be substantial.

Although a patent has a statutory presumption of validity in the United States, the issuance of a patent is not conclusive as to validity or as to the enforceable scope of the patent claims. The validity or enforceability of a patent after its issuance by the Patent and Trademark Office can be challenged in litigation. As a business that uses a substantial amount of intellectual property, we face a heightened risk of intellectual property litigation. If the outcome of the litigation is adverse to the owner of the patent, third parties may then be able to use the invention covered by the patent without authorization or payment. There can be no assurance that our issued patents or any patents subsequently issued to or licensed by us will not be successfully challenged in the future. In addition, there can be no assurance that our patents will not be infringed or that the coverage of our patents will not be successfully avoided by competitors through design innovation.

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

We use a mutated *Vibrio cholerae* in our CholeraGarde® vaccine candidate and our VibrioVec® vaccine delivery system. We are aware of an issued U.S. patent which claims a culture of mutated *Vibrio cholerae*. We believe that only one claim (the "Claim") of the patent may be pertinent to our CholeraGarde® and VibrioVec® products. The remaining claims of the patent cover other cultures, which we believe are not pertinent to the CholeraGarde® or VibrioVec® products. We have received an opinion of counsel from Fish & Richardson, P.C. that, based on the analysis set forth in their opinion and the facts known to them, the Claim is invalid. While a party challenging the validity of a patent has the burden of proving invalidity, the outcome of any litigation cannot be predicted with certainty. Accordingly, there can be no assurance that, if litigated, a court would conclude that the Claim is invalid.

In addition to the patent referred to in the previous paragraph, there may be other patent applications and issued patents belonging to competitors that may require us to alter our vaccine candidates and vaccine and immunotherapeutic delivery systems, pay licensing fees or cease some of our activities. If our product candidates conflict with patents that have been or may be granted to competitors, universities or others, the patent owners could bring legal action against us claiming damages and seeking to enjoin manufacturing and marketing of the patented products. If any of these actions is successful, in addition to any potential liability for damages, we could be required to obtain a license in order to continue to manufacture or market the affected products. There can be no assurance that we would prevail in any such action or that any license required under any such third party patent would be made available on acceptable terms or at all. We believe that there may be significant litigation in the biotechnology and vaccine industries regarding patent and other intellectual property rights. If we become involved in that litigation, we could consume substantial resources.

Licenses: We have entered into several significant license agreements relating to technology that is being developed by AVANT and/or its collaborators, including licenses from the following: Harvard College relating to proprietary technology involving genetically altered *Vibrio cholerea* and *Salmonella* strains; Cincinnati Children's Hospital involving proprietary rights and technologies relating to an attenuated rotavirus strain for a rotavirus vaccine. In general, these institutions have granted us an

exclusive worldwide license (with right to sublicense) to make, use and sell products embodying the licensed technology, subject to the reservation by the licensor of a non-exclusive right to use the technologies for non-commercial research purposes. Generally, the term of each license is through the expiration of the last of the patents issued with respect to the technologies covered by the license. We have generally agreed to use reasonable efforts to develop and commercialize licensed products and to achieve specified milestones and pay license fees, milestone payments and royalties based on the net sales of the licensed products or to pay a percentage of sublicense income. If we breach our obligations, the licensor has the right to terminate the license, and, in some cases, convert the license to a non-exclusive license. Generally, we control and are responsible for the cost of defending the patent rights of the technologies that we license.

Proprietary Rights: We also rely on unpatented technology, trade secrets and confidential information, and no assurance can be given that others will not independently develop substantially equivalent information and techniques or otherwise gain access to our know-how and information, or that we can meaningfully protect our rights in such unpatented technology, trade secrets and information. We require each of our employees, consultants and advisors to execute a confidentiality agreement at the commencement of an employment or consulting relationship with AVANT. The agreements generally provide that all inventions conceived by the individual in the course of employment or in providing services to AVANT and all confidential information developed by, or made known to, the individual during the term of the relationship shall be the exclusive property of AVANT and shall be kept confidential and not disclosed to third parties except in limited specified circumstances. There can be no assurance, however, that these agreements will provide meaningful protection for our information in the event of unauthorized use or disclosure of such confidential information.

K. Government Regulation

Our activities and products are significantly regulated by a number of governmental entities, including the FDA in the United States and by comparable authorities in other countries and by the USDA with respect to products developed for animal health and food safety. These entities regulate, among other things, the manufacture, testing, safety, effectiveness, labeling, documentation, advertising and sale of our products. We must obtain regulatory approval for a product in all of these areas before we can commercialize the product. Product development within this regulatory framework takes a number of years and involves the expenditure of substantial resources. Many products that initially appear promising ultimately do not reach the market because they are found to be unsafe or ineffective when tested. Our inability to commercialize a product would impair our ability to earn future revenues.

In the United States, vaccines and immunotherapeutics for human use are subject to FDA approval as "biologics" under the Public Health Service Act and "drugs" under the Federal Food, Drug and Cosmetic Act. The steps required before a new product can be commercialized include: pre-clinical studies in animals, clinical trials in humans to determine safety and efficacy and FDA approval of the product for commercial sale.

Data obtained at any stage of testing is susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. Moreover, during the regulatory process, new or changed drug approval policies may cause unanticipated delays or rejection of our product. We may not obtain necessary regulatory approvals within a reasonable period of time, if at all, or avoid delays or other problems in testing our products. Moreover, even if we received regulatory approval for a product, the approval may require limitations on use, which could restrict the size of the potential market for the product.

The FDA provides that human clinical trials may begin thirty (30) days after receipt and review of an Investigational New Drug ("IND") application, unless the FDA requests additional information or

changes to the study protocol within that period. An IND must be sponsored and filed by AVANT for each of our proposed products. Authorization to conduct a clinical trial in no way assures that the FDA will ultimately approve the product. Clinical trials are usually conducted in three sequential phases. In a Phase 1 trial, the product is given to a small number of healthy volunteers to test for safety (adverse effects). Phase 2 trials are conducted on a limited group of the target patient population; safety, optimal dosage and efficacy are studied. A Phase 3 trial is performed in a large patient population over a wide geographic area to provide evidence for the safety of the product and to prove and confirm efficacy. The FDA has ongoing oversight over all these trials and can order a temporary or permanent discontinuation if warranted. Such an action could materially harm AVANT. Clinical tests are critical to the success of our products but are subject to unforeseen and uncontrollable delay, including delay in enrollment of patients. Any delay in clinical trials could delay our commercialization of a product.

A product's safety and effectiveness in one test is not necessarily indicative of its safety and effectiveness in another test. Moreover, we may not discover all potential problems with a product even after completing testing on it. Some of our products and technologies have undergone only pre-clinical testing. As a result, we do not know whether they are safe or effective for humans. Also, regulatory authorities may decide, contrary to our findings, that a product is unsafe or not as effective in actual use as its test results indicated. This could prevent the product's widespread use, require its withdrawal from the market or expose us to liability.

The results of the clinical trials and all supporting data are submitted to the FDA for approval. A Biologics License Application ("BLA") is submitted for a biologic product; a New Drug Application ("NDA") for a drug product. The interval between IND filing and BLA/NDA filing is usually at least several years due to the length of the clinical trials, and the BLA/NDA review process can take over a year. During this time the FDA may request further testing or additional trials or may turn down the application. Even with approval, the FDA frequently requires post-marketing safety studies (known as Phase 4 trials) to be performed.

The FDA requires that the manufacturing facility that produces a licensed product meet specified standards, undergo an inspection and obtain an establishment license prior to commercial marketing. Subsequent discovery of previously unknown problems with a product or its manufacturing process may result in restrictions on the product or the manufacturer, including withdrawal of the product from the market. Failure to comply with the applicable regulatory requirements can result in fines, suspensions of regulatory approvals, product recalls, operating restrictions and criminal prosecution.

In the United States, vaccines for animal health and food safety use are subject to USDA approval. The steps required before a new product can be commercialized include: pre-clinical studies in animals; clinical trials in animals to determine safety and efficacy; and USDA approval of the product for commercial sale. The registration of these vaccines may be subject to numerous delays or possibly outright rejection of the product by the agency. Delays may occur at any stage of testing, clinical results may be subject to unfavorable interpretation by the agency and regulatory approval, if received, may require limitations on use which could restrict the size of the potential market for the product. The USDA requires that the manufacturing facility that produces a licensed product meet specified standards, undergo an inspection and obtain an establishment license prior to commercial marketing. Under USDA regulations, this license is held by the manufacturer of the product, not the developer of the product, such as Megan. Failure to comply with applicable USDA regulatory requirements can result in fines, suspensions of regulatory approvals, product recalls, operating restrictions and criminal prosecution.

The Advisory Committee on Immunization Practices ("ACIP") of the Centers for Disease Control ("CDC") has a role in setting the public market in the United States for the vaccine products we intend to develop. The ACIP makes recommendations on the appropriate use of vaccines and related products and the CDC develops epidemiologic data relevant to vaccine requirements and usage.

Because we may market our products abroad, we will be subject to varying foreign regulatory requirements. Although international efforts are being made to harmonize these requirements, applications must currently be made in each country. The data necessary and the review time vary significantly from one country to another. Approval by the FDA does not ensure approval by the regulatory bodies of other countries.

Our collaborators are also subject to all of the above-described regulations in connection with the commercialization of products utilizing our technology.

L. Product Liability

The risk of product liability claims, product recalls and associated adverse publicity is inherent in the testing, manufacturing, marketing and sale of medical products. If and when we manufacture vaccines that are recommended for routine administration to children, we will be required to participate in the National Vaccine Injury Compensation Program. This program compensates children having adverse reactions to certain routine childhood immunizations with funds collected through an excise tax from the manufacturers of these vaccines.

We have clinical trial liability insurance coverage in the amount of $5 million. However, there can be no assurance that such insurance coverage is or will continue to be adequate or available. We may choose or find it necessary under our collaborative agreements to increase our insurance coverage in the future. We may not be able to secure greater or broader product liability insurance coverage on acceptable terms or at reasonable costs when needed. Any liability for mandatory damages could exceed the amount of our coverage. A successful product liability claim against us could require us to pay a substantial monetary award. Moreover, a product recall could generate substantial negative publicity about our products and business and inhibit or prevent commercialization of other product candidates.

M. Employees; Scientific Consultants

As of March 1, 2008, we employed 50 full time persons and 3 part time or temporary persons, 8 of whom have doctoral degrees. Of these employees, 39 were engaged in or directly support research and development activities.

Item 1A. Risk Factors

You should consider carefully these risk factors together with all of the information included or incorporated by reference in this Annual Report. This section includes some forward-looking statements.

The following is a discussion of the risk factors that we believe are material to AVANT at this time. These risks and uncertainties are not the only ones facing AVANT and there may be additional matters that we are unaware of or that we currently consider immaterial. All of these could adversely affect our business, results of operations, financial condition and cash flows. Furthermore, in connection with the closing of the Merger with Celldex there are certain risks to the combined company. Please see the risks described below under "—Risks Related to the Merger," which are the most significant risks to the post-merger company as a result of the consummation of the Merger.

Risks Related to Our Business

Our products and product candidates are subject to extensive regulatory scrutiny.

All of our products and product candidates are at various stages of development and commercialization and our activities, products and product candidates are significantly regulated by a number of governmental entities, including the FDA in the United States and by comparable

authorities in other countries and by the USDA in the United States with respect to products developed for animal health and food safety. These entities regulate, among other things, the manufacture, testing, safety, effectiveness, labeling, documentation, advertising and sale of our products and product candidates. We must obtain regulatory approval for a product candidate in all of these areas before we can commercialize the product candidate. Product development within this regulatory framework takes a number of years and involves the expenditure of substantial resources. This process typically requires extensive pre-clinical and clinical testing, which may take longer or cost more than we anticipate, and may prove unsuccessful due to numerous factors. Many product candidates that initially appear promising ultimately do not reach the market because they are found to be unsafe or ineffective when tested. Companies in the pharmaceutical, biotechnology and vaccines industries have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in earlier trials. Our inability to commercialize a product or product candidate would impair our ability to earn future revenues.

If our products do not pass required tests for safety and effectiveness, we will not be able to derive commercial revenue from them.

For AVANT to succeed, we will need to derive commercial revenue from the products we have under development. The FDA has not approved any of our lead products for sale to date. Products in our vaccine programs are in various stages of pre-clinical and clinical testing. Pre-clinical tests are performed at an early stage of a product's development and provide information about a product's safety and effectiveness on laboratory animals. Pre-clinical tests can last years. If a product passes its pre-clinical tests satisfactorily, we file an investigational new drug application for the product with the FDA, and if the FDA gives its approval we begin phase 1 clinical tests. Phase 1 testing generally lasts between 6 and 24 months. If phase 1 test results are satisfactory and the FDA gives its approval, we can begin phase 2 clinical tests. Phase 2 testing generally lasts between 6 and 36 months. If phase 2 test results are satisfactory and the FDA gives its approval, we can begin phase 3 pivotal studies. Phase 3 studies generally last between 12 and 48 months. Once clinical testing is completed and a new drug application is filed with the FDA, it may take more than a year to receive FDA approval.

In all cases we must show that a pharmaceutical product is both safe and effective before the FDA, or drug approval agencies of other countries where we intend to sell the product, will approve it for sale. Our research and testing programs must comply with drug approval requirements both in the United States and in other countries, since we are developing our lead products with companies, including Glaxo, Pfizer, and Inflazyme, which intend to commercialize them both in the U.S. and abroad. A product may fail for safety or effectiveness at any stage of the testing process. The key risk we face is the possibility that none of our products under development will come through the testing process to final approval for sale, with the result that we cannot derive any commercial revenue from them after investing significant amounts of capital in multiple stages of pre-clinical and clinical testing.

Product testing is critical to the success of our products but subject to delay or cancellation if we have difficulty enrolling patients.

As our portfolio of potential products moves from pre-clinical testing to clinical testing, and then through progressively larger and more complex clinical trials, we will need to enroll an increasing number of patients with the appropriate characteristics. At times we have experienced difficulty enrolling patients and we may experience more difficulty as the scale of our clinical testing program increases. The factors that affect our ability to enroll patients are largely uncontrollable and include principally the following:

- the nature of the clinical test;
- the size of the patient population;

- the distance between patients and clinical test sites; and
- the eligibility criteria for the trial.

If we cannot enroll patients as needed, our costs may increase or it could force us to delay or terminate testing for a product.

Any delay in obtaining regulatory approval would have an adverse impact on our ability to earn future revenues.

It is possible that none of the products or product candidates that we develop will obtain the regulatory approvals necessary for us to begin commercializing them. The time required to obtain FDA and other approvals is unpredictable but often can take years following the commencement of clinical trials, depending upon the nature of the product candidate. Any analysis we perform of data from clinical activities is subject to confirmation and interpretation by regulatory authorities, which could delay, limit or prevent regulatory approval. Any delay or failure in obtaining required approvals could have a material adverse effect on our ability to generate revenues from the particular product candidate. Furthermore, if we, or our partners, do not reach the market with our products before our competitors offer products for the same or similar uses, or if we, or our partners, are not effective in marketing our products, our revenues from product sales, if any, will be reduced.

We face intense competition in our development activities. We face competition from many companies in the United States and abroad, including a number of large pharmaceutical companies, firms specialized in the development and production of vaccines, adjuvants and vaccine and immunotherapeutic delivery systems and major universities and research institutions. These competitors include Baxter, Glaxo, Merck, Novartis, Pfizer, Roche, Sanofi Pasteur, Acambis, Cambridge Biostability, Crucell, Emergent, Intercell, Iomai, Novavax, VaxGen and Vical. Most of our competitors have substantially greater resources, more extensive experience in conducting pre-clinical studies and clinical testing and obtaining regulatory approvals for their products, greater operating experience, greater research and development and marketing capabilities and greater production capabilities than those of AVANT. These companies might succeed in obtaining regulatory approval for competitive products more rapidly than we can for our products, especially if we experience any delay in obtaining required regulatory approvals.

Failure to comply with applicable regulatory requirements would adversely impact our operations.

Even after receiving regulatory approval, our products are subject to extensive regulatory requirements, and our failure to comply with applicable regulatory requirements will adversely impact our operations. In the United States, the FDA and USDA, as applicable, require that the manufacturing facility that produces a product meet specified standards, undergo an inspection and obtain an establishment license prior to commercial marketing. Under USDA regulations, this license is held by the manufacturer of the product and not the developer of the product. Subsequent discovery of previously unknown problems with a product or its manufacturing process may result in restrictions on the product or the manufacturer, including withdrawal of the product from the market. Failure to comply with the applicable regulatory requirements can result in fines, suspensions of regulatory approvals, product recalls, operating restrictions and criminal prosecution.

We depend greatly on the intellectual capabilities and experience of our key executives and scientists and the loss of any of them could affect our ability to develop our products.

The loss of Dr. Una S. Ryan, our President and Chief Executive Officer, or other key members of our staff, including Avery W. Catlin, our Chief Financial Officer, Dr. Henry C. Marsh, Jr., our Vice President of Research, or Dr. Taha Keilani, our Vice President of Medical and Regulatory Affairs, could harm us. We have employment agreements with Dr. Ryan, Mr. Catlin and Dr. Marsh. We do not

have any key-person insurance coverage. We also depend on our scientific and clinical collaborators and advisors, all of whom have outside commitments that may limit their availability to us. In addition, we believe that our future success will depend in large part upon our ability to attract and retain highly skilled scientific, managerial and marketing personnel, particularly as we expand our activities in clinical trials, the regulatory approval process and sales and manufacturing. We routinely enter into consulting agreements with our scientific and clinical collaborators and advisors, opinion leaders and heads of academic departments in the ordinary course of our business. We also enter into contractual agreements with physicians and institutions who recruit patients into our clinical trials on our behalf in the ordinary course of our business. Notwithstanding these arrangements, we face significant competition for this type of personnel from other companies, research and academic institutions, government entities and other organizations. We cannot predict our success in hiring or retaining the personnel we require for continued growth.

We rely on our contract manufacturers. Should the cost, delivery and quality of clinical and commercial grade materials supplied by contract manufacturers vary to our disadvantage, our business operations could suffer significant harm.

We are dependent on sourcing from third-party manufacturers for suitable quantities of clinical and commercial grade materials essential to pre-clinical and clinical studies currently underway and to planned clinical trials in addition to those currently being conducted by third parties or us. The inability to have suitable quality and quantities of these essential materials produced in a timely manner would result in significant delays in the clinical development and commercialization of products, which could adversely affect our business, financial condition and results of operations. We rely on collaborators and contract manufacturers to manufacture proposed products in both clinical and commercial quantities in the future. Our leading bacterial vaccine candidates use attenuated live bacteria as vectors and therefore require specialized manufacturing capabilities and processes. We have faced difficulties in securing commitments from U.S. and foreign contract manufacturers as these manufacturers have at times been unwilling or unable to accommodate our needs. Relying on foreign manufacturers involves peculiar and increased risks, and in one occasion we had to terminate a contract with a foreign manufacturer and find a substitute source of material for planned clinical trials. These peculiar and increased risks include risks relating to the difficulties foreign manufacturers may face in complying with the FDA's Good Manufacturing Practices, or GMP, as a result of language barriers, lack of familiarity with GMP or the FDA regulatory process or other causes, economic or political instability in or affecting the home countries of our foreign manufacturers, shipping delays, potential changes in foreign regulatory laws governing the sales of our product supplies, fluctuations in foreign currency exchange rates and the imposition or application of trade restrictions.

There can be no assurances that we will be able to enter into long-term arrangements with such third party manufacturers on acceptable terms or at all. Further, contract manufacturers must also be able to meet our timetable and requirements, and must operate in compliance with GMP; failure to do so could result in, among other things, the disruption of product supplies. As noted above, non-U.S. contract manufacturers may face special challenges in complying with the FDA's GMP requirements, and although we are not currently dependent on non-U.S. collaborators or contract manufacturers, we may choose or be required to rely on non-U.S. sources in the future as we seek to develop stable supplies of increasing quantities of materials for ongoing clinical trials of larger scale. Our dependence upon third parties for the manufacture of our products may adversely affect our profit margins and our ability to develop and deliver products on a timely and competitive basis.

We depend on third party suppliers and manufacturers, including WRAIR, Lonza Biologics plc, Bioconcept, Inc., NeoMPS, Inc., and LAHI, to provide us with suitable quantities of materials necessary for clinical tests. If these materials are not available in suitable quantities of appropriate quality, in a timely manner, and at a feasible cost, our clinical tests will face delays.

We rely on third parties to plan, conduct and monitor our clinical tests, and their failure to perform as required would interfere with our product development.

We rely on third parties, including, among others, Accelovance, the International Center for Diarrhoeal Disease Research, Bangladesh, the International Vaccines Institute, Cincinnati Children's Hospital Medical Center, The Cleveland Clinic, Radiant Research, Inc., Biobridges, LLC, Glaser Research Group, the NIH and Glaxo to conduct the significant majority of our clinical research development activities. These activities can be characterized as clinical patient recruitment and observation, clinical trial monitoring, clinical data management and analysis, safety monitoring and project management. We conduct approximately 100% of our project management and 100% of our medical and safety monitoring in-house and rely on third parties for the remainder of our clinical development activities. If any of these third parties fails to perform as we expect or if their work fails to meet regulatory standards, our testing could be delayed, cancelled or rendered ineffective.

We depend greatly on third party collaborators to license, develop and commercialize some of our products, and they may not meet our expectations.

We have agreements with other companies, including Glaxo, Pfizer, DVC, Inflazyme (formerly AdProTech) and LAHI for the licensing, development and ultimate commercialization of some of our products. Some of those agreements give substantial responsibility over the products to the collaborator. Some collaborators may be unable or unwilling to devote sufficient resources to develop our products as their agreements require. They often face business risks similar to ours, and this could interfere with their efforts. Also, collaborators may choose to devote their resources to products that compete with ours. If a collaborator does not successfully develop any one of our products, we will need to find another collaborator to do so. The success of our search for a new collaborator will depend on our legal right to do so at the time and whether the product remains commercially viable.

The success of our vaccine candidates depends in great part upon our and our collaborators' success in promoting them as superior to other treatment alternatives. We believe that vaccines like those under development by AVANT can be proven to offer disease prevention and treatment with notable advantages over drugs in terms of patient compliance and cost and ease of distribution. However, there can be no assurance that we will be able to prove these advantages or that the advantages will be sufficient to support the successful commercialization of our vaccines.

We may face delays, difficulties or unanticipated costs in establishing sales, distribution and manufacturing capabilities for our commercially ready products.

We have chosen to retain, rather than license, all rights to some of our lead products, such as our portfolio of travelers' vaccines. If we proceed with this strategy, we will have full responsibility for commercialization of these products if and when they are approved for sale. We currently lack the marketing, sales and distribution capabilities that we will need to carry out this strategy. To market any of our products directly, we must develop a substantial marketing and sales force with technical expertise and a supporting distribution capability. We have little expertise in this area, and we may not succeed. We may find it necessary to enter into strategic partnerships on uncertain but potentially unfavorable terms to sell, market and distribute our products when they are approved for sale.

Some of our products are difficult to manufacture, especially in large quantities, and we have not yet developed commercial scale manufacturing processes for any of our products. We do not currently plan to develop internal manufacturing capabilities to produce any of our cardiovascular products if they are approved for sale. To the extent that we choose to market and distribute the cardiovascular products ourselves, this strategy will make us dependent on other companies to produce our products in adequate quantities, in compliance with regulatory requirements, and at a competitive cost. We may not find third parties capable of meeting those manufacturing needs.

A decrease in the demand and sales for and profitability of Megan®Vac 1 and Megan®Egg could adversely affect our revenues.

Both the demand for and ultimately the profitability of Megan®Vac 1 and Megan®Egg are components to our success. Because our focus is on human health care, as of September 1, 2002 we appointed LAHI as the exclusive distributor of our Megan poultry vaccines in North America. LAHI, an established animal health company, markets and distributes Megan's currently marketed products for the commercial poultry market. Under the distribution agreement, we receive a percentage of Megan®Vac 1 and Megan®Egg product sales in the form of royalty payments. The following are potential factors, without limitation, that may negatively affect the demand for Megan®Vac 1 and Megan®Egg:

- Our competitors may develop, manufacture and market products that are more effective or less expensive than Megan®Vac 1 and/or Megan®Egg;
- Megan®Vac 1 and Megan®Egg could be replaced by a novel product and may become obsolete;
- Users may not accept such a recently approved product without years of proven history;
- Our competitors in the food safety market have greater financial and management resources than we do, and significantly more experience in bringing products to market; and
- We have no manufacturing or distribution facilities for Megan®Vac 1 and Megan®Egg. Instead, we contract with Maine Biological Laboratories ("MBL"), a subsidiary of LAHI, to manufacture Megan®Vac 1 and Megan®Egg for us.

Any one of these factors could reduce demand for Megan®Vac 1 and Megan®Egg to a level which may lead to LAHI's and/or our discontinuation of the product. Should LAHI or we be unable to realize acceptable profits from sales of Megan®Vac 1 and Megan®Egg, LAHI or we may choose to scale back our commercialization efforts. In addition, if our partner, LAHI, is unable to continue to distribute Megan®Vac 1 and Megan®Egg in an effective manner, or is unable to maintain sufficient personnel with the appropriate levels of experience to manage this function, LAHI may be unable to meet the demand for our products and we may lose potential revenues and royalties.

Certain factors could negatively affect the demand for and sales and profitability of Rotarix®, which would have a material adverse affect on our revenues.

Both the demand and ultimately the profitability of Rotarix® are components to our success. We have licensed our oral rotavirus vaccine, Rotarix®, to Glaxo for the purposes of Glaxo developing and commercializing Rotarix® worldwide. Glaxo gained approval for Rotarix® in Mexico in July 2004 and in the European Union in February 2006. In May 2005, AVANT entered into an agreement whereby an affiliate of PRF purchased an interest in the net royalties we will receive on worldwide sales of Rotarix® (see Note 9 of our audited consolidated financial statements) and we will retain 50% of future Glaxo milestone payments, with the balance payable to PRF and CCH. In addition, AVANT retains substantial upside participation in the worldwide net royalty stream from Rotarix® if worldwide net royalties once PRF receives an agreed upon return on capital invested (2.45 times PRF's aggregate cash payments to AVANT). The following are potential factors, without limitation, that may negatively affect the demand for Rotarix®:

- Our competitors in the pharmaceuticals, biotechnology and vaccines market have greater financial and management resources than we do, and significantly more experience in bringing products to market, and may develop, manufacture and market products that are more effective or less expensive than Rotarix®;
- Rotarix® could be replaced by a novel product and may become obsolete;

- We and Glaxo may be unable to prevent third parties from infringing upon our proprietary rights related to Rotarix®;
- Users may not accept such a recently approved product without years of proven history; and
- We are dependent on Glaxo for the manufacturing, testing, acquisition of regulatory approvals, marketing, distribution and commercialization of Rotarix®.

Any of these factors could have a material adverse effect on the sales of Rotarix® and our results of operations.

Other factors could affect the demand for and sales and profitability of Megan®Vac 1, Megan®Egg, Rotarix® and any other of our current or future products.

In general, other factors that could affect the demand for and sales and profitability of our products include, but are not limited to:

- The timing of regulatory approval, if any, of competitive products;
- Our, Megan's, Glaxo's or any other of our partners' pricing decisions, as applicable, including a decision to increase or decrease the price of a product, and the pricing decisions of our competitors;
- Government and third-party payer reimbursement and coverage decisions that affect the utilization of our products and competing products;
- Negative safety or efficacy data from new clinical studies conducted either in the U.S. or internationally by any party could cause the sales of our products to decrease or a product to be recalled;
- The degree of patent protection afforded our products by patents granted to or licensed by us and by the outcome of litigation involving our or any of our licensor's patents;
- The outcome of litigation involving patents of other companies concerning our products or processes related to production and formulation of those products or uses of those products;
- The increasing use and development of alternate therapies;
- The rate of market penetration by competing products; and
- The termination of, or change in, existing arrangements with our partners.

Any of these factors could also have a material adverse effect on our sales of Megan®Vac 1, Megan®Egg, Rotarix® and any other of our current or future products and results of operations.

We may be unable to manage multiple late stage clinical trials for a variety of product candidates simultaneously.

During 2008, we expect to have one Phase 2 clinical trial in progress under our management. As our current clinical trials progress, we may need to manage multiple late stage clinical trials simultaneously in order to continue developing all of our current products. The management of late stage clinical trials is more complex and time consuming than early stage trials. Typically early stage trials involve several hundred patients in no more than 10-20 clinical sites. Late stage (Phase 3) trials involve up to several thousand patients in up to several hundred clinical sites and may require facilities in several countries. Therefore, the project management required to supervise and control such an extensive program is substantially larger than early stage programs. As the need for these resources is not known until some months before the trials begin it is necessary to recruit large numbers of experienced and talented individuals very quickly. If the labor market does not allow this team to be

recruited quickly the sponsor is faced with a decision to delay the program or to initiate it with inadequate management resources. This may result in recruitment of inappropriate patients, inadequate monitoring of clinical investigators and inappropriate handling of data or data analysis. Consequently it is possible that conclusions of efficacy or safety may not be acceptable to permit filing of a Biologics License Application or New Drug Application for any one of the above reasons or a combination of several.

We face the risk of product liability claims, which could exceed our insurance coverage, and produce recalls, each of which could deplete our cash resources.

The pharmaceutical, biotechnology and vaccines industries expose us to the risk of product liability claims alleging that use of our products or product candidates caused an injury or harm. These claims can arise at any point in the development, testing, manufacture, marketing or sale of our products or product candidates and may be made directly by patients involved in clinical trials of our products, by consumers or healthcare providers or by individuals, organizations or companies selling our products. Product liability claims can be expensive to defend, even if the product or product candidate did not actually cause the alleged injury or harm.

Insurance covering product liability claims becomes increasingly expensive as a product candidate moves through the development pipeline to commercialization. We have clinical trial liability insurance coverage in the amount of $5 million. However, there can be no assurance that such insurance coverage is or will continue to be adequate or available. We may choose or find it necessary under our collaborative agreements to increase our insurance coverage in the future. We may not be able to secure greater or broader product liability insurance coverage on acceptable terms or at reasonable costs when needed. Any liability for damages resulting from a product liability claim could exceed the amount of our coverage, require us to pay a substantial monetary award from our own cash resources and have a material adverse effect on our business, financial condition and results of operations. Moreover, a product recall, if required, could generate substantial negative publicity about our products and business and inhibit or prevent commercialization of other products and product candidates.

In addition, some of our licensing and other agreements with third parties require or might require us to maintain product liability insurance. If we cannot maintain acceptable amounts of coverage on commercially reasonable terms in accordance with the terms set forth in these agreements, the corresponding agreements would be subject to termination, which could have a material adverse impact on our operations.

Our reliance on third parties requires us to share our trade secrets, which increases the possibility that a competitor will discover them.

Because we rely on third parties to develop our products, we must share trade secrets with them. We seek to protect our proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with our collaborators, advisors, employees and consultants prior to beginning research or disclosing proprietary information. These agreements will typically restrict the ability of our collaborators, advisors, employees and consultants to publish data potentially relating to our trade secrets. Our academic collaborators typically have rights to publish data, provided that we are notified in advance and may delay publication for a specified time in order to secure our intellectual property rights arising from the collaboration. In other cases, publication rights are typically controlled exclusively by us, although in some cases we may share these rights with other parties. We also conduct joint research and development programs which may require us to share trade secrets under the terms of research and development partnership or similar agreements. Despite our efforts to protect our trade secrets, our competitors may discover our trade secrets, either through breach of these agreements, independent development or publication of information including our trade secrets in cases

where we do not have proprietary or otherwise protected rights at the time of publication. A competitor's discovery of our trade secrets would impair our competitive position.

We may not be able to successfully integrate newly acquired technology with our existing technology or to modify our technologies to create new vaccines.

As part of our acquisition of the assets of UPT in January 2003, we acquired VitriLife®, a patented drying process for the industrial-scale preservation of proteins, cells, bacteria and viruses. VitriLife® may improve product stability at room temperature or higher, thereby eliminating the need for costly cold-chain distribution storage of vaccines and rendering vaccines more affordable. If we are able to integrate VitriLife® with our vaccine technology, we believe that the room temperature stability afforded by VitriLife® will give AVANT's vaccines a competitive advantage for a wide range of uses in food safety, animal health and biodefense applications. However, if we are unable to successfully integrate VitriLife®, or other technologies which we have acquired or may acquire in the future, with our existing technology and potential products currently under development, we may be unable to realize any benefit from our acquisition of VitriLife®, or other technology which we have acquired or may acquire in the future and may face the loss of our investment of financial resources and time in the integration process.

We believe that AVANT's vaccine technology portfolio may offer opportunities to develop vaccines that treat a variety of bacterial and viral infections by stimulating a patient's immune system against those disease organisms. However, some applications of our vaccine technology will require that we adapt AVANT's vectoring systems to develop new, safe and effective oral vaccines against other bacterial and viral health threats. It is possible that the attenuated live bacteria we use in our bacterial vaccine candidates cannot serve as vectors for the development of further bacterial or viral vaccines. If our vaccine technology portfolio cannot be used to create vaccines against a variety of disease organisms, we may lose all or portions of our investment in development efforts for new bacterial or viral vaccine candidates.

We license technology from other companies to develop products, and those companies could influence research and development or restrict our use of it.

Companies that license technologies to us that we use in our research and development programs may require us to achieve milestones or devote minimum amounts of resources to develop products using those technologies. They may also require us to make significant royalty and milestone payments, including a percentage of any sublicensing income, as well as payments to reimburse them for patent costs. The number and variety of our research and development programs require us to establish priorities and to allocate available resources among competing programs. From time to time we may choose to slow down or cease our efforts on particular products. If in doing so we fail to fully perform our obligations under a license, the licensor can terminate the licenses or permit our competitors to use the technology. Moreover, we may lose our right to market and sell any products based on the licensed technology.

We have many competitors in our field and they may develop technologies that make ours obsolete.

Biotechnology, pharmaceuticals and therapeutics are rapidly evolving fields in which scientific and technological developments are expected to continue at a rapid pace. We have many competitors in the U.S. and abroad, including Baxter, Glaxo, Merck, Novartis, Pfizer, Roche, Sanofi Pasteur, Acambis, Cambridge Biostability, Crucell, Emergent, Intercell, Iomai, Novavax, VaxGen and Vical. Our success depends upon our ability to develop and maintain a competitive position in the product categories and technologies on which we focus. Many of our competitors have greater capabilities, experience and financial resources than we do. Competition is intense and is expected to increase as new products enter the market and new technologies become available. Our competitors may:

- develop technologies and products that are more effective than ours, making ours obsolete or otherwise noncompetitive;

- obtain regulatory approval for products more rapidly or effectively than us; and

- obtain patent protection or other intellectual property rights that would block our ability to develop competitive products.

We rely on patents, patent applications and other intellectual property protections to protect our technology and trade secrets; which are expensive and may not provide sufficient protection.

Our success depends in part on our ability to obtain and maintain patent protection for technologies that we use. Biotechnology patents involve complex legal, scientific and factual questions and are highly uncertain. To date, there is no consistent policy regarding the breadth of claims allowed in biotechnology patents, particularly in regard to patents for technologies for human uses like those we use in our business. We cannot predict whether the patents we seek will issue. If they do issue, a competitor may challenge them and limit their scope. Moreover, our patents may not afford effective protection against competitors with similar technology. A successful challenge to any one of our patents could result in a third party's ability to use the technology covered by the patent. We also face the risk that others will infringe, avoid or circumvent our patents. Technology that we license from others is subject to similar risks and this could harm our ability to use that technology. If we, or a company that licenses technology to us, were not the first creator of an invention that we use, our use of the underlying product or technology will face restrictions, including elimination.

If we must defend against suits brought against us or prosecute suits against others involving intellectual property rights, we will incur substantial costs. In addition to any potential liability for significant monetary damages, a decision against us may require us to obtain licenses to patents or other intellectual property rights of others on potentially unfavorable terms. If those licenses from third parties are necessary but we cannot acquire them, we would attempt to design around the relevant technology, which would cause higher development costs and delays, and may ultimately prove impracticable.

Our business requires us to use hazardous materials, which increases our exposure to dangerous and costly accidents.

Our research and development activities involve the use of hazardous chemicals, biological materials and radioactive compounds. Although we believe that our safety procedures for handling and disposing of hazardous materials comply with the standards prescribed by applicable laws and regulations, we cannot completely eliminate the risk of accidental contamination or injury from these materials. In the event of an accident, an injured party will likely sue us for any resulting damages with potentially significant liability. The ongoing cost of complying with environmental laws and regulations is significant and may increase in the future. In addition, in connection with our merger with Virus Research Institute, Inc. in 1998, we assumed the real property lease at Virus Research Institute, Inc.'s former site. We understand that this property has a low level of oil-based and other hazardous material contamination. We believe that the risks posed by this contamination are low, but we cannot predict whether additional hazardous contamination exists at this site, or that changes in applicable law will not require us to clean up the current contamination of the property.

Health care reform and restrictions on reimbursement may limit our returns on potential products.

Because AVANT's strategy ultimately depends on the commercial success of our products, we assume, among other things, that end users of our products will be able to pay for them. In the United States and other countries, in most cases, the volume of sales of products like those we are developing depends on the availability of reimbursement from third-party payors, including national health care agencies, private health insurance plans and health maintenance organizations. Third-party payors increasingly challenge the prices charged for medical products and services. Accordingly, if we succeed

in bringing products to market, and reimbursement is not available or is insufficient, we could be prevented from successfully commercializing our potential products.

The health care industry in the United States and in Europe is undergoing fundamental changes as a result of political, economic and regulatory influences. Reforms proposed from time to time include mandated basic health care benefits, controls on health care spending, creation of large medical services and products purchasing groups and fundamental changes to the health care delivery system. We anticipate ongoing review and assessment of health care delivery systems and methods of payment in the United States and other countries. We cannot predict whether any particular reform initiatives will result or, if adopted, what their impact on us will be. However, we expect that adoption of any reform proposed will impair our ability to market products at acceptable prices.

Risks Related to Our Capital Stock

Our history of losses and uncertainty of future profitability make our common stock a highly speculative investment, and the combined company may not be profitable in the future.

We have had no commercial revenues to date from sales of our human therapeutic or vaccine products and cannot predict when we will. We have accumulated net operating losses since inception of approximately $277.9 million, as of December 31, 2007. We expect to spend substantial funds to continue research and product testing of the following products they have in the pre-clinical and clinical testing stages of development:

Product	Use	Stage
CholeraGarde® vaccine	Cholera	Clinical phase 2b
Ty800 vaccine	Typhoid fever	Clinical phase 2
ETEC vaccine	Enterotoxigenic *E. coli* infection	Pre-clinical
Shigella vaccine	Dysentery	Pre-clinical
Campylobacter vaccine	*Campylobacter* infection	Pre-clinical
CETi vaccine	Cholesterol management	Clinical phase 2
TP10	Transplantation Age-Related Macular Degeneration	Clinical phase 2 Pre-clinical

In anticipation of FDA approval of these products, we will need to make substantial investments to establish sales, marketing, quality control, and regulatory compliance capabilities. These investments will increase if and when any of these products receive FDA approval. We cannot predict how quickly our lead products will progress through the regulatory approval process. As a result, we may continue to lose money for several years.

We cannot be certain that the combined company after the merger will achieve or sustain profitability in the future. Failure to achieve profitability could diminish the combined company's ability to sustain operations, meet financial covenants, pay dividends on its common stock, obtain additional required funds and make required payments on its present or future indebtedness.

If we cannot sell capital stock to raise necessary funds, we may forced to limit our research, development and testing programs.

We will need to raise more capital from investors to advance our lead products through clinical testing and to fund our operations until we receive final FDA approval and our products begin to generate revenues for us. However, based on our history of losses, we may have difficulty attracting

sufficient investment interest. As of December 31, 2007, we had cash and cash equivalents of $15.7 million, which, at that time, we believed would support expected operations for more than 12 months.

We continue to seek partnerships with pharmaceutical and biotech companies and with other organizations to support the clinical development of our programs, in addition to funded research grants. This kind of funding is at the discretion of other organizations and companies which have limited funds and many companies compete with us for those funds. As a result, we may not receive any research grants or funds from collaborators. If we are unable to raise the necessary funds, we may have to delay or discontinue the clinical development of programs, license out programs earlier than expected, raise funds at significant discount or on other unfavorable terms or evaluate a sale of all or part of our business.

Our share price has been and could remain volatile.

The market price of our common stock has historically experienced and may continue to experience significant volatility. From January 2006 through December 2007, the market price of our common stock has fluctuated from a high of $2.60 per share in the first quarter of 2006, to a low of $0.40 per share in the fourth quarter of 2007. Our progress in developing and commercializing our products, the impact of government regulations on our products and industry, the potential sale of a large volume of our common stock by selling stockholders, our quarterly operating results, changes in general conditions in the economy or the financial markets and other developments affecting us or our competitors could cause the market price of our common stock to fluctuate substantially. In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has affected the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the price of our common stock. In addition, we could be subject to a securities class action litigation as a result of volatility in the price of our stock, which could result in substantial costs and diversion of management's attention and resources and could harm our stock price, business, prospects, results of operations and financial condition.

If selling stockholders choose to sell shares in large volumes, the trading price of our common stock could suffer.

In December 2000, we issued 1,841,236 shares of common stock at $9.54 per share in connection with its acquisition of Megan Health Inc. and 285,877 shares of common stock at $10.50 per share in a separate private placement with Pfizer Inc. In February 2004, we completed a direct equity placement of 8,965,000 shares of common stock to institutional investors at a price of $2.75 per share which generated gross proceeds totaling approximately $25 million. In July 2003, we issued 4,444,444 shares of common stock and warrants to purchase 444,444 shares of our common stock for an aggregate purchase price of $10 million in a private placement with The Riverview Group, LLC. Those shares plus, among others, 3,057,900 shares that we sold in an October 2001 direct equity placement at $4.58 per share, 4,650,953 shares that we sold in a July 2000 private placement at $7.85 per share, 5,459,375 shares that we sold in a September 1999 private placement at $1.92 per share, 1,000,000 shares of common stock that Dr. Una S. Ryan will be issued on the closing of the merger in full satisfaction of her restricted stock units as provided in her restricted stock unit awards and 2,933,564 shares that employees and non-employee directors may purchase under stock options at prices ranging from $0.55-$8.53 per share, can be resold in the public securities markets without restriction. These shares in total account for approximately 44.6% of our total common stock outstanding as of January 17, 2008. If large numbers of shares are sold over a short period of time, the price of our stock may decline rapidly or fluctuate widely.

Risks Related to the Merger

If we are not successful in integrating our companies, we may not be able to operate efficiently after the Merger, which may harm the value of our common stock.

Achieving the benefits of the Merger will depend in part on the successful integration of our operations and personnel in a timely and efficient manner. The integration process requires coordination of different development, regulatory, manufacturing and commercial teams, and involves the integration of systems, applications, policies, procedures, business processes and operations. This may be difficult and unpredictable because of possible cultural conflicts and different opinions on scientific and regulatory matters. If we cannot successfully integrate our operations and personnel, we may not realize the expected benefits of the Merger.

Integrating our companies may divert management's attention away from our operations.

Successful integration of our operations, products and personnel may place a significant burden on our management and our internal resources. The diversion of management's attention and any difficulties encountered in the transition and integration process could result in delays in the companies' clinical trial programs and could otherwise harm our business, financial condition and operating results.

We expect to incur significant costs integrating AVANT and Celldex into a single business.

We expect to incur significant costs integrating our operations, products and personnel. These costs may include costs for:

- employee redeployment, relocation or severance;
- conversion of information systems;
- combining development, regulatory, manufacturing and commercial teams and processes;
- reorganization of facilities; and
- relocation or disposition of excess equipment.

If we fail to retain key employees, the benefits of the Merger could be diminished.

The successful combination of AVANT and Celldex will depend in part on the retention of key personnel. There can be no assurance that we will be able to retain our key management and scientific personnel. If we fail to retain such key employees, we may not realize the anticipated benefits of the Merger.

If one or more of the products in the combined company cannot be shown to be safe and effective in clinical trials, is not approvable or not commercially successful, then the benefits of the Merger may not be realized.

The combined company will have four products in clinical development and three products scheduled to enter clinical testing in 2008. All of these products must be rigorously tested in clinical trials, and shown to be safe and effective before the U.S. Food and Drug Administration, or its foreign counterparts, will consider them for approval. Failure to demonstrate that one or more of the products is safe and effective, or significant delays in demonstrating safety and efficacy, could diminish the benefits of the Merger. All of these products must be approved by a government authority such as the U.S. Food and Drug Administration before they can be commercialized. Failure of one or more of the products to obtain such approval, or significant delays in obtaining such approval, could diminish the benefits of the Merger. Once approved for sale, the products must be successfully commercialized.

Failure to commercialize successfully one or more of the products could diminish the benefits of the Merger.

The costs associated with the Merger are difficult to estimate, may be higher than expected and may harm the financial results of the combined company.

We estimate that we will incur direct transaction costs of approximately $2.2 million associated with the Merger (the direct transaction costs of Celldex will be approximately $0.8 million for total direct transaction costs of approximately $3.0 million), and additional costs associated with the consolidation and integration of operations, which cannot be estimated accurately at this time. If the total costs of the Merger exceed our estimates or the benefits of the Merger do not exceed the total costs of the Merger, the financial results of the combined company could be adversely affected.

Our stockholders have a reduced ownership and voting interest after the Merger and exercise less influence over management of the combined company.

Upon consummation of the Merger, our stockholders own approximately 42% of the combined company on a fully diluted basis based on currently outstanding shares, options and warrants, which is a significantly smaller percentage of the combined company than they previously owned. Consequently, our stockholders, as a general matter, may have less influence over the management and policies of the combined company than they previously exercised over the management and policies of AVANT.

The combined company's ability to use the net operating loss carryforwards of Celldex and AVANT will be subject to limitation and, under certain circumstances, may be eliminated.

Generally, a change of more than 50% in the ownership of a corporation's stock, by value, over a three-year period constitutes an ownership change under Section 382 of the Internal Revenue Code. In general, Section 382 imposes an annual limitation on a corporation's ability to use its net operating losses from taxable years or periods ending on or before the date of an ownership change to offset U.S. federal taxable income in any post-change year. We experienced and Celldex may experience an ownership change as a result of the Merger, in which case the combined company may be subject to the limitation under Section 382 with respect to pre-change net operating losses of Celldex and AVANT. Section 382 imposes significant limitations of the use of net operating loss carryforwards.

Moreover, if a corporation experiences an ownership change and does not satisfy the requirement to continue the business enterprise of the corporation under Section 382(c)(1) (which generally requires that the corporation continue its historic business or use a significant portion of its historic business assets in a business for the two-year period beginning on the date of the ownership change), it cannot, subject to certain exceptions, use any net operating loss from a pre-change period to offset taxable income in post-change years. As a result of the rules described above, the extent (if any) to which the combined company will be able to utilize the net operating losses from any pre-change period to offset taxable income (and thus reduce tax liability) for post-change periods is uncertain.

We expect to continue to incur operating losses and the combined company may need to raise additional funds to cover the cost of operation. If the combined company is not able to raise necessary additional funds it may have to reduce or stop operations.

We have had no commercial revenues to date from sales of our human therapeutic or vaccine products and cannot predict when we will. We have accumulated deficit since inception of approximately $277.9 million, as of December 31, 2007. We cannot be certain that the combined company after the Merger will achieve or sustain profitability in the future. Failure to achieve profitability could diminish the combined company's ability to generate sufficient working capital to cover the cost of operation. No party has guaranteed to advance additional funds to AVANT or the

combined company to provide for any operating deficits. Until the combined company begins generating revenue, it may seek funding through the sale of equity, or securities convertible into equity, and further dilution to the then existing stockholders may result. If the combined company raises additional capital through the incurrence of debt, its business may be affected by the amount of leverage it incurs, and its borrowings may subject it to restrictive covenants. Additional funding may not be available to the combined company on acceptable terms, or at all. If the combined company is unable to obtain adequate financing on a timely basis, it may be required to delay, reduce or stop operations, any of which would have a material adverse effect on its business.

Celldex's business could be materially harmed if Celldex is unable to obtain and enforce patent protection for its products.

While Celldex believes that its patent rights are enforceable, Celldex cannot assure stockholders that any patents that have been issued, that may be issue or that may be licensed to Celldex will be enforceable or valid or will not expire prior to the commercialization of Celldex's product candidates, thus allowing others to more effectively compete with Celldex. Therefore, any patents that Celldex owns or licenses may not adequately protect Celldex's product candidates or its future products. If Celldex is not able to protect its patent positions, Celldex's business could be materially harmed.

For additional information about risk factors related to Celldex's business, we refer you to the Registration Statement on Form S-4 (File No. 333-148291) with the SEC, which registration statement includes a joint proxy statement/prospectus, dated December 21, 2007, as amended, and related materials regarding risk factors in connection with Celldex. The registration statement and the joint proxy statement/prospectus also contain important information about AVANT, Celldex, the Merger and related matters. Investors and stockholders are urged to read the registration statement and the joint proxy statement/prospectus carefully. Investors and stockholders can obtain free copies of the registration statement and the joint proxy statement/prospectus and other documents filed with the SEC by AVANT through the website maintained by the SEC at *www.sec.gov.*

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

In November 2005, we entered into a lease amendment which extended our lease in Needham, Massachusetts through April, 2017. The lease amendment calls for the complete renovation of the Needham facility by the landlord and AVANT and reduces AVANT's leased space to approximately 35,200 square feet of laboratory and office space at a current base rent of $879,725. The projected costs for the tenant improvements portion of the renovations project are approximately $9.4 million. As an incentive for AVANT to enter into the lease amendment, the landlord has agreed to contribute up to $3.6 million towards tenant improvement costs. Under this lease amendment, we are obligated to pay an escalating base annual rent ranging from $879,700 to $1,161,200 during the extension term. Aggregate rental payments including common area maintenance costs for the years ended December 31, 2007 and 2006 for this facility were $1,911,088 and $2,274,738, respectively.

AVANT ceased operations at its Overland, Missouri facility near St. Louis and vacated the premises upon expiration of the lease term at September 30, 2007. Aggregate rental payments including common area maintenance costs for the years ended December 31, 2007 and 2006 for this facility were $127,126 and $161,460, respectively.

We also lease a manufacturing facility of approximately 16,200 square feet in Fall River, Massachusetts. The lease has an initial seven-year term which expires in December 2010. Under the lease agreement, we are obligated to pay an annual rent of approximately $230,100 plus certain

common area maintenance costs, subject to annual rent adjustments in the final two years. The landlord provided a tenant incentive allowance of $49,740 against the cost of alterations and improvements required by AVANT to be made to the expanded space. Aggregate rental payments including common area maintenance costs for the year ended December 31, 2007 and 2006 for this facility were $366,654 and $293,670, respectively.

Item 3. LEGAL PROCEEDINGS

None.

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

None.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

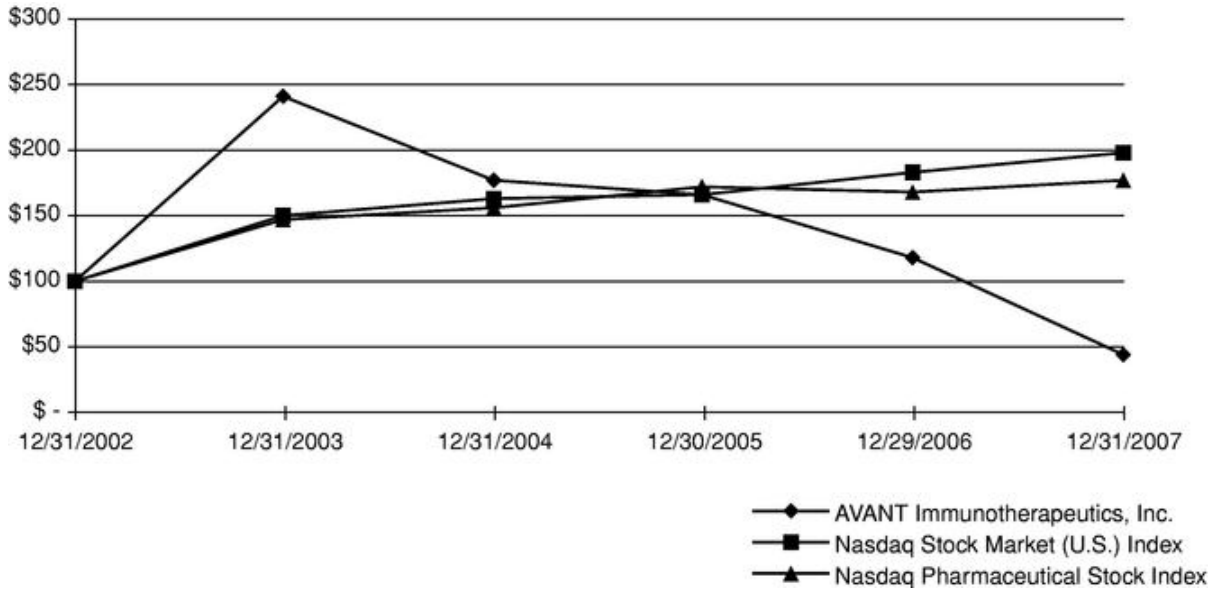
Our common stock began trading on the Nasdaq National Market (the "Nasdaq") under the symbol "AVAN" on August 24, 1998. Prior to that date, we were traded on the Nasdaq under the symbol "TCEL". Our common stock will continue to trade under the symbol "AVAND" for 20 trading days starting March 10, 2008 to designate that it is trading on a post-reverse stock split basis, and will resume trading under the symbol "AVAN" on the NASDAQ Global market after the 20-day period expires on April 7, 2008. The following table sets forth for the periods indicated the high and low closing sales prices for our common stock as reported by NASDAQ. The numbers below do not reflect the 1-for-12 reverse stock split effected on March 7, 2008.

Fiscal Period	High	Low
Year Ended December 31, 2006		
1Q (Jan. 1—March 31, 2006)	$ 2.54	$ 1.66
2Q (April 1—June 30, 2006)	2.30	1.46
3Q (July 1—Sept. 30, 2006)	1.65	1.27
4Q (Oct. 1—Dec. 31, 2006)	1.62	1.29
Year Ended December 31, 2007		
1Q (Jan. 1—March 31, 2007)	$ 1.55	$ 1.30
2Q (April 1—June 30, 2007)	1.48	0.74
3Q (July 1—Sept. 30, 2007)	0.93	0.43
4Q (Oct. 1—Dec. 31, 2007)	0.70	0.41

As of March 3, 2008, there were approximately 654 shareholders of our common stock. The price of the common stock was $0.72 as of the close of the market on March 3, 2008. We have not paid any dividends on our common stock since our inception and do not intend to pay any dividends in the foreseeable future. Declaration of dividends will depend, among other things, upon our operating and future earnings, our capital requirements and general business conditions.

The graph below compares the cumulative total stockholder return on the common stock for the period from December 31, 2002 through December 31, 2007, with the cumulative return on (i) NASDAQ Market Index—U.S. Companies and (ii) NASDAQ Pharmaceutical Index. The comparison assumes investment of $100 on December 31, 2002 in our common stock and in each of the indices and, in each case, assumes reinvestment of all dividends.

AVANT IMMUNOTHEAPEUTICS, INC., NASDAQ MARKETINDEX-U.S. AND PEER GROUP INDICES



	12/31/02	12/31/03	12/31/04	12/30/05	12/29/06	12/31/07
AVANT Immunotherapeutics, Inc.	$ 100	$ 241	$ 177	$ 166	$ 118	$ 44
Nasdaq Stock Market (U.S.) Index	$ 100	$ 150	$ 163	$ 166	$ 183	$ 198
Nasdaq Pharmaceutical Stock Index	$ 100	$ 147	$ 156	$ 172	$ 168	$ 177

See Item 11 for information regarding our equity compensation plan.

Item 6. SELECTED FINANCIAL DATA

The selected consolidated financial data presented below for the years ended December 31, 2007, 2006, 2005, 2004, and 2003 have been derived from the audited consolidated financial statements of AVANT. All amounts are in thousands except per share data.

CONSOLIDATED STATEMENTS OF OPERATIONS DATA

	2007	2006(3)	2005	2004	2003
REVENUE:					
Product Development and Licensing	$ 125	$ 2,855	$ 242	$ 4,566	$ 1,608
Government Contracts and Grants	491	1,409	2,720	2,115	2,857
Product Sales and Royalty	4,487	667	126	178	168
Total Revenue	5,103	4,931	3,088	6,859	4,633
OPERATING EXPENSE:					
Research and Development	18,496	18,066	14,063	13,574	10,021
Other Operating Expense	9,462	9,232	7,890	6,867	6,346
Total Operating Expense	27,958	27,298	21,953	20,441	16,367
Investment and Other Income, Net	1,096	2,113	768	378	240
Loss Before Provision for Income Taxes	(21,759)	(20,254)	(18,097)	(13,204)	(11,494)
Provision for Income Taxes	(120)	120	—	—	—
Net Loss Before Cumulative Effect of Change in Accounting Principle	(21,639)	(20,374)	(18,097)	(13,204)	(11,494)
Cumulative Effect of Change in Accounting Principle(1)	—	—	—	—	(1,175)
Net Loss	$ (21,639)	$ (20,374)	$ (18,097)	$ (13,204)	$ (12,669)
Basic and Diluted Net Loss Per Common Share(2):					
Net Loss Per Common Share Before Cumulative Effect of Change in Accounting Principle(2)	(3.45)	(3.29)	(2.93)	(2.17)	(2.19)
Cumulative Effect of Change in Accounting Principle Per Common Share(1),(2)	—	—	—	—	(0.24)
Net Loss Per Common Share (2)	$ (3.45)	$ (3.29)	$ (2.93)	$ (2.17)	$ (2.43)
Weighted Average Common Shares Outstanding(2)	6,265	6,185	6,179	6,080	5,209

CONSOLIDATED BALANCE SHEET DATA

	2007	2006	2005	2004	2003
Working Capital	$ 6,580	$ 32,319	$ 20,912	$ 29,089	$ 18,924
Total Assets	37,648	61,480	36,452	45,804	31,305
Long Term Liabilities	46,859	49,234	11,870	2,103	184
Accumulated Deficit	(277,885)	(256,246)	(235,872)	(217,776)	(204,572)
Total Stockholders' Equity	(19,044)	2,161	20,889	38,408	27,920

(1) In 2003, AVANT changed its method of accounting for legal costs associated with the application for patents effective January 1, 2003.

(2) Adjusted to reflect a reverse stock split of 1-for-12 effective March 7, 2008.

(3) As discussed in Note 5 to the consolidated financial statements, the Company changed the manner in which it accounts for stock-based compensation in 2006.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: *Statements contained in the following, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, that are not historical facts may be forward-looking statements that are subject to a variety of risks and uncertainties. There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statements made by AVANT. These factors include, but are not limited to: (1) the integration of multiple technologies and programs; (2) the ability to adapt AVANT's vectoring systems to develop new, safe and effective orally administered vaccines against diseases and disease causing agents; (3) the ability to successfully complete product research and further development, including animal, pre-clinical and clinical studies, and commercialization of TP10, CETi-1, CholeraGarde® (Peru-15), Ty800, ETEC E. coli, and other products and AVANT's expectations regarding market growth; (4) the cost, timing, scope and results of ongoing safety and efficacy trials of CholeraGarde® (Peru-15), Ty800, ETEC E. coli and other preclinical and clinical testing; (5) the ability to negotiate strategic partnerships or other dispositions for AVANT's cardiovascular programs, including TP10 and CETi; (6) the ability of AVANT to manage multiple late stage clinical trials for a variety of product candidates; (7) the volume and profitability of product sales of Megan®Vac 1, Megan®Egg and other future products; (8) the process of obtaining regulatory approval for the sale of Rotarix® in major commercial markets, as well as the timing and success of worldwide commercialization of Rotarix® by our partner, Glaxo; (9) Glaxo's strategy and business plans to launch and supply Rotarix® worldwide, including in the U.S. and other major markets and its payment of royalties to AVANT; (10) changes in existing and potential relationships with corporate collaborators and partners; (11) the availability, cost, delivery and quality of clinical and commercial grade materials supplied by contract manufacturers; (12) the timing, cost and uncertainty of obtaining regulatory approvals to use CholeraGarde® (Peru-15) and Ty800, ETEC E. coli, among other purposes, to protect travelers and people in endemic regions from diarrhea causing diseases, respectively; (13) the ability to obtain substantial additional funding; (14) the ability to develop and commercialize products before competitors that are superior to the alternative products developed by competitors; (15) the ability to retain certain members of management; (16) AVANT's expectations regarding research and development expenses and general and administrative expenses; (17) AVANT's expectations regarding CETP's ability to improve cholesterol levels and AVANT's ability to develop and commercialize CETP; (18) AVANT's expectations regarding cash balances, capital requirements, anticipated royalty payments (including those from Paul Royalty Fund) revenues and expenses, including infrastructure expenses; (19) our belief regarding the validity of our patents and potential litigation; and (20) other factors detailed from time to time in filings with the Securities and Exchange Commission.*

In addition, on October 19, 2007, AVANT entered into an Agreement and Plan of Merger (the "Merger Agreement") with Celldex Therapeutics, Inc. ("Celldex"), a Delaware corporation, and Callisto Merger Corporation, a Delaware corporation and wholly owned subsidiary of AVANT (the "Merger"), which Merger closed on March 7, 2008. See Notes 1 and 7 of the notes to the unaudited consolidated financial statements for more information. Forward-looking statements regarding the Merger Agreement are subject to risks and uncertainties that may cause actual future experience and results to differ materially from those discussed in these forward-looking statements. Important factors that might cause such a difference include, but are not limited to, costs related to the Merger; the risk that AVANT's and Celldex's businesses will not be integrated successfully; the combined company's inability to further identify, develop and achieve commercial success for new products and technologies; the possibility of Merger-related delays in the research and development necessary to select drug development candidates and delays in clinical trials; the risk that clinical trials may not result in marketable products; the risk that the combined company may be unable to successfully secure regulatory approval of and market its drug candidates; the risks associated with reliance on outside financing to meet capital requirements; risks associated with Celldex's new and uncertain technology; risks of the development of competing technologies; risks related to the combined company's ability to protect its proprietary technologies; risks related to patent-infringement claims; and risks of new, changing and competitive technologies and regulations in the U.S. and internationally.

In addition, the factors described under "Item 1A. Risk Factors" in this report may result in these differences. You should carefully review all of these factors. These forward-looking statements were based on information, plans and estimates at the date of this report, and we do not promise to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

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

OVERVIEW

AVANT's principal activity since our inception has been research and product development conducted on our own behalf, as well as through joint development programs with several pharmaceutical companies and other collaborators. We were incorporated in the State of Delaware in December 1983.

AVANT's focus is unlocking the power of the immune system to prevent and treat disease. We have assembled a broad portfolio of technologies and intellectual property that give us a strong competitive position in vaccines and immunotherapeutics. AVANT has three products on the market, including an oral human rotavirus vaccine, which has gained marketing approval in over 100 countries worldwide and is being commercialized by Glaxo, and four of AVANT's products are in clinical development. AVANT's pipeline includes products for travelers' vaccines and global health needs based on AVANT's oral, rapid-protecting, single-dose and temperature stable vaccine technology. The marriage of innovative bacterial vector delivery technologies with unique manufacturing processes offers the potential for a new generation of vaccines. The Company's goal is to become a leading developer of innovative vaccines and immunotherapeutics that address health care needs on a global basis.

We have actively developed and acquired innovative technologies—especially novel approaches to vaccine creation. Today our broad intellectual property position allows us to respond quickly and leverage our expertise into many different areas as opportunities and needs arise. AVANT is targeting its efforts where it can add the greatest value to the development of its products and technologies. Our goal is to demonstrate clinical proof-of-concept for each product, and then seek excellent partners to help see those products through to commercialization. This approach allows us to maximize the overall value of our technology and product portfolios while best ensuring the expeditious development of each individual product.

On October 22, 2007, AVANT and Celldex Therapeutics, Inc. ("Celldex"), a privately-held company, announced the signing of a definitive merger agreement (the"Merger"). On March 7, 2008, AVANT announced the completed Merger of Callisto Merger Corporation, a wholly owned subsidiary of AVANT, with and into Celldex. The Merger has created a NASDAQ-listed and diversified biopharmaceutical company with a pipeline of product candidates addressing indications in oncology, infectious and inflammatory diseases.

The total value of the Merger transaction is approximately $75 million.

At the special meeting of AVANT shareholders held on March 6, 2008 in connection with the Merger, stockholders approved four proposals: (i) the issuance of shares of AVANT common stock pursuant to the Merger Agreement in the amount necessary to result in the Celldex stockholders owning 58% of AVANT common stock on a fully diluted basis, (ii) an amendment to AVANT's Third Restated Certificate of Incorporation to increase the number of authorized shares to 300,000,000, (iii) an amendment to AVANT's Third Restated Certificate of Incorporation to effect a reverse stock split in a ratio ranging from one-for-twelve to one-for-twenty of all the issued and outstanding shares of AVANT common stock, the final ratio to be determined within the discretion of the AVANT board of directors and (iv) adoption of the 2008 Stock Option and Incentive Plan.

AVANT's board of directors approved a 1-for-12 reverse stock split of AVANT's common stock, which became effective on March 7, 2008. As a result of the reverse stock split, each twelve shares of common stock was combined and reclassified into one share of common stock and the total number of shares outstanding was reduced from approximately 180 million shares (including the shares issued to Celldex stockholders in the merger) to approximately 15 million shares.

Also, pursuant to the terms of the Merger Agreement, Celldex shareholders received 4.96 shares of common stock in exchange for each share of Celldex common stock and Class A common stock they

own. AVANT stockholders retained 42% of, and the former Celldex stockholders now own 58% of, the outstanding shares of AVANT's common stock on a fully-diluted basis. AVANT also assumed all of Celldex's stock options outstanding at the time of the Merger.

Our common stock continues to trade under the symbol "AVAND" for 20 trading days starting March 10, 2008 to designate that it is trading on a post-reverse split basis, and will resume trading under the symbol "AVAN" after the 20-day period expires on April 7, 2008.

Acquisitions

Universal Preservation Technologies, Inc. ("UPT"): In January 2003, AVANT completed the acquisition of certain technology and intellectual property of UPT, a privately held company, and the licensure of certain patent rights from Elan Drug Delivery Limited ("EDD"), a subsidiary of Elan Corporation plc. EDD's license to AVANT gives AVANT exclusive rights to the VitriLife® process for use in orally administered vaccines and certain other non-injectable applications, and non-exclusive rights in certain other fields. VitriLife® is a patented drying method for the industrial-scale preservation of biological solutions and suspensions, such as proteins, enzymes, viruses, bacteria and other cells, which has the potential to cut production costs and improve product stability at room temperature or higher. AVANT has determined that this technology has alternative future uses and will be incorporated into a number of AVANT's bacterial vaccine programs. AVANT paid an aggregate of $2,000,000 in consideration in the transaction, recorded this value to acquired intangible assets, and is amortizing these assets over their estimated lives of ten years.

Megan Health, Inc. ("Megan"): On December 1, 2000, AVANT acquired all of the outstanding capital stock of Megan, a company engaged in the discovery and development of human and animal vaccines using patented gene modification technologies. In connection with the acquisition, AVANT recorded a charge of $9,012,300 for acquired in-process research and development ("IPR&D"), which represented purchased in-process technology which had not yet reached technological feasibility and had no alternative future use. As of December 31, 2007, none of the acquired research and development projects had reached technological feasibility.

Virus Research Institute, Inc. ("VRI"): On August 21, 1998, AVANT acquired VRI, a company engaged in the discovery and development of systems for the delivery of vaccines and immunotherapeutics, and novel vaccines for adults and children. In connection with the acquisition, we recorded a charge of $44,630,000 for acquired IPR&D, which represented purchased in-process technology which had not yet reached technological feasibility and had no alternative future use. As of December 31, 2007, none of the acquired research and development projects had reached technological feasibility, except for the rotavirus vaccine, Rotarix®.

Research and Development Activities

AVANT is currently focused on the development of a number of vaccine and immunotherapeutic product candidates which are in various stages of clinical trials. We expect that a large percentage of our research and development expenses will be incurred in support of our current and future clinical trial programs.

The expenditures that will be necessary to execute AVANT's business plan are subject to numerous uncertainties. Completion of clinical trials may take several years or more, and the length of time generally varies substantially according to the type, complexity, novelty and intended use of a product candidate. It is not unusual for the clinical development of these types of product candidates to each take five years or more, and for total development costs to exceed $100 million for each product

candidate. AVANT estimates that clinical trials of the type AVANT generally conducts are typically completed over the following timelines:

Clinical Phase	Estimated Completion Period
Phase 1	1-2 Years
Phase 2	1-5 Years
Phase 3	1-5 Years

The duration and the cost of clinical trials may vary significantly over the life of a project as a result of differences arising during the clinical trial protocol, including, among others, the following:

- the number of patients that ultimately participate in the trial;
- the duration of patient follow-up that seems appropriate in view of results;
- the number of clinical sites included in the trials;
- the length of time required to enroll suitable patient subjects; and
- the efficacy and safety profile of the product candidate.

AVANT tests potential product candidates in numerous preclinical studies for safety, toxicology and immunogenicity. AVANT then may conduct multiple clinical trials for each product candidate. As we obtain results from trials, we may elect to discontinue or delay clinical trials for certain product candidates in order to focus our resources on more promising product candidates.

An element of AVANT's business strategy is to pursue the research and development of a broad portfolio of product candidates. This is intended to allow AVANT to diversify the risks associated with its research and development expenditures. As a result, AVANT believes its future capital requirements and its future financial success are not substantially dependent on any one product candidate. To the extent AVANT is unable to maintain a broad range of product candidates, AVANT's dependence on the success of one or a few product candidates increases.

AVANT's product candidates also have not yet received FDA regulatory approval, which is required before AVANT can market them as therapeutic or vaccine products. In order to proceed to subsequent clinical trial stages and to ultimately achieve regulatory approval, the FDA must conclude that AVANT's clinical data establish safety and efficacy. Historically, the results from preclinical testing and early clinical trials (through Phase 2) have often not been predictive of results obtained in later clinical trials. A number of new drugs, biologics and vaccines have shown promising results in early clinical trials, but subsequently failed to establish sufficient safety and efficacy data to obtain necessary regulatory approvals.

Furthermore, AVANT's business strategy includes the option of entering into collaborative arrangements with third parties to complete the development and commercialization of AVANT's product candidates. In the event that third parties take over the clinical trial process for one of AVANT's product candidates, the estimated completion date would largely be under control of that third party rather than AVANT. AVANT cannot forecast with any degree of certainty which proprietary products, if any, will be subject to future collaborative arrangements, in whole or in part, and how such arrangements would affect AVANT's development plan or capital requirements. AVANT's programs may also benefit from subsidies, grants, contracts or government or agency-sponsored studies that could reduce AVANT's development costs.

As a result of the uncertainties discussed above, among others, AVANT is unable to estimate the duration and completion costs of its research and development projects or when, if ever, and to what extent it will receive cash inflows from the commercialization and sale of a product. AVANT's inability to complete its research and development projects in a timely manner or its failure to enter into collaborative agreements, when appropriate, could significantly increase its capital requirements and

could adversely impact its liquidity. These uncertainties could force AVANT to seek additional, external sources of financing from time to time in order to continue with its business strategy. AVANT's inability to raise additional capital, or to do so on terms reasonably acceptable to it, would jeopardize the future success of its business. The amount incurred for each material research program since the beginning of 2003, is set forth below under "Program Developments." During the past five years through the end of 2007, AVANT incurred an aggregate of $74 million in research and development costs. During the year ended December 31, 2007, AVANT incurred an aggregate of $18 million in research and development costs. The following table indicates the amount incurred for each of AVANT's material research programs and for other identified research and development activities during the years ended December 31, 2007, 2006, 2005, 2004 and 2003. The amounts disclosed in the following table and in "Program Developments" below reflect direct research and development costs, license fees associated with the underlying technology and an allocation of indirect research and development costs to each program.

	2007	2006	2005	2004	2003
Bacterial Vaccines:					
CholeraGarde®	$ 2,156,700	$ 5,427,800	$ 1,257,200	$ 123,100	$ 695,800
Ty800	6,435,000	1,402,300	404,500	688,300	186,300
ETEC	3,736,100	1,034,600	349,700	276,700	60,900
Other	883,900	839,000	179,200	55,800	76,600
BioDefense Vaccines:	204,500	1,558,600	2,470,700	3,082,800	3,524,500
Food Safety & Animal Health Vaccines:	—	6,700	9,900	12,600	49,400
Viral Vaccines:					
Rotarix® vaccine	2,061,200	648,600	—	500,000	200,000
Avian Flu	838,400	711,600	4,200	—	—
Cholesterol Management Vaccine:					
CETi	283,500	922,700	650,800	816,900	3,404,000
Complement Inhibitors:					
TP10/TP20	1,601,800	4,466,400	8,327,200	7,706,300	1,648,700
Other Programs:	294,700	1,048,200	409,900	611,300	175,100
Total R&D Expense	$ 18,495,800	$ 18,066,500	$ 14,063,300	$ 13,873,800	$ 10,021,300

Program Developments

Rotavirus Vaccine: Rotavirus is a major cause of diarrhea and vomiting in infants and children. In 1997, AVANT licensed its oral rotavirus vaccine to GlaxoSmithKline ("Glaxo"). All of the ongoing development and commercialization for this program is being conducted and funded by Glaxo. Glaxo gained approval for Rotarix® in Mexico during 2004, which represented the first in a series of worldwide approvals and commercial launches for the product. During 2005, Glaxo launched Rotarix® in additional Latin American countries as well as Asia Pacific countries, and filed for market approval with the European regulatory authorities, which triggered a $2 million milestone fee payable to AVANT. In February 2006, the European Commission granted approval of Rotarix® in the European Union, which triggered a $4 million milestone payment from Glaxo. Rotarix® is now licensed in over 70 countries worldwide in addition to the European Union market. Glaxo filed a Biologics License Application (BLA) with the U.S. Food and Drug Administration (FDA) for United States market approval in 2007. On February 20, 2008, Rotarix® received a favorable recommendation from the FDA's Vaccines and Related Biological Products Advisory Committee (VRBPAC). The committee's favorable recommendation, although not binding, will be considered by the FDA in its review of the BLA for the candidate vaccine, which is currently underway. Glaxo has agreed to make an additional payment of $1.5 million upon achievement of market approval in the United States, $750,000 of which AVANT will retain.

AVANT licensed the Rotarix® technology in 1995 from Cincinnati Children's Hospital Medical Center ("CCH") and owes CCH a license fee of 30% on net royalties received from Glaxo. In May 2005, AVANT entered into an agreement whereby an affiliate of Paul Royalty Fund ("PRF") purchased an interest in the net royalties AVANT will receive on worldwide sales of Rotarix®. Under the PRF agreement, AVANT retained 50% of the $4 million milestone payment from Glaxo for the European Commission approval discussed above and of any future Glaxo milestone payments, with the balance payable to PRF and CCH. The PRF agreement also provides for a $10 million milestone payment to AVANT if Rotarix® is launched in the United States in 2008. AVANT expects to achieve this milestone in the second half of 2008.

Royalty rates on Rotarix® escalate from 7% to 10% based on net product sales in countries that have valid patent protection. These royalty rates are discounted by 30% for "non-patent" countries (primarily international markets). In September 2006, AVANT received notice from Glaxo that Glaxo would begin paying royalties on sales of Rotarix® vaccine at the lower of the two royalty rates under their 1997 license agreement. Glaxo's decision to pay the lower royalty rate (which is 70% of the full rate) is based upon Glaxo's assertion that Rotarix® is not covered by the patents Glaxo licensed from AVANT in Australia and certain European countries. AVANT is determined to take all available steps to enforce its rights under its license agreement with Glaxo.

If Glaxo's position stands, the royalties to which PRF is entitled will no longer be limited by a $27.5 million annual threshold, which AVANT projected may have been reached in later years as sales of Rotarix® increased. Irrespective of Glaxo's position, AVANT will still retain the royalties on worldwide sales of Rotarix® once PRF receives 2.45 times the aggregate cash payments it makes to AVANT, though the potential amount of such residual royalties will be lower if Glaxo's position stands.

Bacterial Vaccines: AVANT's goal is to become a leading developer of innovative bacterial vaccines that address health care needs on a global basis. In this regard, AVANT acquired VitriLife®, a technology with the potential to reduce manufacturing costs and improve product stability, eliminating the need for vaccine refrigeration during shipping and storage. With this technology and AVANT's *Cholera*- and *Salmonella*-vectored delivery technologies, named VibrioVec® and SalmoVec®, AVANT can now develop a new generation of vaccines that have an ideal product profile: safe, effective, oral, single-dose, rapidly protective and increased thermostability.

Development of a safe and effective cholera vaccine is the first step in establishing AVANT's single-dose, oral bacterial vaccine franchise. In December 2002, the International Vaccine Institute ("IVI") initiated a Phase 2 study of CholeraGarde® in Bangladesh where cholera is endemic. In July 2005, Bangladesh study results in children and infants showed CholeraGarde® to be well tolerated and highly immunogenic, with 77% of children aged 9 months to 5 years generating protective immune responses. Previously published results showed the vaccine to be well tolerated and immunogenic against the cholera organism in the adult portion of this trial.

In August 2006, IVI received $21 million in funding from the Bill & Melinda Gates Foundation for a Cholera Vaccine Initiative ("CHOVI"), which will include conducting further clinical trials of CholeraGarde®. IVI plans to conduct Phase 2 clinical trials of CholeraGarde® in Bangladesh and India beginning in 2008 followed by Phase 3 field studies. IVI will be purchasing clinical materials produced at AVANT's Fall River, Massachusetts manufacturing facility for the trials.

AVANT has decided to focus only on the fully-funded opportunity for CholeraGarde® in the developing world. AVANT has determined that the high clinical costs of our own Phase 3 clinical trials in the United States and the investment in a commercial manufacturing facility are not justified by the limited market opportunities for a cholera vaccine in developed countries at this time. This decision frees up both financial and manufacturing resources for our Ty800 and ETEC programs.

During the period January 1, 2003 through December 31, 2007, AVANT incurred approximately $9.7 million in research, development and clinical costs on its CholeraGarde® program.

AVANT is also developing an oral typhoid fever vaccine, Ty800, for the travelers' market and global health needs. The National Institute of Allergy and Infectious Disease ("NIAID") of the National Institutes of Health ("NIH") and AVANT agreed for the NIAID to conduct a Phase 1/2 in-patient dose-ranging clinical trial aimed at demonstrating the safety and immunogenicity of the Ty800 vaccine. NIAID has funded the production of Ty800 vaccine for clinical testing and completed the Phase 1/2 trial at a NIH-funded clinical site. Results showed the single-dose, oral vaccine to be well tolerated and immunogenic, with over 90% of vaccinated subjects generating immune responses. AVANT initiated its own sponsored Phase 2 trial of Ty800 in July 2007. Enrollment was completed in late September 2007 and results are expected in the first half of 2008. During the period January 1, 2003 through December 31, 2007, AVANT incurred approximately $9.1 million in research, development, contract manufacturing and clinical costs on its Ty800 program.

Finally, AVANT is developing additional bacterial vaccines against enterotoxigenic *E. coli* ("ETEC"), *Salmonella paratyphi* and *Shigella*,—all important causes of serious diarrheal diseases worldwide. These programs are in pre-clinical development. In November 2007, AVANT entered into an agreement with the Division of Microbiology and Infectious Diseases of the NIAID, whereby NIAID will sponsor a Phase 1 study of AVANT's investigational single-dose, oral vaccine designed to offer combined protection against both enterotoxigenic *Escherichia coli* (ETEC) and cholera. AVANT expects NIAID to initiate the Phase 1 trial of its ETEC vaccine candidate in the first half of 2008. AVANT's long-term goal is to develop a combination vaccine containing Cholera, Ty800, *S. paratyphi* and ETEC as a "super enteric vaccine" to address the travelers' market. During the period January 1, 2003 through December 31, 2007, AVANT incurred approximately $7.4 million in research, development, contract manufacturing and clinical costs on these pre-clinical programs.

BioDefense Vaccines: The attenuated live bacteria used to create AVANT's single-dose oral vaccines can also serve as vectors for the development of vaccines against other bacterial and viral diseases. In January 2003, AVANT was awarded a subcontract by Dynport Vaccine Company ("DVC") to develop for the U.S. Department of Defense an oral combination vaccine against anthrax and plague using AVANT's proprietary vaccine technologies. AVANT has received a number of additional subcontract modifications from DVC to support further development and pre-clinical animal testing of vaccine constructs of anthrax and plague vaccine candidates. As a result of AVANT's restructuring in 2007, the Company is no longer investing its resources in biodefense research and development activities and terminated its contracts with DVC as of September 30, 2007. AVANT does not expect future revenues from the biodefense vaccine programs. For the twelve months ended December 31, 2007 and 2006, AVANT recognized $250,491 and $1,157,381, respectively, in government contract revenue from DVC. Through December 31, 2007, AVANT had received approximately $9.7 million in payments under the subcontract agreements.

During the period January 1, 2003 through December 31, 2007, AVANT incurred approximately $10.8 million in research and development costs on its biodefense vaccine program.

Food Safety and Animal Health Vaccines: AVANT has partnered with Pfizer Inc ("Pfizer"), who will apply AVANT's vaccine technologies to animal health and human food safety markets. The Pfizer research program achieved an important milestone in late 2002, which resulted in a payment of $500,000 to AVANT. As of June 1, 2006, AVANT entered into a Collaborative Research and Development Agreement with Pfizer aimed at the discovery and development of vaccines to protect animals. Under the agreement, Pfizer and AVANT conducted a joint research program funded by Pfizer. In 2007, Pfizer terminated the arrangement after AVANT provided two of four deliverables to Pfizer. AVANT recognized revenue as the research and development service deliverables were completed and delivered to Pfizer. During the period January 1, 2003 through December 31, 2007, AVANT incurred approximately $78,600 in research and development costs on its food safety and animal health vaccines program.

Complement Inhibitors: In February 2006, AVANT reported that the Phase 2b females-only study did not meet its primary endpoint, thus confirming the results for female subjects in the previous TP10 Phase 2 trial. AVANT is currently spending limited resources on this program and is seeking a corporate partner to complete the development and commercialization of TP10. During the period January 1, 2003 through December 31, 2007, AVANT incurred approximately $23.7 million in research, development, contract manufacturing and clinical costs associated with its complement inhibitor program.

Cholesterol Management Vaccine: AVANT has been developing an immunotherapeutic vaccine against endogenous cholesteryl ester transfer protein ("CETP"), which may be useful in reducing risks associated with atherosclerosis. CETP is a key intermediary in the balance of HDL (high-density lipoprotein) and LDL (low-density lipoprotein). The vaccine stimulates an immune response against CETP, which may improve the ratio of HDL to LDL cholesterol and reduce the progression of atherosclerosis, which often leads to heart attack. AVANT is seeking a corporate partner to complete development and to commercialize a newly formulated CETP vaccine. During the period January 1, 2003 through December 31, 2007, AVANT incurred approximately $6.1 million in research, development and clinical costs associated with the CETP program.

Technology Licensing

AVANT has adopted a business strategy of out-licensing technology that does not match its development focus or where it lacks sufficient resources for the technology's efficient development. For example, when AVANT acquired Megan it also signed an agreement with Pfizer to leverage the value of Megan's oral vaccine technology in a significant market opportunity (animal health and human food safety) outside of AVANT's own focus on human health care.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 1 to the consolidated financial statements included in Item 8 of this Form 10-K. We believe our most critical accounting policies include revenue recognition for agreements entered into with various collaborators, the amortization policy for acquired intangible assets and the estimates of costs incurred and assumptions made in recording accrued clinical research and contract manufacturing costs and assumptions made in calculating the fair value of stock-based compensation expense.

Revenue Recognition: AVANT has entered into various license and development agreements with pharmaceutical and biotechnology companies. The terms of the agreements typically include non-refundable license fees, funding of research and development, payments based upon achievement of certain milestones and royalties on net product sales. Non-refundable license fees are recognized as contract and license fee revenue when AVANT has a contractual right to receive such payments, provided a contractual arrangement exists, the contract price is fixed or determinable, the collection of the resulting receivable is reasonably assured and AVANT has no further performance obligations under the license agreement. When AVANT has performance obligations under the terms of a contract, non-refundable fees are recognized as revenue as AVANT completes its obligations. Where AVANT's level of effort is relatively constant over the performance period, the revenue is recognized on a straight-line basis. The determination of the performance period involves judgment on management's part. Revenue is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned, as determined using the straight-line basis, as of the period ending date. Funding of research and development is recognized over the term of the applicable contract as costs are incurred related to that contract.

Revenues from milestone payments related to arrangements under which we have no continuing performance obligations are recognized upon achievement of the related milestone. Revenues from

milestone payments related to arrangements under which we have continuing performance obligations are recognized as revenue upon achievement of the milestone only if all of the following conditions are met: the milestone payments are non-refundable; achievement of the milestone was not reasonably assured at the inception of the arrangement; substantive effort is involved in achieving the milestone; and, the amount of the milestone is reasonable in relation to the effort expended or the risk associated with achievement of the milestone. If any of these conditions are not met, the milestone payments are deferred and recognized as revenue over the term of the arrangement as AVANT completes its performance obligations.

Revenues from government contracts and grants are recorded as effort is expended on the contracted work and billed to the government. Product royalty revenue consists of payments received from licensees for a portion of sales proceeds from products that utilize AVANT's licensed technologies and are recognized when the amount of and basis for such royalty payments are reported to us in accurate and appropriate form and in accordance with the related license agreement. Payments received in advance of activities being performed are recorded as deferred revenue. Any significant changes in our estimates or assumptions could impact our revenue recognition. Revenues from product sales would be recorded when the product is shipped providing no significant post-delivery obligations remain and collection of the related receivable is reasonably assured.

In May 2005, AVANT entered into an agreement whereby an affiliate of PRF purchased an interest in the net royalties AVANT will receive on worldwide sales of Rotarix®. Rotarix® is licensed to Glaxo. The terms of the agreement with PRF include an upfront unconditional payment and future payments, upon achievement of specified milestones. In addition, AVANT retains some participation in the worldwide net royalty stream from Rotarix®. The PRF transaction qualifies as a sale in accordance with guidance in EITF 88-18 "Sale of Future Revenues". The upfront unconditional payment and any future milestone payments received from PRF will be recorded as deferred revenue. Revenues will be recognized and calculated based on the ratio of total royalties received from Glaxo and remitted to PRF over expected total amounts to be received by PRF and then applying this percentage to the total cumulative consideration received from PRF to date. The expected total of payments to be paid to PRF is an estimate which AVANT will update from time to time to determine that the estimate continues to be reasonable in the light of then current events and circumstances.

Effective July 1, 2003, we adopted EITF 00-21, *Accounting For Revenue Arrangements with Multiple Deliverables*, which establishes criteria for whether revenue on a deliverable can be recognized separately from other deliverables in a multiple deliverable arrangement. The criteria considers whether the delivered item has stand-alone value to the customer, whether the fair value of any undelivered item can be reliably determined and the customer's right of return for the delivered item.

Long-Lived Assets: In the ordinary course of our business, we incur substantial costs to construct property and equipment. The treatment of costs to construct these assets depends on the nature of the costs and the stage of construction. Costs incurred in the project planning and design phase, and in the construction and installation phase, are capitalized as part of the cost of the asset. We stop capitalizing costs when the asset is substantially complete and ready for its intended use. Determining the appropriate period during which to capitalize costs, and assessing whether particular costs qualify for capitalization, requires us to make significant judgments. These judgments can have a material impact on our reported results.

For manufacturing property and equipment, we also capitalize the cost of validating these assets for the underlying manufacturing process. We complete the capitalization of validation costs when the asset is substantially complete and ready for its intended use. Costs capitalized include incremental labor and fringe benefits, and direct consultancy services.

Property and equipment is stated at cost and depreciated over the estimated useful lives of the related assets using the straight-line method. Laboratory equipment and office furniture and equipment

are depreciated over a five year period and computer equipment is depreciated over a three year period. Manufacturing equipment is amortized over a seven to ten year period. Leasehold improvements are amortized over the shorter of the estimated useful life or the noncancelable term of the related lease, including any renewals that are reasonably assured of occurring. Property and equipment under construction is classified as construction in progress and is depreciated or amortized only after the asset is placed in service. Expenditures for maintenance and repairs are charged to expense whereas the costs of significant improvements which extend the life of the underlying asset are capitalized. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are eliminated and the related gains or losses are reflected in net income. Determining the economic lives of property and equipment requires us to make significant judgments that can materially impact our operating results.

Amortization of Intangible Assets: We have acquired intangible assets, which include core technology, developed technology and a strategic partner agreement, through the acquisition of Megan and UPT. These acquired intangible assets are being amortized on a straight-line basis over their estimated lives which range from 5 to 17 years. The determination of the amortization period involves estimates and judgment on management's part. Any significant changes in our estimates or assumptions could impact the carrying value of acquired intangible assets. We evaluate the recoverability of these assets when facts and circumstances suggest the asset could be impaired in accordance with Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment of Long-Lived Assets".

As a result of the adoption of SFAS No. 142, effective January 1, 2002, we ceased amortization of goodwill and perform an impairment assessment annually or whenever events or changes in circumstances indicate that our goodwill may be impaired. On July 1, 2007, 2006 and 2005, we conducted an annual impairment assessment as required under SFAS No. 142 by comparing our fair value to our net assets, including goodwill, as of July 1, 2007, 2006 and 2005. Because our fair value exceeded the carrying value of our net assets at July 1, 2007, 2006 and 2005, we determined that our goodwill was not impaired.

Accounting for the Impairment of Long-Lived Assets: We periodically evaluate our long-lived assets for potential impairment under SFAS No. 144. We perform these evaluations whenever events or changes in circumstances suggest that the carrying amount of an asset or group of assets is not recoverable. Indicators of potential impairment include:

- a significant change in the manner in which an asset is used;
- a significant decrease in the market value of an asset;
- a significant adverse change in its business or the industry in which it is sold; and
- a current period operating cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the asset.

If we believe an indicator of potential impairment exists, we test to determine whether impairment recognition criteria in SFAS No. 144 have been met. We charge impairments of the long-lived assets to operations if our evaluations indicate that the carrying value of these assets is not recoverable.

Accounting for Patent Costs: We expense all patent costs as incurred. Certain patent costs are reimbursed by our product development and licensing partners. Any reimbursed patent costs are recorded as product development and licensing agreement revenues in our financial statements.

Accrued Clinical Research and Contract Manufacturing Costs: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period reported. Specifically, AVANT's

management must make estimates of costs incurred to date, but not yet invoiced by external entities such as clinical research organizations ("CROs") and contract manufacturers. For CROs, management analyzes the progress of clinical trials, invoices received, and budgeted costs when evaluating the adequacy of the accrued liability. For contract manufacturers, management analyzes the progress of process development and scale-up efforts and the production of clinical materials, contract amendments signed for specific work, invoices received, and budgeted costs when evaluating the adequacy of the accrued liability. Significant management judgments and estimates must be made and used in connection with the accrued balance in any accounting period. Actual results may differ from the amount and timing of the accrued balance for any period.

Restructuring Activities: In accordance with SFAS No. 146, the Company recognizes a liability for a cost associated with an exit or disposal activity and measures the amount of liability at its fair value in the period in which the liability is incurred.

Stock-Based Compensation Expense: On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123(R)") which requires the measurement and recognition of compensation expense for all share-based payment awards made to its employees and directors including employee stock options and employee stock purchases related to the 2004 Employee Stock Purchase Plan ("employee stock purchases") based on estimated fair values. The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company's fiscal year 2006. The Company's Consolidated Financial Statements as of and for the years ended December 31, 2007 and 2006 reflect the impact of SFAS 123(R). In accordance with the modified prospective transition method, the Company's Consolidated Financial Statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R).

RESULTS OF OPERATIONS

Fiscal Year Ended December 31, 2007 compared with Fiscal Year ended December 31, 2006

AVANT reported a net loss of $21,638,761, or $3.45 per share, for the year ended December 31, 2007, an increase of $1,264,829, or 6.2%, compared to a net loss of $20,373,932, or $3.29 per share, for the year ended December 31, 2006. The increase in net loss between periods was primarily due to increased operating expenses and decreased investment and other income, offset partially by increased revenues. The weighted average common shares outstanding used to calculate the net loss per common share was 6,265,504 in 2007 and 6,184,704 in 2006 after adjustment for a reverse stock split of 1-for 12.

Revenue

Total revenue increased $171,833, or 3.5%, to $5,102,930 in 2007 from $4,931,097 in 2006.

Product development and licensing revenue decreased $2,730,227 to $125,039 in 2007 from $2,855,266 in 2006. In February 2006, the European Commission granted approval of Rotarix® in the European Union, which triggered a one-time $4 million milestone payment from Glaxo, 50% of which was creditable against future royalties. Product development and licensing revenue of $2.6 million was recorded in the first quarter of 2006 and the remaining $1.4 million was remitted to PRF in accordance with the PRF agreement.

AVANT received a number of subcontracts from DVC to develop anthrax and plague vaccines for the U.S. Department of Defense. We were reimbursed by DVC on a time and materials basis for vaccine development research work performed by us. AVANT terminated its arrangements with DVC in the third quarter of 2007. Under these agreements and several SBIR grants, AVANT recognized $491,345 and $1,408,434 in government contract and grant revenue during 2007 and 2006, respectively. The decrease in revenue in 2007 compared to 2006 primarily reflects reduced levels of vaccine

development work billable to DVC in 2007 as AVANT closed down its biodefense development activities. Government grant revenue under an SBIR grant is expected in 2008.

In 2007, AVANT recognized $4,370,621 in product royalty revenue consisting of $2,334,382 related to PRF's purchased interest in Rotarix® net royalties and $2,036,239 related to AVANT's retained interests in Rotarix® net royalties which were not sold to PRF and which is equal to the amount payable to CCH by AVANT. As such, a corresponding amount is recorded as royalty expense and included in research and development expense. In 2006, AVANT recognized $550,803 in product royalty revenue related to PRF's purchased interests in the net royalties from Rotarix® worldwide net sales. AVANT expects the amount of product royalty revenue to increase in 2008 as Glaxo continues the global commercialization of Rotarix® with an expected launch in the United States. Product royalty payments received by AVANT for Megan®Vac 1 and Megan®Egg product sales in 2007 and 2006 totaled $115,924 and $116,597, respectively. We expect royalty payments from LAHI to remain at current levels in 2008.

Operating Expense

Total operating expense increased $659,535, or 2.4%, to $27,957,891 in 2007 compared to $27,298,356 in 2006. The increase in total operating expense in 2007 compared to 2006 is primarily due to increased research and development expenses as a result of increased royalty expense to CCH, increased clinical trial expense and increased general and administrative expenses.

Research and development expense increased $429,396, or 2.4%, to $18,495,788 in 2007 compared to $18,066,392 in 2006. The increase in 2007 compared to 2006 is primarily due to increased royalty expense of $1,436,239 payable to CCH for Rotarix® royalties received by AVANT. AVANT also experienced increases in clinical trials costs of $889,033 associated with the Ty800 Phase 1/2 clinical trial, increases in depreciation and amortization expenses of $613,190 due to the capitalization of leasehold improvements and new equipment purchased in connection with the renovation of our Needham facility and losses recorded on the disposal of equipment of $478,286. These increases were offset in part by decreases in research and development personnel and related costs of $471,451, consultant fees of $430,385, contract manufacturing costs of $1,583,693 and laboratory materials and, supplies of $519,531. We expect research and development expense to increase in 2008 as a result of the Celldex merger.

General and administrative expense increased $265,039, or 3.2%, to $8,501,891 in 2007 compared to $8,236,854 in 2006. The increase in 2007 is primarily attributed to increases in legal fees, professional and consultant fees of $1,090,346 and other shareholder expenses of $127,281 primarily associated with our proposed Merger with Celldex and facility-related costs of $299,306. These increases are partly offset by a decrease in stock-based compensation expense of $1,273,622 due to expenses recorded in connection with the acceleration of restricted stock units in 2006 and a decrease in patent expenses of $83,959. AVANT expects general and administrative expense to increase in 2008 as a result of the Celldex Merger.

Amortization expense of acquired intangible assets was $960,212 in 2007 and $995,110 in 2006.

Investment and Other Income, Net

Net investment and other income decreased $1,017,127, or 48.1%, to $1,096,200 in 2007 compared to $2,113,327 in 2006. During the quarter ended September 30, 2007, AVANT recognized a loss of $158,095 for the impairment of its investment in Select Vaccines that was determined to be other-than-temporary. The decrease is also due to lower average cash balances, offset in part by slightly higher interest rates during 2007 compared to 2006. During 2007 and 2006, the average month-end cash balances were approximately $25,324,200 and $45,468,900, respectively. The average effective interest rates during 2007 and 2006 were approximately 5.14% and 4.81%, respectively.

Provision for Income Taxes

The $40 million milestone payment received from PRF during the first quarter of 2006 resulted in taxable income for the Company. The regular taxable income generated by this transaction has been fully offset with available federal and state net operating loss carryforwards. The Company recorded a provision of $372,000 in the first quarter of 2006 for the alternative minimum tax that was estimated to result from receipt of this milestone. In the fourth quarter of 2006, the estimated provision was adjusted to $120,000. In the third quarter of 2007, AVANT made an adjustment to its estimated tax provision estimates of $120,000.

Fiscal Year Ended December 31, 2006 compared with Fiscal Year ended December 31, 2005

AVANT reported a net loss of $20,373,932, or $3.29 per share, for the year ended December 31, 2006, an increase of $2,277,363, or 12.6%, compared to a net loss of $18,096,569, or $2.93 per share, for the year ended December 31, 2005. The increase in net loss between periods was due to increased operating expenses, offset partially by increased revenues, investment and other income. The weighted average common shares outstanding used to calculate the net loss per common share was 6,184,704 in 2006 and 6,178,621 in 2005 after adjustment for a reverse stock split of 1-for 12.

Revenue

Total revenue increased $1,842,756, or 59.7%, to $4,931,097 in 2006 from $3,088,341 in 2005.

Product development and licensing revenue increased $2,613,174 to $2,855,266 in 2006 from $242,092 in 2005. In February 2006, the European Commission granted approval of Rotarix® in the European Union, which triggered a one-time $4 million milestone payment from Glaxo, 50% of which was creditable against future royalties. Product development and licensing revenue of $2.6 million was recorded in the first quarter of 2006 and the remaining $1.4 million was remitted to PRF in accordance with the PRF agreement. In the first quarter of 2006, AVANT recognized $550,803 in product royalty revenue related to PRF's purchased interests in the net royalties that AVANT receives from Rotarix® worldwide net sales.

AVANT received a number of subcontracts from DVC to develop anthrax and plague vaccines for the U.S. Department of Defense. We were reimbursed by DVC on a time and materials basis for vaccine development research work performed by us. AVANT terminated its arrangements with DVC in the third quarter of 2007. Under these agreements and several SBIR grants, AVANT recognized $1,408,434 and $2,719,651 in government contract and grant revenue during 2006 and 2005, respectively. The decrease in government contract and grant revenue in 2006 compared to 2005 primarily represents a decrease in the level of research work billable to DVC.

In 2002, AVANT transferred the marketing and distribution of the Megan poultry product line to its partner, LAHI. Product royalty payments received by AVANT for Megan®Vac 1 and Megan®Egg product sales in 2006 and 2005 totaled $116,594 and $126,598, respectively.

Operating Expense

Total operating expense increased $5,344,998, or 24.3%, to $27,298,356 in 2006 compared to $21,953,358 in 2005. The increase in total operating expense in 2006 compared to 2005 is primarily due to increased research and development expenses as a result of increased R&D personnel and related expenses, non-personnel operating and facility-related costs associated with a full year of operations of the Fall River facility and increased general and administrative expenses.

Research and development expense increased $4,003,097, or 28.5%, to $18,066,392 in 2006 compared to $14,063,295 in 2005. The increase in 2006 compared to 2005 is primarily due to $600,000 of license fee expense recorded in the first quarter of 2006 for amounts which will be payable to CCH

in connection with Glaxo's 2006 milestone payment. AVANT also experienced increases in research and development personnel and related costs of $1,883,416, consultant fees of $130,452, contract research costs of $354,856, other license fees of $148,566, contract manufacturing costs of $697,915 and non-personnel operating and facility-related costs of $1,143,906 associated with operations of the Fall River facility in 2006 compared to 2005. These increases were offset in part by a decrease in clinical trials costs of $1,552,123 as a result of the completion of the TP10 Phase 2b female clinical trial in 2005.

General and administrative expense increased $1,341,901, or 19.5%, to $8,236,852 in 2006 compared to $6,894,951 in 2005. The increase in 2006 is primarily attributed to increases in stock-based compensation expense of $934,669, professional and consultant fees of $349,999 primarily associated with audit, tax and Sarbanes-Oxley compliance, and investor relations expenses of $103,370. These increases are partly offset by a decrease in legal fees of $102,428.

Amortization expense of acquired intangible assets remained the same at $995,110 in 2006 and $995,112 in 2005.

Investment and Other Income, Net

Net investment and other income increased $1,344,879 to $2,113,327 in 2006 compared to $768,448 in 2005. The increase is primarily due to higher average interest rates and higher average cash balances during 2006 compared to 2005. During 2006 and 2005, the average month-end cash balances were approximately $45,468,900 and $25,600,800, respectively. The average effective interest rates during 2006 and 2005 were approximately 4.81% and 3.06%, respectively.

Provision for Income Taxes

The $40 million milestone payment received from PRF during the first quarter of 2006 will result in taxable income for AVANT. The regular taxable income generated by this transaction has been fully offset with available federal and state net operating loss carryforwards. AVANT recorded a provision of $120,000 in 2006 for the alternative minimum tax that will result from receipt of this milestone.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2007, AVANT's principal sources of liquidity consisted of cash and cash equivalents of $15,657,980 compared to cash and cash equivalents at December 31, 2006 of $40,911,539. AVANT's cash and cash equivalents are highly liquid investments with a maturity of three months or less at the date of purchase and consist of time deposits and investments in money market mutual funds with commercial banks and financial institutions. At December 31, 2007, all investments were in money market mutual funds. Also, AVANT maintains cash balances with financial institutions in excess of insured limits. AVANT does not anticipate any losses with respect to such cash balances.

The use of AVANT's cash flows for operations has primarily consisted of salaries and wages for its employees, facility and facility-related costs for its offices and laboratories, fees paid in connection with preclinical studies, clinical studies, contract manufacturing, laboratory supplies and services, consulting fees, and legal fees. To date, the primary sources of cash flows from operations have been payments received from AVANT's collaborative partners, from government entities and from financial institutions such as Paul Royalty Fund ("PRF"). In general, AVANT's sources of cash flows from operations for the foreseeable future will be upfront license payments, payments for the achievement of milestones, product royalty payments, payments under government contracts and grants, funded research and development under collaboration agreements that AVANT may receive and the monetization of future royalty payments by financial institutions such as PRF. The timing of any new collaboration agreements, government contracts or grants and any payments under these agreements, contracts or grants cannot be easily predicted and may vary significantly from quarter to quarter.

Net cash used by operating activities was $19,302,986 in 2007 compared to net cash provided by operating activities of $27,000,319 in 2006. The decrease is primarily attributed to the increase in net loss incurred in 2007 compared to 2006, the decrease in accounts payable and accrued expenses of $2.6 million due to timing of payments and the $40 million PRF milestone payment received in the first quarter of 2006. These amounts were offset partly by the decrease in prepaid and other current assets and the increase in deferred rent primarily related to the landlord tenant allowance for the Needham facility renovations project. As of the result of the Merger with Celldex, AVANT expects that cash used in operations will increase in 2008 as the combined company continues to develop its products in clinical trials, contracts for the manufacture of clinical materials, runs its Fall River facility at full operational status, makes license and royalty payments and advances new products into preclinical development. The expected increase in cash used would be partially offset by receipt of anticipated payments under AVANT's government grants and anticipated product royalty and milestone payments.

Net cash used in investing activities was $5,710,816 in 2007 compared to net cash used in investing activities of $9,309,790 in 2006. The decrease is due to decreased investment in property and equipment in 2007 as the Company completed its renovations of the Needham facility. AVANT expects to continue investing in capital expenditures in 2008 as it expands its Fall River facility to accommodate cell culture manufacturing requirements for the current Celldex products.

Net cash used in financing activities was $239,757 in 2007 compared to $198,424 in 2006. The increase in cash used in financing activities between years is due to the increase in payments of long-term liabilities.

In February 2007, AVANT entered into a research and development partnership with Select Vaccines, a public Australian biotechnology company, focused on the use of Select Vaccines' virus-like particles ("VLPs") as a platform technology for the development of viral vaccines. On November 1, 2007, AVANT notified Select Vaccines that, effective December 31, 2007, AVANT for strategic reasons was exercising its rights to terminate its Collaboration and License Agreement with Select Vaccines. During the quarter ended September 30, 2007, AVANT recognized $158,095 for the impairment of its investment in Select Vaccines that was determined to be other-than-temporary. In assessing whether the decline in fair value of the investment is other-than-temporary, AVANT has determined that it does not have sufficient positive evidence to conclude that the decline was temporary.

On April 16, 2007, AVANT initiated restructuring activities to reduce ongoing operational costs, following an extensive review of its operations and cost structure. The restructuring aimed to increase the focus of AVANT's resources upon key programs and core operational capabilities and to lower AVANT's overall cost structure. AVANT is concentrating its focus on building an enhanced portfolio of vaccines for global health and travelers around AVANT's core technologies, as well as its unique development and manufacturing capabilities. AVANT will no longer invest in biodefense research and development activities or further invest in clinical trials for its cardiovascular programs.

The restructuring resulted in a workforce reduction of approximately 30%. AVANT also exited from its St. Louis-based research facility by September 30, 2007, when the lease term expired and moved all essential research activities to its Needham, Massachusetts headquarters. The restructuring charges consisted of severance, payroll tax and extended benefits costs for terminated employees, as well as, salary continuation and retention bonus costs for certain St. Louis employees retained during the transition and closing process for the St. Louis facility. As of December 31, 2007, restructuring charges of $765,204 were recorded, of which $754,877 were recorded as research and development and $10,327 were recorded as general and administrative expense. Of the restructuring charge, $384,116 related to St. Louis benefit arrangements and $381,088 related to Needham and Fall River benefit arrangements. During the year ended December 31, 2007, $600,134 of restructuring costs were paid out and a balance of $165,070 of accrued restructuring costs remained at December 31, 2007. The cash impact of the remaining restructuring costs will be incurred primarily during the first quarter of 2008.

AVANT believes that cash inflows from existing collaborations, interest income on invested funds and its current cash and cash equivalents will be sufficient to meet estimated working capital requirements and fund operations beyond December 31, 2008. The working capital requirements of AVANT are dependent on several factors including, but not limited to, the costs associated with research and development programs, preclinical and clinical studies and the scope of collaborative arrangements. The amounts that we actually spend for each purpose may vary significantly depending on a number of factors, including the results from current and future clinical trials, the timing of any regulatory applications and approvals, and technological developments. Expenditures also will depend on the availability of funding or financings. We will continually evaluate our planned activities and any significant change in our activities or in the assumptions underlying our cash projections referred to above could result in a change to such cash projections.

During 2008, AVANT may take steps to raise additional capital including, but not limited to, the licensing of technology programs with existing or new collaborative partners, possible business combinations, or the issuance of common stock via private placement and public offering. If we do not raise additional funds in 2008, we may take one or more cost reducing measures, including further delays in some of our preclinical and clinical research and development programs and reduced investment in property and equipment. While we continue to seek capital through a number of means, there can be no assurance that additional financing will be available to us on acceptable terms, if at all, and our negotiating position in capital-raising efforts may worsen as we continue to use existing resources. There is also no assurance that we will be able to enter into further collaborative relationships. Additional equity financing may be dilutive to our stockholders; debt financing, if available, may involve significant cash payment obligations and covenants that restrict our ability to operate as a business; and licensing or strategic collaborations may result in royalties or other terms which reduce our economic potential from products under development.

On June 27, 2007, AVANT reported that its partner, Glaxo, had filed a marketing application for the Rotarix® vaccine with the United States Food and Drug Administration (FDA) during the second quarter of 2007. The terms of AVANT's agreement with PRF include a $10 million milestone payment on product launch in the United States, which AVANT now expects to receive in 2008 based on Glaxo's filing.

AGGREGATE CONTRACTUAL OBLIGATIONS

The following table summarizes AVANT's contractual obligations at December 31, 2007 and the effect such obligations and commercial commitments are expected to have on its liquidity and cash flow

in future years. These obligations, commitments and supporting arrangements represent payments based on current operating forecasts, which are subject to change:

	Total	2008	2009-2011	2012-2013	Thereafter
Contractual obligations:					
Operating lease obligations	$ 18,533,400	$ 1,780,900	$ 5,736,100	$ 4,127,400	$ 6,889,000
Loan payable*	1,313,300	123,600	377,300	228,800	583,600
Note payable*	564,100	162,400	401,700	—	—
Licensing obligations	810,000	80,000	240,000	160,000	330,000
Construction contracts	586,800	586,800	—	—	—
Restructuring costs	165,100	165,100	—	—	—
Total contractual obligations	$ 21,972,700	$ 2,898,800	$ 6,755,100	$ 4,516,200	$ 7,802,600
Commercial commitments:					
Clinical development	$ 619,600	$ 619,600	$ —	$ —	$ —
Manufacturing development	—	—	—	—	—
Total commercial commitments	$ 619,600	$ 619,600	$ —	$ —	$ —

* includes interest obligations

RECENT ACCOUNTING PRONOUNCEMENTS

SFAS 157: In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS 157 does not require any new fair value measurements. However, for some entities, the application of SFAS 157 will change current practice. SFAS 157 was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB deferred the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. We have not yet determined the effect if any that adopting SFAS 157 will have on AVANT's financial statements.

SFAS 159: In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—including an Amendment of FASB Statement No. 155* ("SFAS 159"), which permits entities to choose to measure many financial instruments and certain other items on an instrument-by-instrument basis under a fair value option. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We do not expect the adoption of SFAS 159 to have a material impact on AVANT's financial position and results of operations.

SFAS 141(R) and SFAS 160: In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS 141(R)") and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* ("SFAS 160"), which introduce significant changes in the accounting for and reporting of business acquisitions and noncontrolling interests in a subsidiary. SFAS 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption of both Statements is prohibited. We have not yet

determined the effect if any that adopting SFAS 141(R) and SFAS 160 will have on AVANT's financial statements.

EITF 07-3: In June 2007, the EITF reached consensus on EITF Issue No. 07-3, *Accounting for Advance Payments for Goods and Services to Be Used in Future Research and Development Activities* ("EITF 07-3"). EITF 07-3 states that non-refundable advance payments for future research and development activities should be capitalized until the goods have been delivered or the related services have been performed. EITF is effective for fiscal years beginning after December 15, 2007. Entities are to recognize the effects of EITF 07-3 prospectively for new contracts entered into after the effective date. The adoption of EITF 07-3 is not expected to have a material impact on AVANT's financial position and results of operations.

EITF 07-1: In December 2007, the EITF of the FASB reached a consensus on Issue No. 07-1, *Accounting for Collaborative Arrangements* ("EITF 07-1"). The EITF concluded on the definition of a collaborative arrangement and that revenues and costs incurred with third parties in connection with collaborative arrangements would be presented gross or net based on the criteria in EITF 99-19 and other accounting literature. Based on the nature of the arrangement, payments to or from collaborators would be evaluated and its terms, the nature of the entity's business, and whether those payments are within the scope of other accounting literature would be presented. Companies are also required to disclose the nature and purpose of collaborative arrangements along with the accounting policies and the classification and amounts of significant financial-statement amounts related to the arrangements. Activities in the arrangement conducted in a separate legal entity should be accounted for under other accounting literature; however required disclosure under EITF 07-1 applies to the entire collaborative agreement. EITF 07-1 is effective for annual periods beginning after December 15, 2007 and is to be applied retrospectively to all periods presented for all existing collaborative arrangements. We do not expect the adoption of EITF 07-1 to have a material impact on our consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS.

None.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We own financial instruments that are sensitive to market risk as part of our investment portfolio. Our investment portfolio is used to preserve our capital until it is used to fund operations, including our research and development activities. None of these market-risk sensitive instruments are held for trading purposes. We invest our cash primarily in money market mutual funds. These investments are evaluated quarterly to determine the fair value of the portfolio. Our investment portfolio includes only marketable securities with active secondary or resale markets to help insure liquidity. We have implemented investment policies regarding the amount and credit ratings of investments. Because of the short-term nature of these investments, we do not believe we have material exposure due to market risk. The impact to our financial position and results of operations from likely changes in interest rates is not material.

We do not utilize derivative financial instruments. See Note 1 to the Consolidated Financials Statements for a description of our use of other financial instruments. The carrying amounts reflected in the consolidated balance sheet of cash and cash equivalents, accounts receivables and accounts payable approximates fair value at December 31, 2007 due to the short-term maturities of these instruments.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Stockholders of
AVANT Immunotherapeutics, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive loss, of stockholders' equity (deficit) and of cash flows, present fairly, in all material respects, the financial position of AVANT Immunotherapeutics, Inc. and its subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 5 to the consolidated financial statements, the Company changed the manner in which it accounts for stock-based compensation in 2006.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
March 18, 2008

AVANT IMMUNOTHERAPEUTICS, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2007	December 31, 2006
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 15,657,980	$ 40,911,539
Accounts and Other Receivables	331,672	320,941
Prepaid and Other Current Assets	423,061	1,171,014
Total Current Assets	16,412,713	42,403,494
Property and Equipment, Net	16,440,677	13,967,800
Investment in Select Vaccines Limited	646,989	—
Intangible and Other Assets, Net	3,111,751	4,071,963
Goodwill	1,036,285	1,036,285
Total Assets	$ 37,648,415	$ 61,479,542
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 1,261,831	$ 2,552,089
Accrued Expenses	3,145,653	2,674,544
Current Portion of Deferred Revenue	4,846,052	4,380,074
Current Portion of Long-Term Liabilities	579,629	477,606
Total Current Liabilities	9,833,165	10,084,313
Deferred Revenue	42,270,431	45,069,123
Other Long-Term Liabilities	4,588,430	4,165,126
Commitments and Contingent Liabilities (Note 11)		
Stockholders' Equity (Deficit):		
Convertible Preferred Stock, 3,000,000 Shares Authorized; None Issued and Outstanding at December 31, 2007 and 2006(1)	—	—
Common Stock, $.001 Par Value 300,000,000 Shares Authorized; 6,200,699 Issued and 6,182,339 Outstanding at December 31, 2007; 6,200,239 Issued and 6,181,879 Outstanding at December 31, 2006(1)	6,201	6,200
Additional Paid-In Capital	258,992,916	258,628,831
Accumulated Other Comprehensive Income: Unrealized Gain	70,084	—
Less: 18,360 Common Treasury Shares at Cost at December 31, 2007 and 2006(1)	(227,646)	(227,646)
Accumulated Deficit	(277,885,166)	(256,246,405)
Total Stockholders' Equity (Deficit)	(19,043,611)	2,160,980
Total Liabilities and Stockholders' Equity	$ 37,648,415	$ 61,479,542

(1) Share amounts adjusted to reflect a reverse stock split of 1-for-12 effective March 7, 2008.

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

AVANT IMMUNOTHERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
REVENUE:			
Product Development and Licensing Agreements	$ 125,039	$ 2,855,266	$ 242,092
Government Contracts and Grants	491,345	1,408,434	2,719,651
Product Royalties	4,486,546	667,397	126,598
Total Revenue	5,102,930	4,931,097	3,088,341
OPERATING EXPENSE:			
Research and Development	18,495,788	18,066,392	14,063,295
General and Administrative	8,501,891	8,236,854	6,894,951
Amortization of Acquired Intangible Assets	960,212	995,110	995,112
Total Operating Expense	27,957,891	27,298,356	21,953,358
Operating Loss	(22,854,961)	(22,367,259)	(18,865,017)
Investment and Other Income, Net	1,096,200	2,113,327	768,448
Loss Before Provision for Income Taxes	(21,758,761)	(20,253,932)	(18,096,569)
Provision for Income Taxes	(120,000)	120,000	—
Net Loss	$ (21,638,761)	$ (20,373,932)	$ (18,096,569)
Basic and Diluted Net Loss Per Common Share(1)	$ (3.45)	$ (3.29)	$ (2.93)
Weighted Average Common Shares Outstanding—basic and diluted(1)	6,265,504	6,184,704	6,178,621
COMPREHENSIVE LOSS:			
Net Loss	$ (21,638,761)	$ (20,373,932)	$ (18,096,569)
Unrealized Gains on Investment in Select Vaccines Ltd.	70,084	—	—
Comprehensive Loss	$ (21,568,677)	$ (20,373,932)	$ (18,096,569)

(1) Adjusted to reflect a reverse stock split of 1-for-12 effective March 7, 2008.

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

AVANT IMMUNOTHERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	Shares(1)	Common Stock Par Value(1)	Additional Paid-In Capital(1)	Deferred Compensation	Other Comprehensive Income	Treasury Stock Cost	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance at December 31, 2004	**6,195,964**	**$ 6,196**	**$ 257,897,980**	**$ (1,493,000)**	**$ —**	**$ (227,646)**	**$ (217,775,904)**	**$ 38,407,626**
Shares Issued upon Exercise of Stock Options	2,531	3	34,624	—	—	—	—	34,627
Shares Issued upon Cashless Exercise of Warrants	45	—	—	—	—	—	—	—
Employee Stock Purchase Plan Issuances	384	—	5,439	—	—	—	—	5,439
Issuance of Restricted Stock Units	—	—	270,000	(270,000)	—	—	—	—
Amortization of Deferred Compensation	—	—	—	538,000	—	—	—	538,000
Net Loss	—	—	—	—	—	—	(18,096,569)	(18,096,569)
Balance at December 31, 2005	**6,198,924**	**$ 6,199**	**$ 258,208,043**	**$ (1,225,000)**	**$ —**	**$ (227,646)**	**$ (235,872,473)**	**$ 20,889,123**
Shares Issued upon Exercise of Stock Options	349	—	5,134	—	—	—	—	5,134
Employee Stock Purchase Plan Issuances	966	1	13,898	—	—	—	—	13,899
Share-Based Compensation	—	—	1,626,756	—	—	—	—	1,626,756
Reclassification of Deferred Compensation upon Adoption of FAS 123R	—	—	(1,225,000)	1,225,000	—	—	—	—
Net Loss	—	—	—	—	—	—	(20,373,932)	(20,373,932)
Balance at December 31, 2006	**6,200,239**	**$ 6,200**	**$ 258,628,831**	**$ —**	**$ —**	**$ (227,646)**	**$ (256,246,405)**	**$ 2,160,980**
Employee Stock Purchase Plan Issuances	460	1	4,542	—	—	—	—	4,543
Share-Based Compensation	—	—	359,543	—	—	—	—	359,543
Other Comprehensive Income	—	—	—	—	70,084	—	—	70,084
Net Loss	—	—	—	—	—	—	(21,638,761)	(21,638,761)
Balance at December 31, 2007	**6,200,699**	**$ 6,201**	**$ 258,992,916**	**$ —**	**$ 70,084**	**$ (227,646)**	**$ (277,885,166)**	**$ (19,043,611)**

(1) Adjusted to reflect a reverse stock split of 1-for-12 effective March 7, 2008.

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

AVANT IMMUNOTHERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
Cash Flows From Operating Activities:			
Net Loss	$ (21,638,761)	$ (20,373,932)	$ (18,096,569)
Adjustments to Reconcile Net Loss to Cash Provided by (Used in) Operating Activities:			
Depreciation and Amortization	2,687,365	2,095,617	1,591,659
Impairment of Investment in Select Vaccines Limited	158,095	—	—
Loss (Gain) on Impairment and Disposal of Assets	478,286	(14,854)	(1,150)
Stock-Based Compensation Expense	359,543	1,626,756	538,000
Changes in Assets and Liabilities			
Accounts and Other Receivables	286,769	97,439	1,811,970
Prepaid and Other Current Assets	747,953	(403,932)	(199,166)
Accounts Payable and Accrued Expenses	(819,149)	1,751,347	(1,618,686)
Deferred Revenue	(2,332,714)	39,449,197	9,988,296
Other Long-Term Liabilities—Deferred Rent	769,627	2,772,681	(30,984)
Net Cash Provided by (Used in) Operating Activities	(19,302,986)	27,000,319	(6,016,630)
Cash Flows From Investing Activities:			
Other Non Current Assets	—	—	1,000
Acquisition of Property and Equipment	(4,975,816)	(9,324,644)	(2,175,918)
Proceeds from Disposal of Assets	—	14,854	1,150
Investment in Select Vaccines Limited	(735,000)	—	—
Net Cash Used in Investing Activities	(5,710,816)	(9,309,790)	(2,173,768)
Cash Flows From Financing Activities:			
Net Proceeds from Stock Issuance	4,543	13,899	5,439
Proceeds from Exercise of Stock Options and Warrants	—	5,134	34,627
Payment of Loans and Note Payable	(244,300)	(217,457)	(171,728)
Net Cash Used in Financing Activities	(239,757)	(198,424)	(131,662)
Increase (Decrease) in Cash and Cash Equivalents	(25,253,559)	17,492,105	(8,322,060)
Cash and Cash Equivalents at Beginning of Period	40,911,539	23,419,434	31,741,494
Cash and Cash Equivalents at End of Period	$ 15,657,980	$ 40,911,539	$ 23,419,434
Supplemental Disclosure of Cash Flow Information			
Cash Paid for Interest	$ 98,613	$ 103,750	$ 108,408
Income Taxes Paid	—	400,000	—
Supplemental Non Cash Investing Activity			
Receivable from Sale of Fixed Assets	297,500	—	—

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Nature of Business and Overview

AVANT Immunotherapeutics, Inc. ("AVANT" or "the Company") is a biopharmaceutical company engaged in the discovery, development and commercialization of products that harness the human immune response to prevent and treat disease. AVANT has actively developed and acquired innovative technologies—especially novel approaches to vaccine creation—that harness the human immune system. The Company develops and commercializes products on a proprietary basis and in collaboration with established pharmaceutical partners and other collaborators, including GlaxoSmithKline plc, Pfizer Inc and Lohmann Animal Health International.

On October 22, 2007, AVANT and Celldex Therapeutics, Inc. ("Celldex"), a privately-held company, announced the signing of a definitive merger agreement (the "Merger"). On March 7, 2008, AVANT announced the completed Merger of Callisto Merger Corporation, a wholly owned subsidiary of AVANT, with and into Celldex. The Merger has created a NASDAQ-listed and diversified biopharmaceutical company with a pipeline of product candidates addressing high-value indications including oncology, infectious and inflammatory diseases.

AVANT's cash and cash equivalents at December 31, 2007 were $15,657,980. Its working capital at December 31, 2007 was $6,579,548. AVANT incurred a loss of $21,638,761 and net cash used in operations of $19,302,986 for the year ended December 31, 2007. AVANT believes that cash inflows from existing grants and collaborations, interest income on invested funds and our current cash and cash equivalents will be sufficient to meet estimated working capital requirements and fund operations beyond December 31, 2008. The working capital requirements of AVANT are dependent on several factors including, but not limited to, the costs associated with research and development programs, pre-clinical and clinical studies, manufacture of clinical materials and the scope of collaborative arrangements.

During 2008, AVANT may take steps to raise additional capital including, but not limited to, the licensing of technology programs with existing or new collaborative partners, possible business combinations, or the issuance of common stock via private placement and public offering. If AVANT does not raise additional funds in 2008, AVANT may take one or more cost reducing measures, including further delays in some of the preclinical and clinical research and development programs and reduced investment in property and equipment. While we continue to seek capital through a number of means, there can be no assurance that additional financing will be available on acceptable terms, if at all, and AVANT's negotiating position in capital-raising efforts may worsen as existing resources are used. There is also no assurance that AVANT will be able to enter into further collaborative relationships. Additional equity financing may be dilutive to AVANT's stockholders; debt financing, if available, may involve significant cash payment obligations and covenants that restrict AVANT's ability to operate as a business; and licensing or strategic collaborations may result in royalties or other terms which reduce AVANT's economic potential from products under development.

Rotarix® is now licensed in over 70 countries worldwide in addition to the European Union market. GlaxoSmithkline ("Glaxo") filed a Biologics License Application ("BLA") with the US Food and Drug Administration ("FDA") for United States market approval in 2007. On February 20, 2008, Rotarix® received a favorable recommendation from the FDA's Vaccines and Related Biological Products Advisory Committee. The committee's favorable recommendation, although not binding, will be considered by the FDA in its review of the BLA for the candidate vaccine, which is currently underway. U.S. approval triggers a $1.5 million milestone payment to AVANT from Glaxo, $750,000 of which AVANT will retain under AVANT's agreement with Paul Royalty Fund ("PRF"). The market

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

launch of Rotarix® by Glaxo in the U.S. market would result in a $10 million milestone payment to AVANT from PRF, which AVANT expects in the second half of 2008.

(B) Basis of Presentation

The consolidated financial statements include the accounts of AVANT Immunotherapeutics, Inc. and its wholly-owned subsidiaries, Megan Health, Inc. ("Megan") and Celldex Therapeutics, Inc. (formerly Callisto Merger Corporation ("Celldex")). All intercompany transactions have been eliminated.

(C) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term investments with original maturities of three months or less. Cash and cash equivalents are stated at cost, which approximates fair value. At December 31, 2007, all investments were in money market mutual funds.

Investments in marketable securities are accounted for in accordance with SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities". There were no outstanding investments in marketable securities at December 31, 2006. At December 31, 2007, AVANT had an investment with a fair value of $646,989 in the stock of Select Vaccines.

AVANT may invest its cash in debt instruments of financial institutions, government entities and corporations, and mutual funds. The Company has established guidelines relative to credit ratings, diversification and maturities to mitigate risk and maintain liquidity.

(D) Fair Value of Financial Instruments

AVANT enters into various types of financial instruments in the normal course of business. The carrying amounts of AVANT's cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair values due to the short-term nature of these financial instruments. The estimated fair value of long-term liabilities is discussed in Note 10.

(E) Revenue Recognition

AVANT has entered into various license and development agreements with pharmaceutical and biotechnology companies. The terms of the agreements typically include non-refundable license fees, funding of research and development, payments based upon achievement of certain milestones and royalties on net product sales. Non-refundable license fees are recognized as contract and license fee revenue when AVANT has a contractual right to receive such payments, provided a contractual arrangement exists, the contract price is fixed or determinable, the collection of the resulting receivable is reasonably assured and AVANT has no further performance obligations under the license agreement. When AVANT has performance obligations under the terms of a contact, non-refundable fees are recognized as revenue as AVANT completes its obligations. Where AVANT's level of effort is relatively constant over the performance period, the revenue is recognized on a straight-line basis. Revenue is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned, as determined using the straight-line basis, as of the period ending date. The determination of the performance period involves judgment on management's part. Funding of research and development is recognized over the term of the applicable contract as costs are incurred related to that contract.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues from milestone payments related to arrangements under which we have no continuing performance obligations are recognized upon achievement of the related milestone. Revenues from milestone payments related to arrangements under which we have continuing performance obligations are recognized as revenue upon achievement of the milestone only if all of the following conditions are met: the milestone payments are non-refundable; achievement of the milestone was not reasonably assured at the inception of the arrangement; substantive effort is involved in achieving the milestone; and, the amount of the milestone is reasonable in relation to the effort expended or the risk associated with achievement of the milestone. If any of these conditions are not met, the milestone payments are deferred and recognized as revenue over the term of the arrangement as AVANT completes its performance obligations.

Revenues from government contracts and grants are recorded as effort is expended on the contracted work and billed to the government. Product royalty revenue consists of payments received from licensees for a portion of sales proceeds from products that utilize AVANT's licensed technologies and are recognized when the amount of and basis for such royalty payments are reported to us in accurate and appropriate form and in accordance with the related license agreement. Payments received in advance of activities being performed are recorded as deferred revenue. Any significant changes in our estimates or assumptions could impact our revenue recognition.

Product royalties related to the sale of a royalty interest on the worldwide sales of Rotarix® to PRF is recognized as revenue in accordance with the guidance in EITF 88-18 "Sale of Future Revenues". Upfront unconditional and contingent payments for which the contingencies have been achieved have been recorded by AVANT as deferred revenue. Revenues will be recognized and calculated based on the ratio of total royalties received from Glaxo and remitted to PRF over expected total amounts to be received by PRF and then applying this percentage to the total cumulative consideration received from PRF to date. The expected total of payments to be paid to PRF is an estimate which AVANT will update from time to time to determine that the estimate continues to be reasonable in the light of then current events and circumstances.

Effective July 1, 2003, we adopted EITF 00-21, *Accounting For Revenue Arrangements with Multiple Deliverables*, which establishes criteria for whether revenue on a deliverable can be recognized separately from other deliverables in a multiple deliverable arrangement. The criteria considers whether the delivered item has stand-alone value to the customer, whether the fair value of the delivered item can be reliably determined and the customer's right of return for the delivered item.

(F) Research and Development Costs

Research and development costs, including internal and contract research costs, are expensed as incurred.

(G) Trade and Other Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. AVANT has not historically experienced credit losses from its trade accounts receivable and therefore have not established an allowance for doubtful accounts. The Company does not have any off-balance-sheet credit exposure related to its customers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts and other receivables consist of the following:

	December 31, 2007	December 31, 2006
Trade Receivables	$ 5,957	$ 183,830
Other Receivables	325,715	137,111
	$ 331,672	$ 320,941

Other receivables at December 31, 2007 represent interest receivable from a bank and a receivable of $297,500 from the sale of equipment. Other receivables at December 31, 2006 represent interest receivable from a bank.

(H) Long-Lived Assets:

In the ordinary course of our business, we incur substantial costs to construct property and equipment. The treatment of costs to construct these assets depends on the nature of the costs and the stage of construction. Costs incurred in the project planning and design phase, and in the construction and installation phase, are capitalized as part of the cost of the asset. We stop capitalizing costs when the asset is substantially complete and ready for its intended use.

For manufacturing property and equipment, we also capitalize the cost of validating these assets for the underlying manufacturing process. We complete the capitalization of validation costs when the asset is substantially complete and ready for its intended use. Costs capitalized include incremental labor and fringe benefits, and direct consultancy services.

Property and equipment is stated at cost and depreciated over the estimated useful lives of the related assets using the straight-line method. Laboratory equipment and office furniture and equipment are depreciated over a five year period and computer equipment is depreciated over a three year period. Manufacturing equipment is amortized over a seven to ten year period. Leasehold improvements are amortized over the shorter of the estimated useful life or the noncancelable term of the related lease, including any renewals that are reasonably assured of occurring. Property and equipment under construction is classified as construction in progress and is depreciated or amortized only after the asset is placed in service. Expenditures for maintenance and repairs are charged to expense whereas the costs of significant improvements which extend the life of the underlying asset are capitalized. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are eliminated and the related gains or losses are reflected in net income.

(I) Accounting for the Impairment of Long-Lived Assets:

We periodically evaluate our long-lived assets for potential impairment under SFAS No. 144. We perform these evaluations whenever events or changes in circumstances suggest that the carrying amount of an asset or group of assets is not recoverable. Indicators of potential impairment include:

- a significant change in the manner in which an asset is used;
- a significant decrease in the market value of an asset;
- a significant adverse change in its business or the industry in which it is sold; and
- a current period operating cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the asset.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If we believe an indicator of potential impairment exists, we test to determine whether impairment recognition criteria in SFAS No. 144 have been met. We charge impairments of the long-lived assets to operations if our evaluations indicate that the carrying value of these assets is not recoverable.

(J) Accounting for Patent Costs:

Patent costs are expensed as incurred. Certain patent costs are reimbursed by our product development and licensing partners. Any reimbursed patent costs are recorded as product development and licensing agreement revenues in our financial statements.

(K) Interest Capitalization

AVANT capitalizes interest cost as part of the historical cost of acquiring certain assets during the period of time required to get the asset ready for its intended use. The amount of capitalized interest is limited to the amount of interest incurred by AVANT. In 2007 and 2006, AVANT capitalized interest costs of $54,396 and $92,240, respectively, incurred in financing leasehold improvements and laboratory and manufacturing equipment at its Needham and Fall River facilities. The total amount of interest costs incurred by AVANT in 2007 and 2006 were $90,362 and $102,720, respectively.

(L) Operating Leases

The Company presently has two facilities which are located at Needham and Fall River, Massachusetts under non-cancellable operating lease agreements for office, laboratory and manufacturing space. Effective September 30, 2007, AVANT closed its operations in Overland, Missouri. The rent payments for the two locations escalate over the lease term. The Company expenses its obligations under these lease agreements on a straight-line basis over the term of each lease, including any renewals that are reasonably assured of occurring.

(M) Intangible Assets

AVANT has acquired intangible assets, which include core technology, developed technology and a strategic partner agreement, through the acquisition of Megan and UPT. These acquired intangible assets are being amortized on a straight-line basis over their estimated lives which range from 5 to 17 years. The determination of the amortization period involves estimates and judgments on management's part. Any significant changes in our estimates or assumptions could impact the carrying value of acquired intangible assets. The Company evaluates the recoverability of these assets when facts and circumstances suggest the asset could be impaired in accordance with Statement of Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment of Long-Lived Assets".

(N) Loss Per Share

AVANT computes and reports earnings per share in accordance with the provisions of SFAS No. 128, "Earnings Per Share". The computations of basic and diluted loss per common share are based upon the weighted average number of common shares outstanding and potentially dilutive securities. Potentially dilutive securities include stock options, restricted stock units and warrants. Options and warrants to purchase 356,264, 310,665 and 284,950 shares of common stock and Restricted Stock Units totaling 0, 0, and 83,333 shares were not included in the 2007, 2006 and 2005 computation of diluted net loss per share, respectively, because inclusion of such shares would have an anti-dilutive effect on net loss per share. In 2007 and 2006, restricted stock units totaling 83,333 shares were

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

included in the computation of diluted net loss per share as they were deemed contingently issuable shares. Share amounts shown on the consolidated balance sheets and share amounts and basic and diluted net loss per share amounts shown on the consolidated statements of operations and comprehensive loss have been adjusted to reflect a reverse stock split of 1-for-12 effective March 7, 2008.

(O) Comprehensive Loss

Comprehensive loss is comprised of two components, net loss and other comprehensive income. During the year ended December 31, 2007, AVANT recorded other comprehensive income of $70,084 related to unrealized gains in its investment in Select Vaccines Limited. For the years ended December 31, 2006 and 2005, AVANT had no other comprehensive income.

(P) Foreign Currency Transactions

Expenses incurred in foreign currencies are translated at exchange rates in effect during each period. Gains and losses from foreign currency translations are included in investment and other income, net in the statements of operations. In 2007, 2006 and 2005, AVANT recorded foreign currency transaction losses of $7,743, $49,956 and $2,223, respectively.

(Q) Stock-Based Compensation

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123(R)") which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to the Employee Stock Purchase Plan ("employee stock purchases") based on estimated fair values. The Company adopted SFAS 123(R) using the modified prospective transition method. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 ("SAB 107") relating to SFAS 123(R). The Company has also applied the provisions of SAB 107 in its adoption of SFAS 123(R).

SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's Consolidated Statement of Operations. Prior to the adoption of SFAS 123(R), the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Under the intrinsic value method, no stock-based compensation expense had been recognized in the Company's Consolidated Statement of Operations because the exercise price of the Company's stock options granted to employees and directors equaled the fair market value of the underlying stock at the date of grant.

Stock-based compensation expense recognized in the Company's Consolidated Statement of Operations for the years ended December 31, 2007 and 2006 included compensation expense for share-based payment awards granted prior to, but not yet vested as of January 1, 2006 based on the grant date fair value estimated in accordance with the provisions of SFAS 123 and compensation expense for the share-based payment awards granted subsequent to January 1, 2006 based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). In conjunction with the adoption of

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SFAS 123(R), compensation expense for all share-based payment awards granted prior to January 1, 2006 will continue to be recognized using the straight-line method and compensation expense for all share-based payment awards granted subsequent to January 1, 2006 will also be recognized using the straight-line method. As stock-based compensation expense recognized in the Consolidated Statement of Operations for fiscal years 2007 and 2006 are based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the Company's pro forma information required under SFAS 123 for the periods prior to fiscal 2006, the Company accounted for forfeitures as they occurred.

Upon adoption of SFAS 123(R), the Company retained its method of valuation for share-based awards granted using the Black-Scholes option-pricing model ("Black-Scholes model") which was previously used for the Company's pro forma information required under SFAS 123. The Company's determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

See Note 5 for additional information.

(R) Restructuring Activities

In accordance with SFAS No. 146, the Company recognizes a liability for a cost associated with an exit or disposal activity and measures the amount of liability at its fair value in the period in which the liability is incurred.

(S) Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

(T) Segments

Management uses consolidated financial information in determining how to allocate resources and assess performance. For this reason, AVANT has determined that it is engaged in one industry segment. Substantially all of AVANT's revenue since inception has been generated in the United States and all of our assets are in the United States.

(U) Recent Pronouncements

SFAS 157: In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS 157 does not require any new fair value measurements. However, for some entities, the application of SFAS 157 will change current practice. SFAS 157 was effective for financial statements issued for fiscal years beginning after November 15,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2007, and interim periods within those fiscal years. In February 2008, the FASB deferred the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. We have not yet determined the effect if any that adopting SFAS 157 will have on the Company's financial statements.

SFAS 159: In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—including an Amendment of FASB Statement No. 155* ("SFAS 159"), which permits entities to choose to measure many financial instruments and certain other items on an instrument-by-instrument basis under a fair value option. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We do not expect the adoption of SFAS 159 to have a material impact on AVANT's financial position and results of operations.

SFAS 141(R) and SFAS 160: In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS 141(R)") and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* ("SFAS 160"), which introduce significant changes in the accounting for and reporting of business acquisitions and noncontrolling interests in a subsidiary. SFAS 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption of both Statements is prohibited. We have not yet determined the effect if any that adopting SFAS 141(R) and SFAS 160 will have on the Company's financial statements.

EITF 07-3: In June 2007, the EITF reached consensus on EITF Issue No. 07-3, *Accounting for Advance Payments for Goods and Services to Be Used in Future Research and Development Activities* ("EITF 07-3"). EITF 07-3 states that non-refundable advance payments for future research and development activities should be capitalized until the goods have been delivered or the related services have been performed. EITF is effective for fiscal years beginning after December 15, 2007. Entities are to recognize the effects of EITF 07-3 prospectively for new contracts entered into after the effective date. The adoption of EITF 07-3 is not expected to have a material impact on AVANT's financial position and results of operations.

EITF 07-1: In December 2007, the EITF of the FASB reached a consensus on Issue No. 07-1, *Accounting for Collaborative Arrangements* ("EITF 07-1"). The EITF concluded on the definition of a collaborative arrangement and that revenues and costs incurred with third parties in connection with collaborative arrangements would be presented gross or net based on the criteria in EITF 99-19 and other accounting literature. Based on the nature of the arrangement, payments to or from collaborators would be evaluated and its terms, the nature of the entity's business, and whether those payments are within the scope of other accounting literature would be presented. Companies are also required to disclose the nature and purpose of collaborative arrangements along with the accounting policies and the classification and amounts of significant financial-statement amounts related to the arrangements. Activities in the arrangement conducted in a separate legal entity should be accounted for under other accounting literature; however required disclosure under EITF 07-1 applies to the entire collaborative agreement. EITF 07-1 is effective for annual periods beginning after December 15, 2007 and is to be applied retrospectively to all periods presented for all existing collaborative arrangements. We do not expect the adoption of EITF 07-1 to have a material impact on our consolidated financial statements.

2. PROPERTY, EQUIPMENT AND LEASES

Property and equipment includes the following:

	December 31, 2007	December 31, 2006
Laboratory Equipment	$ 4,345,049	$ 3,631,247
Manufacturing Equipment	1,978,346	1,842,017
Office Furniture and Equipment	1,282,698	992,076
Leasehold Improvements	13,562,370	5,202,366
Construction in Progress	388,842	7,668,904
Total Property and Equipment	21,557,305	19,336,610
Less Accumulated Depreciation	(5,116,628)	(5,368,810)
	$ 16,440,677	$ 13,967,800

During 2007 and 2006, AVANT wrote off approximately $1,966,097 and $1,373,222, respectively, of fully depreciated property and equipment no longer used in its operations. AVANT recorded a loss of $478,286 on disposal of fixed assets during 2007. AVANT recorded a gain on disposal of other fixed assets of $14,854 in 2006. Depreciation expense related to equipment and leasehold improvements was approximately $1,727,153, $1,100,349 and $596,547 for the years ended December 31, 2007, 2006 and 2005, respectively.

3. GOODWILL, INTANGIBLE AND OTHER ASSETS

Goodwill: AVANT has concluded that it currently has one reporting unit and has assigned the entire balance of goodwill to this reporting unit for purposes of performing its annual impairment test in accordance with SFAS 142. The fair value of the reporting unit was determined using AVANT's market capitalization as of July 1, 2007 and 2006, adjusted for a control premium. The fair value on July 1, 2007 and 2006 exceeded the net assets of the reporting unit, including goodwill. Accordingly, AVANT concluded that no impairment existed as of these dates.

Intangible and Other Assets: Intangible and other assets include the following:

		December 31, 2007			December 31, 2006		
	Estimated Lives	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets
Intangible Assets:							
Collaborative Relationships	5 years	1,090,000	(1,090,000)	—	1,090,000	(1,090,000)	—
Core Technology	10 years	3,786,900	(2,265,740)	1,521,160	3,786,900	(1,887,046)	1,899,854
Developed Technology	7 years	3,263,100	(3,263,100)	—	3,263,100	(2,832,400)	430,700
Strategic Partner Agreement	17 years	2,563,900	(1,068,290)	1,495,610	2,563,900	(917,472)	1,646,428
Total Intangible Assets		10,703,900	(7,687,130)	3,016,770	10,703,900	(6,726,918)	3,976,982
Other Non Current Assets		94,981	—	94,981	94,981	—	94,981
		$ 10,798,881	$ (7,687,130)	$ 3,111,751	$ 10,798,881	$ (6,726,918)	$ 4,071,963

3. GOODWILL, INTANGIBLE AND OTHER ASSETS (Continued)

All of AVANT's intangible assets are amortized over their useful lives. Total amortization expense for intangible assets for the years ended December 31, 2007, 2006 and 2005 was $960,212, $995,110 and $995,112, respectively.

The estimated future amortization expense of intangible assets as of December 31, 2007 and for the five succeeding years is as follows:

Year ending December 31,	Estimated Amortization Expense
2008	$ 529,512
2009	529,512
2010	514,622
2011	350,822
2012	350,782

4. ACCRUED EXPENSES

Accrued expenses are comprised of amounts owed to employees, vendors, and suppliers for work performed on behalf of us. At each period end the Company evaluates the accrued expense balance related to these activities based upon information received from the supplier and estimated progress toward completion of objectives to ensure that the balance is appropriately stated. Such estimates are subject to changes as additional information becomes available. Accrued expenses include the following:

	December 31, 2007	December 31, 2006
Accrued License Fees	$ 368,804	$ 416,122
Accrued Payroll and Employee Benefits	657,408	678,459
Accrued Clinical Trials	270,765	263,220
Accrued Manufacturing Expenses	—	281,035
Accrued Professional Fees	320,322	131,413
Accrued Restructuring Expenses	153,726	—
Accrued Facility Renovation Expenses	547,246	667,124
Other Accrued Expenses	827,381	237,171
	$ 3,145,652	$ 2,674,544

5. EMPLOYEE STOCK BENEFIT PLANS

Except as otherwise noted, references to the number of shares of common stock, stock options and warrants, exercise prices of stock options and warrants, common stock prices, and other share and per share data or amounts have not been adjusted to reflect the one-for-twelve reverse stock split effected on March 7, 2008. In addition, all references to each outstanding option to purchase shares of AVANT common stock under the 1999 Stock Option and Incentive Plan, whether vested or unvested, terminated under their terms on March 7, 2008 in connection with the consummation of the Merger and such options are of no further force and effect.

5. EMPLOYEE STOCK BENEFIT PLANS (Continued)

Restricted Stock Unit Awards

In September 2005, November 2004 and September 2003, the Company awarded restricted stock units to Dr. Una Ryan, its President and CEO, and determined the value of the restricted stock unit awards to be $270,000, $832,000 and $1,104,000, respectively, based on the closing price of AVANT's common stock on the award date. The value of the restricted stock units was amortized over the remaining months until Dr. Ryan attained age 65 in December 2006, and was recorded as compensation expense. In connection with the award, the Company has recognized $0, $1,225,000 and $538,000 as stock-based compensation expense in the Consolidated Statements of Operations for the year ended December 31, 2007, 2006 and 2005, respectively.

Employee Stock Purchase Plan

The 2004 Employee Stock Purchase Plan (the "2004 Plan") was adopted on May 13, 2004. All full time employees of AVANT are eligible to participate in the 2004 Plan. A total of 150,000 shares of common stock are reserved for issuance under the 2004 Plan. Under the 2004 Plan, each participating employee may contribute up to 15% of his or her compensation to purchase up to 500 shares of common stock per year in any six-month offering period and may withdraw from the offering at any time before stock is purchased. Participation terminates automatically upon termination of employment. The purchase price per share of common stock in an offering is 85% of the lower of its fair market value at either the beginning of the offering period or the applicable exercise date. During the years ended December 31, 2007 and 2006, the Company issued 5,518 and 11,592 shares, respectively, under the 2004 Plan. Shares purchased under the plan are issued in the month following the end of each offering period. At December 31, 2007, 121,239 shares were available for issuance under the 2004 Plan.

The 2004 Plan is a compensatory plan under SFAS 123R. The requisite service period for compensation cost resulting from the 2004 Plan is the period over which the employee participates in the plan and pays for the shares. AVANT has historically established two purchase periods during each year—January 1 to June 30 and July 1 to December 31. The requisite service period begins on the enrollment date (the start of the offering period) and ends on the purchase date and is determined to be six months.

Employee Stock Option Plans

Stock Option Plan Description

On May 6, 1999, AVANT's 1999 Stock Option and Incentive Plan (the "1999 Plan") was adopted. The 1999 Plan replaced the Amended and Restated 1991 Stock Compensation Plan, which was an amendment and restatement of AVANT's 1985 Incentive Option Plan. The 1999 Plan permits the granting of incentive stock options (intended to qualify as such under Section 422A of the Internal Revenue Code of 1986, as amended), non-qualified stock options, stock appreciation rights, performance share units, restricted stock and other awards of restricted stock in lieu of cash bonuses to employees, consultants and outside directors.

The 1999 Plan, as amended in 2002, allows for a maximum of 3,500,000 shares of common stock to be issued prior to May 6, 2009. The Board of Directors determines the term of each option, option price, and number of shares for which each option is granted and the rate at which each option vests.

5. EMPLOYEE STOCK BENEFIT PLANS (Continued)

The Board of Directors has granted employee stock option awards with four-year vesting periods. The term of each option cannot exceed ten years (five years for options granted to holders of more than 10% of the voting stock of AVANT) and the exercise price of stock options cannot be less than the fair market value of the common stock at the date of grant (110% of fair market value for incentive stock options granted to holders of more than 10% of the voting stock of AVANT). Vesting of all employee stock option awards is accelerated upon a change in control as defined in the 1999 Plan.

The 1999 Plan also provides for the automatic grant of non-qualified stock options to non-employee directors. Each non-employee director who is serving as a director of the Company on the fifth business day after each annual meeting of stockholders will automatically be granted on such day a non-qualified stock option to acquire 10,000 shares of common stock. The exercise price of each such non-qualified stock option is the fair market value of common stock on the date of grant. Each such non-qualified stock option is exercisable on the first anniversary of the grant date. Such non-qualified stock options will expire ten years from the date of grant. The 1999 Plan also provides for discretionary grants of non-qualified stock options to non-employee directors. Vesting of all non-employee director stock option awards is accelerated upon a change in control as defined in the 1999 Plan.

On November 17, 2005, pursuant to and in accordance with the recommendation of the Compensation Committee, the Board of Directors of AVANT approved full acceleration of the vesting of otherwise unvested stock options that had an exercise price of $2.00 or greater granted under the 1999 Plan that were held by employees, officers and non-employee directors. As a result of the Board of Directors' action, a total of 265,935 of such "out-of-the-money" unvested stock options, having a weighted average exercise price of $2.37 per share, became exercisable effective November 17, 2005, rather than the later dates when such options would have vested in the normal course. The Company determined the value of the "out-of-the-money" unvested stock options to be $360,100. This action was taken in accordance with the applicable provisions of the 1999 Plan. The Board's decision to accelerate the vesting of these "out-of-the-money" stock options was made primarily to reduce compensation expense that otherwise would be recorded in future periods following AVANT's adoption in the first quarter of 2006 of SFAS 123R.

5. EMPLOYEE STOCK BENEFIT PLANS (Continued)

General Option Information

A summary of stock option activity for the year ended December 31, 2007 is as follows:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in Years)
Outstanding at January 1,	3,281,154	$ 2.40	3.79
Granted	465,450	1.26	
Exercised	—	—	
Canceled/Forfeited	(388,920)	1.68	
Expired	(526,956)	2.54	
Outstanding at December 31,	2,830,728	$ 2.29	4.33
Ending Vested and Expected to Vest at December 31, 2007	2,705,935	$ 2.32	4.14

	2007	2006	2005
At December 31,			
Options exercisable	2,238,133	2,458,772	2,584,971
Available for grant	863,675	1,425,453	1,861,215
Weighted average fair value of options granted during year	$ 0.89	$ 1.45	$ 1.22

The following tables summarize information about the stock options outstanding at December 31, 2007:

	Options Outstanding		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price per Share
$ 0.55 - 1.31	503,600	3.49	$ 1.19
1.33 - 1.41	286,100	8.11	1.36
1.41 - 1.88	347,427	2.73	1.73
1.90 - 1.97	356,625	3.76	1.95
2.04 - 2.08	365,526	7.74	2.05
2.10 - 2.41	431,250	2.11	2.34
2.59 - 2.99	344,950	4.82	2.84
3.80 - 6.63	68,250	2.02	5.52
8.19 - 8.19	2,500	2.24	8.19
8.53 - 8.53	124,500	2.88	8.53
$ 0.55 - 8.53	2,830,728	4.33	$ 2.29

5. EMPLOYEE STOCK BENEFIT PLANS (Continued)

	Options Exercisable	
Range of Exercise Prices	Number Exercisable	Weighted Average Exercise Price per Share
$ 0.55 - 1.31	435,700	$ 1.24
1.33 - 1.41	31,950	1.40
1.41 - 1.88	332,716	1.74
1.90 - 1.97	306,438	1.95
2.04 - 2.08	160,441	2.06
2.10 - 2.41	430,688	2.34
2.59 - 2.99	344,950	2.84
3.80 - 6.63	68,250	5.52
8.19 - 8.19	2,500	8.19
8.53 - 8.53	124,500	8.53
$ 0.55 - 8.53	2,238,133	$ 2.48

The aggregate intrinsic value of options outstanding at December 31, 2007 was insignificant. The weighted average remaining contractual life of options exercisable at December 31, 2007 was 3.28 years.

Valuation and Expense Information under SFAS 123(R)

The following table summarizes stock-based compensation expense related to employee and non-employee director stock options, employee stock purchases and restricted stock unit awards under SFAS 123(R) for the year ended December 31, 2007 and 2006 which was allocated as follows:

	Year Ended December 31, 2007	Year Ended December 31, 2006
Research and development	$ 160,496	$ 154,088
General and administrative	199,047	1,472,668
Total stock-based compensation expense	$ 359,543	$ 1,626,756

Stock-based compensation expense recognized for the years ended December 31, 2007, 2006, and 2005 included $0, $1,225,000 and $538,000, respectively, related to restricted stock unit awards, all of which were allocated to general and administrative expenses.

Based on basic and diluted weighted average common shares outstanding of 6,265,504 for 2007 and 6,184,704 for 2006 after adjustment for a reverse stock split of 1-for-12. The effect of stock-based compensation expense recorded under SFAS 123R for fiscal 2007 and 2006 on earnings per share was $0.06 and $0.26, respectively.

5. EMPLOYEE STOCK BENEFIT PLANS (Continued)

The table below reflects the pro forma information for the years ended December 31, 2005 as follows:

	2005
Net Loss:	
As reported	$ 18,096,569
Less: Stock-based employee compensation expense as reported	(538,000)
Add: Total stock-based employee compensation expense determined under fair value based method for all awards	1,329,300
Pro forma	$ 18,887,869
Basic and Diluted Net Loss Per Share(1):	
As reported	$ 2.93
Pro forma	$ 3.06

(1) Adjusted to reflect a reverse stock split of 1-for-12 effective March 7, 2008.

The total fair value of stock options vested during the year ended December 31, 2007 was $408,827.

As of December 31, 2007, total compensation cost related to non-vested stock options not yet recognized was $641,540, net of estimated forfeitures, which is expected to be recognized as expense over a weighted average period of 1.73 years.

The fair values of employee stock options granted were valued using the Black-Scholes model with the following assumptions:

	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
Expected stock price volatility (employees)	73–74%	76–85%	80–85%
Expected stock price volatility (non-employee directors)	61–73%	76–80%	80–85%
Expected option term (employees)	6.25 Years	6.25 Years	4.5–5 Years
Expected option term (non-employee directors)	5.5 Years	5.5 Years	4.5–5 Years
Risk-free interest rate	3.2–5.2%	4.3–5.2%	3.6–4.6%
Expected dividend yield	None	None	None

The Company used its daily historical stock price volatility consistent with the expected term of grant as the basis for its expected volatility assumption in accordance with SFAS 123(R) and SAB 107 for its employee and non-employee director stock options and employee stock purchases. Prior to fiscal 2006, the Company had also used its daily historical stock price volatility in accordance with SFAS 123 for purposes of its pro forma information. The Company has assessed that its historical volatility is representative of expected future stock price trends.

5. EMPLOYEE STOCK BENEFIT PLANS (Continued)

The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of the Company's employee and non-employee director stock options and employee stock purchases. The dividend yield assumption is based on the Company's history of zero dividend payouts and expectation that no dividends will be paid in the foreseeable future.

The Company has elected to follow the guidance of SAB 107 and adopt this simplified method in determining the expected term for its stock option awards. There were 80,000 stock option grants to non-employee directors during the year ended December 31, 2007.

The Company has not recognized any tax benefits or deductions related to the tax effects of employee stock-based compensation as the Company carries a full deferred tax asset valuation allowance and has significant net operating loss carryforwards available.

6. INCOME TAXES

The $40 million milestone payment received from Paul Royalty Fund II, L.P. ("PRF") during the first quarter of 2006 resulted in taxable income for the Company. The regular taxable income generated by this transaction was fully offset against available federal and state net operating loss carryforwards. The Company recorded a provision of $372,000 in the first quarter of 2006 for the alternative minimum tax that was estimated to result from receipt of this milestone. In the fourth quarter of 2006, the estimated provision was adjusted to $120,000. In the third quarter of 2007, AVANT made an adjustment to its tax provision estimates of $120,000 after determining that no alternative minimum tax will be due on the transaction.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement 109* ("FIN 48"). This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company's financial statements. The Company adopted FIN No. 48 on January 1, 2007. The implementation of FIN No. 48 did not have a material impact on the Company's consolidated financial statements, results of operations or cash flows. At the adoption date of January 1, 2007, and also at December 31, 2007, the Company had no unrecognized tax benefits. The Company has not, as yet, conducted a study of its research and development credit carryforwards. This study may result in an adjustment to the Company's research and development credit carryforwards, however, until a study is completed and any adjustment is known, no amounts are being presented as an uncertain tax position under FIN 48. A full valuation allowance has been provided against the Company's research and development credits and, if an adjustment is required, this adjustment would be offset by an adjustment to the valuation allowance. Thus, there would be no impact to the consolidated balance sheet or statement of operations if an adjustment were required.

As of December 31, 2007, AVANT had federal net operating loss and tax credit carryforwards of approximately $158,897,000 and $8,675,000, respectively, and state net operating loss and credit carryforwards of approximately $29,989,000 and $5,801,000, respectively, which may be available to offset future federal and state income tax liabilities and that expire at various dates from 2008 through 2027. Utilization of the net operating loss ("NOL") and research and development ("R&D") credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations that have occurred previously or that could occur in the future provided by Section 382 of the Internal

6. INCOME TAXES (Continued)

Revenue Code of 1986, as well as similar state provisions. These ownership changes may limit the amount of NOL and R&D credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period. Since the Company's formation, the Company has raised capital through the issuance of capital stock on several occasions (both pre and post initial public offering) which, combined with the purchasing shareholders' subsequent disposition of those shares, may have resulted in a change of control, as defined by Section 382, or could result in a change of control in the future upon subsequent disposition. The Company has completed a study to assess whether changes of control have occurred which would limit the Company's utilization of its NOL or R&D credit carryforwards. Based on this study, management has preliminarily concluded that there are no significant limitations. The Company does not expect to have taxable income for the foreseeable future. AVANT believes its Merger with Celldex may generate an ownership change that could further affect the limitation in future years.

Massachusetts and Missouri are the two states in which the Company has operated and has income tax nexus. Open federal and state return years subject to examination by major tax jurisdictions include the tax years ended December 31, 2004, 2005 and 2006. Carryforward attributes that were generated prior to 2004 may still be adjusted upon examination by the IRS if they either have been or will be used in a future period. The Company is currently not under examination by the Internal Revenue Service or any other jurisdictions for any tax years.

The Company's policy is to recognize interest and penalties related to uncertain tax positions in income tax expense. There have been no interest or penalties recognized in the consolidated statement of operations and on the consolidated balance sheet as a result of FIN 48 calculations. The Company has not recorded any interest and penalties on any unrecognized tax benefits since its inception.

	Year Ended December 31,		
	2007	2006	2005
Income tax benefit (provision):			
Federal	$ 8,255,100	$ 7,923,800	$ 6,907,000
State	1,956,700	1,761,000	1,436,200
	10,211,800	9,684,800	8,343,200
Deferred tax valuation allowance	(10,211,800)	(9,684,800)	(8,343,200)
	$ —	$ —	$ —

Deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and tax basis of assets and liabilities using future expected enacted rates. A valuation allowance is recorded against deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized.

6. INCOME TAXES (Continued)

The principal components of the deferred tax assets and liabilities at December 31, 2007 and 2006, respectively, are as follows:

	December 31, 2007	December 31, 2006
Gross Deferred Tax Assets		
Net Operating Loss Carryforwards	$ 55,618,000	$ 40,983,000
Tax Credit Carryforwards	12,503,000	11,007,000
Deferred Expenses	19,022,000	21,701,000
Deferred Compensation—Restricted Stock	888,000	888,000
Stock-based Compensation	67,000	45,000
Fixed Assets	40,000	716,000
Accrued Expenses and Other	16,000	4,000
Deferred Revenue	19,586,000	20,299,000
	107,740,000	95,643,000
Gross Deferred Tax Liabilities		
Acquired Intangibles	(678,000)	(1,011,000)
Deferred Tax Assets Valuation Allowance	(107,062,000)	(94,632,000)
Net Deferred Tax Asset (Liability)	$ —	$ —

A reconciliation between the amount of reported income tax and the amount computed using the U.S. Statutory rate of 34% follows:

	2007	2006	2005
Pre-tax book income (loss)	$ (21,758,762)	$ (20,253,939)	$ (18,096,575)
Loss at Statutory Rates	(7,398,000)	(6,886,300)	(6,152,800)
Research and Development Credits	(984,000)	(1,074,100)	(812,000)
Alternative minimum Tax Credits	—	(120,000)	—
State Taxes	(1,956,700)	(1,761,000)	(1,436,200)
Other	126,900	156,600	57,800
Expiration of Net Operating Losses and Research & Development Tax Credits	(2,217,000)	2,575,000	2,441,000
Increase in Valuation Allowance	12,428,800	7,109,800	5,902,200
	$ —	$ —	$ —

As required by Statement of Financial Accounting Standards No. 109, management has evaluated the positive and negative evidence bearing upon the realizability of its net deferred tax assets, which are comprised principally of net operating loss and tax credit carryforwards. Management has determined that it is more likely than not that AVANT will not recognize the benefits of federal and state deferred tax assets and, as a result, a valuation allowance of approximately $107,062,000 has been established at December 31, 2007. The future realization, if any, of the deferred tax assets attributable to disqualifying dispositions of incentive stock options and the exercise of nonqualified stock options

6. INCOME TAXES (Continued)

will not be recognized as a tax benefit in the statement of operations, but rather as a component of stockholders' equity.

7. STOCKHOLDERS' EQUITY

(A) Public and Private Stock Offerings

AVANT filed a shelf registration statement in May 2007 with the Securities and Exchange Commission to register for sale any combination of securities described in the filing up to a dollar amount of $40 million. At December 31, 2007, no securities had been sold by the Company from this shelf registration.

(B) Preferred Stock

At December 31, 2007 and 2006, AVANT had authorized preferred stock comprised of 96,925 shares of convertible Class B and 3,000,000 shares of convertible Class C of which 350,000 shares has been designated as Class C-1 Junior Participating Cumulative, the terms of which are to be determined by our Board of Directors. There was no preferred stock outstanding at December 31, 2007 and 2006.

(C) Warrants

AVANT has issued warrants to purchase common stock in connection with the private placement of approximately 370,370 shares in July 2003. The warrants are exercisable at $36.00 per share and expire July 1, 2008.

Warrants outstanding at December 31, 2007, after adjustment for a reverse stock split of 1-for-12 effective March 7, 2008, are as follows:

Security	Number of Shares	Exercise Price Per Share	Expiration Date
Common stock	37,037	$ 36.00	July 1, 2008

In connection with the acquisition of VRI in August 1998, AVANT assumed the obligations of VRI with respect to each outstanding warrant to purchase VRI common stock (a "VRI Warrant"). The last of the VRI Warrants expired on December 14, 2005. In 2005, 1,861 warrants were exercised as cashless exercises resulting in the issuance of 536 shares.

(D) Shareholder Rights Plan

On November 5, 2004, AVANT's Board adopted a new Shareholder Rights Plan, as set forth in the Shareholder Rights Agreement, dated November 5, 2004, between the Company and Computer Investor Services, LLC (formerly EquiServe Trust Company, N.A.), as Rights Agent (the "Rights Agreement"). The Rights Agreement replaces the Company's existing Shareholder Rights Agreement which expired on November 10, 2004. Pursuant to the terms of the Rights Agreement, the Board declared a dividend distribution of one Preferred Stock Purchase Right for each outstanding share of AVANT's common stock. These rights, which expire in November 2014, entitle their holders to purchase from AVANT one ten-thousandth of a share (a "Unit") of Series C-1 Junior Participating

7. STOCKHOLDERS' EQUITY (Continued)

Cumulative Preferred Stock, par value $0.01 per share, ("C-1 Preferred Stock") at a cash exercise price of $35.00 per Unit, subject to adjustment. The rights will trade separately from the common stock and will become exercisable only when a person or group has acquired 15% or more of the outstanding common stock or upon the commencement by a person or group of a tender offer that would result in such person or group acquiring 15% or more of the outstanding common stock other than as a result of repurchases of stock by AVANT or certain inadvertent actions by a shareholder. In the event a person or group acquires 15% or more of the outstanding common stock each holder of a right (except for any such person or group) would be entitled to receive upon exercise sufficient Units of C-1 Preferred Stock to equal a value of two times the exercise price of the purchase right. In the event AVANT is acquired in a merger or other business combination transaction or if 50% or more of AVANT's assets or earning power is sold, each holder of a right (except for any such person or group described above) would receive upon exercise common stock of the acquiring company with a value equal to two times the exercise price of the right.

As of December 31, 2007 and 2006, the Company has authorized the issuance of 350,000 shares of C-1 Preferred Stock for use in connection with the shareholder rights plan.

(E) Share Repurchase Plan

On August 16, 2002, AVANT announced that its Board of Directors had authorized the repurchase of up to 2 million shares of its common stock. The repurchased stock provides AVANT with treasury shares for general corporate purposes, such as stock to be issued under employee stock option and stock purchase plans. The share repurchase plan expired as of August 31, 2003. AVANT purchased 220,300 shares (18,358 shares after adjustment for a reverse stock split of 1-for-12 effective March 7, 2008) through December 31, 2003 at a cost of $227,600. No shares were purchased in 2007 or 2006.

(F) Merger with Celldex

At the special meeting of AVANT shareholders held on March 6, 2008 in connection with the Merger (as described in Note 1), stockholders approved four proposals: (i) the issuance of shares of AVANT common stock pursuant to the Merger Agreement in the amount necessary to result in the Celldex stockholders owning 58% of AVANT common stock on a fully diluted basis, (ii) an amendment to AVANT's Third Restated Certificate of Incorporation to increase the number of authorized shares to 300,000,000, (iii) an amendment to AVANT's Third Restated Certificate of Incorporation to effect a reverse stock split in a ratio ranging from one-for-twelve to one-for-twenty of all the issued and outstanding shares of AVANT common stock, the final ratio to be determined within the discretion of the AVANT board of directors and (iv) adoption of the 2008 Stock Option and Incentive Plan.

AVANT's board of directors approved a 1-for-12 reverse stock split of AVANT's common stock, which became effective on, March 7, 2008. As a result of the reverse stock split, each twelve shares of common stock will be combined and reclassified into one share of common stock and the total number of shares outstanding will be reduced from approximately 180 million shares (including the shares issued to Celldex stockholders in the merger) to approximately 15 million shares.

Also, pursuant to the terms of the Merger Agreement, Celldex shareholders received 4.96 shares of common stock in exchange for each share of Celldex common stock and Class A common stock they

7. STOCKHOLDERS' EQUITY (Continued)

own. AVANT stockholders retained 42% of, and the former Celldex stockholders now own 58% of, the outstanding shares of AVANT's common stock on a fully-diluted basis. AVANT also assumed all of Celldex's stock options outstanding at the time of the Merger.

8. RESEARCH AND LICENSING AGREEMENTS

AVANT has entered into licensing agreements with several universities and research organizations. Under the terms of these agreements, we have received licenses or options to license technology, specified patents or patent applications. AVANT has expensed nonrefundable license fees of approximately $110,000, $85,000 and $85,000 in the years ended December 31, 2007, 2006 and 2005, respectively.

9. PRODUCT DEVELOPMENT AND LICENSING AGREEMENTS

Our revenue from product development and licensing agreements was received pursuant to contracts with different organizations. Total revenue recognized by us in connection with these contracts for the years ended December 31, 2007, 2006 and 2005 were $125,039, $2,855,266 and $242,092, respectively. A summary of these contracts follows:

(A) GlaxoSmithKline plc ("Glaxo") and Paul Royalty Fund ("PRF")

In 1997, AVANT entered into an agreement with Glaxo to collaborate on the development and commercialization of the Company's oral rotavirus vaccine and Glaxo assumed responsibility for all subsequent clinical trials and all other development activities. AVANT licensed-in the Rotarix® technology in 1995 and owes a license fee of 30% to Cincinnati Children's Hospital Medical Center ("CCH") on net royalties received from Glaxo. AVANT is obligated to maintain a license with CCH with respect to the Glaxo agreement. All licensing fees are included in research and development expense. The term of the Glaxo agreement is through the expiration of the last of the relevant patents covered by the agreement, although Glaxo may terminate the agreement upon 90 days prior written notice.

In May 2005, AVANT entered into an agreement whereby an affiliate of Paul Royalty Fund II, L.P. ("PRF") purchased an interest in the net royalties AVANT will receive on worldwide sales of Rotarix®. Under the PRF agreement, AVANT will retain 50% of future Glaxo milestone payments beginning on the effective date of the agreement with PRF, with 70% of the remaining balance payable to PRF and 30% of the remaining balance payable to CCH, respectively. The PRF agreement also provides for a $10 million milestone payment to AVANT if Rotarix® is launched in the United States in 2008. AVANT expects to achieve this milestone in the second half of 2008.

The PRF transaction qualifies as a sale in accordance with guidance in EITF 88-18, "Sale of Future Revenues." The upfront unconditional payment of $10 million and the $40 million milestone payment for launch in the European Union were recorded by AVANT as deferred revenue upon receipt. Any future milestone payments received from PRF will also be recorded as deferred revenue. Revenues are being recognized and calculated based on the ratio of total royalties received from Glaxo and remitted to PRF over expected total amounts to be received by PRF and then applying this percentage to the total cumulative consideration received from PRF to date. The expected total of payments to PRF is an estimate which will be updated for any changes in expectations of such payments. The impact of any such changes will be applied prospectively.

9. PRODUCT DEVELOPMENT AND LICENSING AGREEMENTS (Continued)

In February 2006, the European Commission granted approval of Rotarix® in the European Union, which triggered a $4 million milestone payment from Glaxo, 50% of which is creditable against future royalties. Revenue of $2.6 million was recorded in the first quarter of 2006 as AVANT has no continuing obligations to incur any research and development costs in connection with the Glaxo agreement. Glaxo has agreed to make further payments, which could total up to $1.5 million, upon achievement of a specific milestone.

In 2006, AVANT also recorded $600,000 in royalty expense payable to CCH as a result of the $4 million milestone payment from Glaxo. AVANT remitted the remaining $1.4 million of the Glaxo milestone payment to PRF in accordance with the PRF agreement. As a result, in 2006, AVANT also recognized $550,803 in product royalty revenue related to PRF's purchased interests in the net royalties that AVANT receives from Rotarix® worldwide net sales. In 2007, AVANT recognized $4,370,621 in Rotarix®-related product royalty revenue consisting of $2,334,382 related to PRF's purchased interest in Rotarix® net royalties and $2,036,239 related to AVANT's retained interest in Rotarix® net royalties which were not sold to PRF, which also corresponds to the amount payable by AVANT to CCH. As such, a corresponding amount is recorded as royalty expense and included in research and development expense. Based on management's best estimates of the amount and timing of Glaxo royalties, the Company has classified $4,844,384 and $42,270,431 of the deferred revenue balance at December 31, 2007 as short-term and long-term, respectively.

In September 2006, AVANT received notice from Glaxo that Glaxo would begin paying royalties on sales of Rotarix® vaccine at the lower of two royalty rates under their 1997 license agreement. Glaxo's decision to pay the lower royalty rate (which is 70% of the full rate) is based upon Glaxo's assertion that Rotarix ® is not covered by the patents Glaxo licensed from AVANT in Australia and certain European countries. AVANT is determined to take all available steps to enforce its rights under its license agreement with Glaxo. AVANT has recognized royalty revenue at the lower rates and will continue to do so until the dispute with Glaxo is resolved.

(B) Pfizer Inc ("Pfizer")

In connection with the Company's acquisition of Megan in 2000, it entered into a licensing agreement with Pfizer's Animal Health Division whereby Pfizer has licensed Megan's technology for the development of animal health and food safety vaccines. Under the agreement, AVANT may receive additional milestone payments of up to $3 million based upon attainment of specified milestones. AVANT may receive royalty payments on eventual product sales. The term of this agreement is through the expiration of the last of the patents covered by the agreement. AVANT has no obligation to incur any research and development costs in connection with this agreement.

As of June 1, 2006, AVANT entered into a Collaborative Research and Development Agreement with Pfizer aimed at the discovery and development of vaccines to protect animals. In 2007, further funded work at AVANT on the joint research program was terminated by Pfizer after AVANT provided two of four deliverables to Pfizer. AVANT recognized $62,500 and $137,500 in product development revenue from Pfizer, Inc for years ended December 31, 2007 and 2006, respectively.

9. PRODUCT DEVELOPMENT AND LICENSING AGREEMENTS (Continued)

(C) DVC LLC ("DVC", formerly DynPort Vaccine Company LLC)

In October 2001, the Company granted DVC a license for exclusive rights to use certain components of its anthrax vaccine technology. Under the agreement, AVANT was entitled to annual $50,000 license maintenance payments, with respect to which AVANT had received $200,000 in the aggregate, including $50,000 received in the first quarter of 2005, and milestone payments of up to $700,000 in the aggregate, $100,000 of which AVANT recognized as revenue in 2002. The annual license fee was recognized as revenue on a straight line basis over the year. On August 5, 2005, AVANT received notice from DVC of termination of the license agreement, effective November 5, 2005.

In January 2003, AVANT was awarded a subcontract by DVC in the amount of $2.5 million to develop for the U.S. Department of Defense an oral combination vaccine against anthrax and plague using AVANT's proprietary vaccine technologies. As of December 31, 2007, AVANT had received a number of additional subcontract modifications from DVC to support further development and pre-clinical animal testing of vaccine constructs of anthrax and plague vaccine candidates. Total contract funding awarded by DVC totaled approximately $12 million. Payments under the subcontract agreement were made on a time and materials basis and receipt of the full amount was conditioned upon the project being fully funded through completion and AVANT performing and continuing to demonstrate that it has the capability to perform the funded work. As a result of AVANT's restructuring in April 2007, the Company discontinued investing its resources in biodefense research and development activities. For the years ended December 31, 2007, 2006 and 2005, AVANT recognized $250,491, $1,157,381 and $2,408,936, respectively, in government contract revenue from DVC. Through December 31, 2007, AVANT had received approximately $9.7 million in payments under the various subcontract agreements, all of which related to approved subcontract awards. These agreements expired in 2007.

(D) Inflazyme Pharmaceuticals Ltd. ("Inflazyme", formerly AdProTech, Ltd ("AdProTech"))

In March 2004, AVANT granted a license to AdProTech for non-exclusive rights to use certain components of its intellectual property surrounding complement inhibition. In April 2004, AVANT received an initial license payment of $1 million from AdProTech and AdProTech was acquired by Inflazyme, which assumed the license. AVANT has no continuing involvement or obligation under this license agreement, thus it recognized the $1 million as revenue during the first quarter of 2004. Under the agreement, AVANT is entitled to annual license fees, milestone payments of up to $13.5 million in the aggregate and royalties on eventual product sales. AVANT has no obligations to incur any research and development costs in connection with this agreement.

(E) Select Vaccines Limited ("Select Vaccines")

In February 2007, AVANT entered into a research and development partnership with Select Vaccines, a public Australian biotechnology company, focused on the use of Select Vaccines' virus-like particles ("VLPs") as a platform technology for the development of viral vaccines. Research and development efforts initially targeted the development of vaccines against influenza, including both epidemic and pandemic forms of vaccine. Under the terms of the agreement, AVANT made an upfront equity investment of $735,000 in Select Vaccines and would fund influenza vaccine research and development for two years, as well as provide payments to Select Vaccines for the achievement of

9. PRODUCT DEVELOPMENT AND LICENSING AGREEMENTS (Continued)

specific preclinical and clinical development milestones. On November 1, 2007, AVANT notified Select Vaccines that, effective December 31, 2007, AVANT for strategic reasons was exercising its rights to terminate its Collaboration and License Agreement with Select Vaccines.

AVANT has classified its equity investment in Select Vaccines shares as available for sale securities under FAS 115, *Accounting for Certain Investments in Debt and Equity Securities*, ("FAS 115"). In accordance with FAS115, all available-for-sale securities are recorded at fair market value and, to the extent deemed temporary, unrealized gains and losses are included in accumulated other comprehensive income (loss) in shareholders' equity. Realized gains and losses and declines in value, if any, judged to be other than temporary on available-for-sale securities are reported in other income (expense).

During the quarter ended September 30, 2007, AVANT recognized $158,095 for the impairment of its investment in Select Vaccines that was determined to be other-than-temporary. In assessing whether the decline in fair value of the investment was other-than-temporary, AVANT has determined that it did not have sufficient positive evidence to conclude that the decline was temporary. During the quarter ended December 31, 2007, AVANT recorded other comprehensive income of $70,084 related to unrealized gains in its investment in Select Vaccines.

10. OTHER LONG-TERM LIABILITIES

This account includes the following:

	December 31, 2007	December 31, 2006
Gross		
Deferred Rent—Tenant Allowance	$ 3,403,018	$ 2,716,617
Deferred Rent—Straight-line	267,068	183,842
Loan Payable	982,240	1,070,914
Note Payable	515,733	671,359
	$ 5,168,059	$ 4,642,732
Current Portion		
Deferred Rent—Tenant Allowance	$ 365,377	$ 245,377
Deferred Rent—Straight-line	—	7,014
Loan Payable	75,032	81,853
Note Payable	139,220	143,362
	$ 579,629	$ 477,606
Long-Term Portion	$ 4,588,430	$ 4,165,126

In December 2003, AVANT entered into a Lease Agreement, and a Secured Promissory Note for an Equipment Loan with the Massachusetts Development Finance Agency ("MassDevelopment"), an economic development entity for the Commonwealth of Massachusetts, for AVANT to occupy and build-out a manufacturing facility in Fall River, Massachusetts.

(A) Loan Payable

Under the Lease Agreement, AVANT received a Specialized Tenant Improvement Allowance of $1,227,800 in 2004 to finance the build-out of the Fall River facility. Principal and interest payments of

10. OTHER LONG-TERM LIABILITIES (Continued)

the aggregate disbursement increments are due monthly using an amortization period of 15 years and an interest rate of 5.5% per annum.

At December 31, 2007, AVANT has recorded leasehold improvement assets of $1,227,800 in 2004 and currently has a loan payable of $982,240 to MassDevelopment, of which $75,032 is classified as current and $907,208 as long-term. Based on current market interest rates available to AVANT for long-term liabilities with similar terms and maturities, the fair value of the loan payable is approximately $727,500 at December 31, 2007.

(B) Note Payable

Under the Secured Promissory Note for an Equipment Loan, AVANT received $903,657 in 2004 from MassDevelopment to finance the purchases of equipment to be placed in the Fall River facility (the "Loan"). The Loan has a term of 84 months at an interest rate of 5.5% per annum. The Loan is collateralized by all of the equipment purchased with the principal amount. The net book value of these collateralized assets at December 31, 2007 and 2006 was $655,810 and $769,855, respectively.

At December 31, 2007, the balance of the note payable to MassDevelopment was $515,733, of which $139,220 is classified as current and $376,513 as long-term. Based on current market interest rates available to AVANT for long-term liabilities with similar terms and maturities, the fair value of the note payable is approximately $481,800 at December 31, 2007.

	Loan Payable			Note Payable		
	Principal	Interest	Total	Principal	Interest	Total
2008	$ 75,000	$ 48,500	$ 123,500	$ 139,200	$ 23,200	$ 162,400
2009	81,900	48,500	130,400	160,200	16,900	177,100
2010	81,900	43,900	125,800	169,400	7,800	177,200
2011	81,900	39,400	121,300	46,900	500	47,400
2012	81,900	34,900	116,800	—	—	—
Thereafter	579,600	115,900	695,500	—	—	—
Total Obligation	$ 982,200	$ 331,100	$ 1,313,300	$ 515,700	$ 48,400	$ 564,100
Less: Current Portion	75,000			139,200		
Total Long-Term Portion	$ 907,200			$ 376,500		

11. COMMITMENTS AND CONTINGENCIES

(A) Commitments for the Renovations of the Needham Facility

In November 2005, AVANT entered into a lease amendment which extended its lease of laboratory and office space in Needham, Massachusetts through April, 2017. The lease amendment called for the complete renovation of the Needham facility by the landlord and reduced AVANT's leased space to approximately 35,200 square feet. The projected costs for the tenant improvements portion of the renovations project are approximately $9.4 million. As an incentive for AVANT to enter into the lease amendment, the landlord agreed to contribute $3.6 million towards tenant improvement costs. The Company will record the full cost of the Needham renovation project as an asset and the amounts of

11. COMMITMENTS AND CONTINGENCIES (Continued)

landlord incentive will be recorded as deferred rent (included under "Other Long-Term Liabilities" account in the consolidated balance sheets) in accordance with FASB Technical Bulletin 88-1 "Issues Related to Accounting for Leases." Amortization of the deferred rent will be recorded as a reduction of rent expense over the remaining lease term when the renovation project is complete and will be classified as an operating activity in the Consolidated Statement of Cash Flows. AVANT has recorded a total of $3,600,000 in deferred rent related to the Needham landlord's tenant incentive allowance. In May 2007, AVANT began amortizing on a straight-line basis the tenant incentive allowance over the ten-year lease term and recorded a reduction in rent expense of $240,000 in the year ended December 31, 2007. At December 31, 2007, deferred rent of $3,360,000 related to the Needham landlord's tenant incentive allowance was recorded on the Consolidated Balance Sheet of which $360,000 is classified as current and $3,000,000 as long-term other liabilities. As of December 31, 2007, AVANT had made payments and accrued costs totaling approximately $9,411,217 towards the tenant improvements portion of the renovations project of which $547,246 remains unpaid as of December 31, 2007. Under this lease amendment, AVANT is obligated to pay an escalating base annual rent ranging from $879,700 to $1,161,200 during the extension term. Aggregate rental payments including common area maintenance costs for the years ended December 31, 2007 and 2006 for this facility were $1,911,088 and $2,274,738, respectively.

(B) Commitments for the Renovations of the Fall River Facility

In 2003, the Company reached agreement with MassDevelopment, an economic development entity for the Commonwealth of Massachusetts, for AVANT to occupy and build-out an 11,800 square foot manufacturing facility in Fall River, Massachusetts. The lease has an initial seven-year term which expires in December 2010 and two renewal options of five years each. Management has determined that it is reasonably assured that AVANT will exercise one five-year renewal option. Therefore, AVANT is amortizing leasehold improvements made to the Fall River facility over the original lease term plus one five-year renewal term. In November 2005, AVANT amended the MassDevelopment lease to increase the rentable space to approximately 14,300 square feet at the Fall River facility. The landlord is providing a tenant incentive allowance of $49,740 against the cost of alterations and improvements required by AVANT to be made to the expanded space. At December 31, 2007, deferred rent of $43,019 related to the Fall River landlord's tenant incentive allowance was recorded on the Consolidated Balance Sheet of which $5,377 is classified as current and $37,642 as long-term. In December 2006, AVANT further amended the MassDevelopment lease to increase the rentable space to approximately 16,200 square feet at the Fall River facility. Aggregate rental payments including common area maintenance costs for the year ended December 31, 2007 and 2006 for this facility were $366,654 and $293,670, respectively.

(C) Commitments for the Overland, Missouri Facility

AVANT ceased operations at its Overland, Missouri facility near St. Louis and vacated the premises upon expiration of the lease at September 30, 2007. Aggregate rental payments including common area maintenance costs for the years ended December 31, 2007 and 2006 for this facility were $127,126 and $161,460, respectively.

11. COMMITMENTS AND CONTINGENCIES (Continued)

(D) Commitments for the Operating Leases

Obligations for base rent under these and other non-cancelable operating leases as of December 31, 2007 are approximately as follows:

Year ending December 31,		
2008	$	1,780,891
2009		1,855,924
2010		1,912,197
2011		1,968,023
2012		2,019,743
2013 and thereafter		8,996,647
Total minimum lease payments	$	18,533,425

Our total rent for all operating leases was approximately $2,457,968, $2,781,551, and $2,491,274 for the years ended December 31, 2007, 2006 and 2005, respectively.

12. DEFERRED SAVINGS PLAN

Under section 401(k) of the Internal Revenue Code of 1986, as amended, the Board of Directors adopted, effective May 1990, a tax-qualified deferred compensation plan for employees of AVANT. AVANT may, at its discretion, make contributions to the plan each year matching up to 1% of the participant's total annual salary. AVANT contributions amounted to $46,100, $47,300 and $38,700 for the years ended December 31, 2007, 2006 and 2005, respectively.

13. RESTRUCTURING

On April 16, 2007, AVANT initiated restructuring activities to reduce ongoing operational costs, following an extensive review of its operations and cost structure. The restructuring aimed to increase the focus of AVANT's resources upon key programs and core operational capabilities and to lower the Company's overall cost structure. The Company will concentrate its focus on building an enhanced portfolio of viral and bacterial vaccines for global health and travelers around the Company's core technologies, as well as its unique development and manufacturing capabilities. AVANT will no longer invest in biodefense research and development activities or further invest in clinical trials for its cardiovascular programs.

The restructuring resulted in a workforce reduction of approximately 30%. AVANT also exited from its St. Louis-based research facility at September 30, 2007 when the lease term expired and has moved all essential research activities to its Needham, MA headquarters. The restructuring charges consisted of severance, payroll tax and extended benefits costs for terminated employees, as well as, salary continuation and retention bonus costs for certain St. Louis employees retained during the transition and closing process for the St. Louis facility. During the twelve-month period ended December 31, 2007, restructuring charges of $765,204 were recorded, of which $754,877 were recorded as research and development and $10,327 were recorded as general and administrative expense. Of the restructuring charge, $384,116 related to St. Louis benefit arrangements and $381,088 related to Needham and Fall River benefit arrangements. During the twelve months ended December 31, 2007,

13. RESTRUCTURING (Continued)

$600,134 of restructuring costs were paid out and a balance of $165,070 of accrued restructuring costs remained at December 31, 2007.

14. SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

2007	Q1 2007	Q2 2007	Q3 2007	Q4 2007
Total revenue	$ 1,182,197	$ 1,009,396	$ 1,191,535	$ 1,719,802
Net loss	(5,626,279)	(5,505,246)	(5,253,481)	(5,253,755)
Basic and diluted net loss per common share(1)	(0.90)	(0.88)	(0.84)	(0.84)

2006	Q1 2006	Q2 2006	Q3 2006	Q4 2006
Total revenue	$ 3,706,487	$ 505,479	$ 338,999	$ 380,132
Net loss	(2,970,991)	(5,670,299)	(5,520,567)	(6,212,075)
Basic and diluted net loss per common share(1)	(0.48)	(0.92)	(0.89)	(1.00)

(1) Adjusted to reflect a reverse stock split of 1-for-12 effective March 7, 2008.

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

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

AVANT maintains disclosure controls and procedures designed to ensure that information required to be disclosed in AVANT's filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported accurately within the time periods specified in the Securities and Exchange Commission's rules and forms. As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of AVANT's disclosure controls and procedures (pursuant to Exchange Act Rule 13a-15(b)). Based upon this evaluation, AVANT's Chief Executive Officer and Chief Financial Officer concluded that AVANT's disclosure controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting.

AVANT's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of AVANT's management, including AVANT's Chief Executive Officer and Chief Financial Officer, AVANT has conducted an evaluation of the effectiveness of its internal control over financial reporting based upon the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, AVANT's Chief Executive Officer and Chief Financial Officer have concluded that AVANT's internal control over financial reporting was effective at December 31, 2007.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2007 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their attestation report included in Item 8 of this Form 10-K.

Changes in Internal Control Over Financial Reporting.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION.

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information Regarding the Current Directors and Executive Officers of AVANT

The following table sets forth the members of the Board of Directors of AVANT, their ages and the year in which each first became a director.

Directors	Age	Year First Became Director
Charles Schaller	71	2008
Herbert J. Conrad	75	2008
Larry Ellberger	59	2003
George O. Elston	43	2008
Karen Shoos Lipton	54	2001
Dr. Rajesh B. Parekh	47	2008
Harry H. Penner, Jr.	62	1997
Una S. Ryan, Ph.D.	65	1996

The following biographical descriptions set forth certain information with respect to the directors and the executive officers who are not directors, based on information furnished to AVANT by each director and executive officer. The following information is correct as of December 31, 2007.

Directors

Charles Schaller became the Chairman of the Board of Directors of AVANT upon consummation of the Merger with Celldex. Mr. Schaller had been a director of Celldex since November 2006. Mr. Schaller also has been a Director of Medarex, Inc., an affiliate of Celldex, since 1987, and was Chairman of the Medarex Board of Directors from 1987 to 1997. Since 1989, Mr. Schaller has been a chemical industry management consultant and, until June 2002, he served as a director of AstroPower, Inc., a publicly traded U.S. manufacturer of photo-voltaic (PV) products. Mr. Schaller is a graduate of Yale University and is a graduate of the program in management development at Harvard Business School.

Herbert J. Conrad became a director of AVANT upon consummation of the Merger with Celldex. Mr. Conrad had been a director of Celldex since March 2004, is currently Chief Executive Officer of Sapphire Therapeutics. Mr. Conrad was the former president of Roche Pharmaceuticals in the United States until 1993. He served as chairman of the board of directors of GenVec, Inc. from 1996 to 2003, where he was the Chief Executive Officer from September 1996 to December 1996. He is a co-founder and former member of the board of directors of Reliant Pharmaceuticals. Mr. Conrad has served on the Boards of Dura, UroCor, Sicor, GenVec, and Bone Care International. Mr. Conrad has been a member of the board of directors of Savient Pharmaceuticals since 1994. He received B.S. and M.S. degrees from Brooklyn College of Pharmacy and an honorary Doctorate in Humane Letters from Long Island University.

Larry Ellberger. Mr. Ellberger has been a director of AVANT since August 2003. He is a Founder and Principal of Healthcare Ventures Associates, Inc., a consulting firm for the pharmaceutical, biotechnology and medical device industries. He was most recently Interim Chief Executive Officer of PDI, Inc., a diversified sales and marketing services provider to the biopharmaceutical, medical device and diagnostic industries. From 2000 to 2003, he was Senior Vice President of Powderject plc. He also served as a director of Powderject. Previously, Mr. Ellberger was an employee of W.R. Grace & Co. from 1995 to 1999, serving as Chief Financial Officer from 1996 and Senior Vice President, Strategic Planning and Development from 1995. From 1975 to 1995,

Mr. Ellberger held numerous senior executive positions at American Cyanamid Company, serving the last four years as Vice President, Corporate Development. Mr. Ellberger currently serves on the Board of Directors of Omrix BioPharmaceuticals, Inc. and Transpharma, Ltd.

George O. Elston became a director of AVANT upon consummation of the Merger with Celldex. Mr. Elston had been a director of Celldex since March 2004 and is the former Vice President of Finance at EluSys Therapeutics, Inc., a privately held biopharmaceutical company located in New Jersey from May 2000 to September 2007. He was the chief financial officer of Trillium USA from February 1997 to April 2000 and C.R. Bard Inc. from 1991 to 1997. Prior to joining Bard, Mr. Elston was with Price Waterhouse. He received his B.B.A. in accounting from Pace University and is a Certified Public Accountant.

Karen Shoos Lipton. Ms. Lipton has been a director of AVANT since May 2001. Ms. Lipton was appointed Chief Executive Officer of the American Association of Blood Banks (dba AABB) in October 1994. Previously she has held senior positions at the American Red Cross since 1984, including Acting Senior Vice President, Biomedical Services (1993-1994) and Secretary and General Counsel (1990-1993). Prior to the American Red Cross, Ms. Lipton was a lawyer in private practice.

Dr. Rajesh B. Parekh became a director of AVANT upon consummation of the Merger with Celldex. Dr. Parekh had been a director of Celldex since March 2004 and has been a General Partner at Advent Venture Partners (UK) since 2006. Prior to joining Advent, Dr. Parekh was an Entrepreneur-in-Residence at Abingworth Management Limited (UK) from 2003-2005. Dr. Parekh has also been a Visiting Professor at the University of Oxford. He was a co-founder and served as Chief Scientific Officer and Senior Vice President of Research and Development of Oxford GlycoSciences, plc (UK) from 1988 to 2003. Dr. Parekh was also chairman of Galapagos nv (Belgium) and currently serves on the boards of directors of ten companies including private companies in the United States and Europe and two public European companies. He received his B.A. and D. Phil. degrees in Biochemistry and Molecular Medicine from the University of Oxford.

Harry H. Penner, Jr. Mr. Penner has been a director of AVANT since January 1997 and became Chairman of Avant in 2007. He is Chairman and CEO of Nascent BioScience, LLC, a firm which has been instrumental in the founding and development of a number of new biotechnology companies, including Rib-X Pharmaceuticals, Inc., Marinus Pharmaceuticals, Inc., RHEI Pharmaceuticals, Inc., RxGen Inc., and MAK Scientific. He has served as BioScience Advisor to the Governor of the State of Connecticut, and as Chair of the Connecticut Board of Governors of Higher Education, CURE, the Connecticut BioScience Cluster, and the Connecticut Technology Council. From 1993 to 2001, Mr. Penner was President, CEO and a director of Neurogen Corporation. Previously, he served as Executive Vice President of Novo Nordisk A/S and President of Novo Nordisk of North America, Inc. from 1988 to 1993. From 1985 to 1988 he was Executive Vice President and General Counsel of Novo Nordisk A/S. He currently serves on the Boards of Altus Pharmaceuticals, Inc., Ikonisys, Inc., and Marinus Pharmaceuticals and he chairs the Boards of Rib-X Pharmaceuticals, Inc., RHEI Pharmaceuticals, and RxGen, Inc.

Una S. Ryan, Ph.D. Dr. Ryan has been Chief Executive Officer of AVANT since August 1996 and President, Chief Operating Officer and a director of AVANT since May 1996. Dr. Ryan joined us as Vice President, Research and Chief Scientific Officer in May 1993. She is also Research Professor of Medicine at the Whitaker Cardiovascular Institute of the Boston University School of Medicine. Prior to joining AVANT, Dr. Ryan was Director of Health Sciences at Monsanto Company from January 1990 to November 1992 and Research Professor of Surgery, Medicine and Cell Biology at Washington University School of Medicine from 1990 to 1993. Dr. Ryan is a member of the Governing Body of Biotechnology Industry Organization's ("BIO") Emerging Companies Section and serves on the Board of BIO and she is the former Chairman of the Massachusetts Biotechnology Council. She is currently a director of Albany Molecular Research, Inc. and IQuum, Inc.

Executive Officers

The following persons are currently executive officers who are not directors of AVANT. Officers are elected annually by the Board of Directors until their successors are duly elected and qualified.

Name of Individual	Age	Position and Office
Anthony S. Marucci	45	Executive Vice President, Corporate Development
Avery W. Catlin	59	Senior Vice President, Chief Financial Officer and Secretary
Dr. Tibor Keler	45	Senior Vice President and Chief Scientific Officer
Dr. Thomas Davis	44	Senior Vice President and Chief Medical Officer
Dr. Ronald C. Newbold	45	Senior Vice President, Business Development
Henry C. Marsh, Jr., Ph.D.	56	Vice President, Research
Taha Keilani, M.D.	52	Vice President, Medical and Regulatory Affairs

Anthony S. Marucci became Executive Vice President, Corporate Development of AVANT upon consummation of the Merger with Celldex. Mr. Marucci had been Celldex's Acting Chief Executive Officer since October 2007 and its Vice President, Chief Financial Officer, Treasurer and Secretary since May 2003. In addition, he was Treasurer of Medarex from December 1998 to March 2004. Mr. Marucci held a series of senior financial positions at Medarex since December 1998. Mr. Marucci received his M.B.A. from Columbia University.

Avery W. Catlin. Mr. Catlin joined AVANT in January 2000. Prior to joining AVANT, he served as Vice President, Operations and Finance, and Chief Financial Officer of Endogen, Inc., a public life science research products company, from 1996 to 1999. From 1992 to 1996, Mr. Catlin held various financial positions at Repligen Corporation, a public biopharmaceutical company, serving the last two years as Chief Financial Officer. Earlier in his career, Mr. Catlin held the position of Chief Financial Officer at MediSense, Inc., a Massachusetts-based medical device company.

Dr. Tibor Keler became Senior Vice President and Chief Scientific Officer of AVANT upon consummation of the Merger with Celldex. Dr. Keler had been Celldex's Vice President, Research and Discovery and Chief Scientific Officer since May 2003. In addition, he was Senior Director of Preclinical Development and Principal Scientist at Medarex, Inc. from September 1993 to March 2004. While at Medarex, he was responsible for the development of Celldex's technology and products, as well as for the preclinical development and testing of numerous Medarex products now in Phase II clinical trials. Dr. Keler received his Ph.D. in Microbiology from the University of Pennsylvania.

Thomas Davis, MD became Senior Vice President and Chief Medical Officer of AVANT upon consummation of the Merger with Celldex. Dr. Davis was Vice President of Clinical Development and Chief Medical Officer of Celldex. Dr. Davis was formerly Chief Medical Officer at GenVec, and Senior Director of Clinical Science at Medarex. He has supervised clinical efforts in adult hematologic malignancies and marrow transplantation and therapeutic antibodies at the Cancer Therapy Evaluation Program (CTEP) of the National Cancer Institute (NCI) and worked with Dr. Ron Levy on the development of rituximab and idiotype vaccines at Stanford University.

Ronald C. Newbold, Ph.D. became Senior Vice President, Business Development of AVANT upon consummation of the Merger with Celldex. Dr. Newbold was Vice President of Business Development of Celldex. Previously, Dr. Newbold was Executive Vice President of Commercial Operations for Sentigen Biosciences (recently sold to Invitrogen), following his prior position as Senior Director of Strategic Research Initiatives at Merck & Company, where he led Merck's Technology Licensing group

from 1996-2004. Prior to joining Merck as a medicinal chemist in 1991, Dr. Newbold was a postdoctoral fellow at Harvard University, following doctoral studies in synthetic organic chemistry at the University of Rochester. He received his MBA from Columbia University.

Henry C. Marsh, Jr., Ph.D. Dr. Marsh joined AVANT as Senior Scientist in 1986 and has been Vice President, Research since May 1998. Prior to joining AVANT, he was employed as a scientist at Abbott Laboratories of North Chicago and the Research Triangle Institute in North Carolina.

Taha Keilani, M.D. Dr. Keilani joined AVANT in June 2004 as Vice President of Medical and Regulatory Affairs. Prior to joining AVANT, Dr. Keilani had more than eighteen years of clinical research experience in the pharmaceutical and biotechnology industries and in academic research. His clinical development experience has been focused primarily in immunology and chronic inflammatory disease. Previously, he was Medical Director of Clinical Development and Regulatory Affairs at Serono, Inc. where he was project leader on three global development programs. Between 1996 and 2000, he was leading the transplant research and development team at Fujisawa Healthcare, Inc. and before that he was Research Assistant Professor of Medicine at Northwestern University Medical School and VA Lakeside Medical Center in Chicago.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires AVANT's directors, officers and key employees, and persons who are beneficial owners of more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "SEC"). Officers, directors and greater than 10% beneficial owners are required by SEC regulations to furnish AVANT with copies of all Section 16(a) forms they file. To our knowledge, based solely on a review of the copies of such reports furnished to us, and written representations that no other reports were required during the fiscal year ended December 31, 2007, all Section 16(a) filing requirements applicable to such persons were satisfied.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to our directors, officers, and employees. The purpose of the Code of Business Conduct and Ethics is to deter wrongdoing and to promote, among other things, honest and ethical conduct and to ensure to the extent possible that our business is conducted in a consistently legal and ethical manner. Our Code of Business Conduct and Ethics is publicly available on our website at *www.avantimmune.com*. If we make any substantive amendments to the Code of Business Conduct and Ethics or grant any waiver, including any implicit waiver from a provision of the Code of Business Conduct and Ethics to our directors or executive officers, we will disclose the nature of such amendments or waiver on our website or in a current report on Form 8-K.

The Board of Directors and Its Committees

Board of Directors. AVANT is currently managed by an eight member Board of Directors, a majority of whom are independent of our management. During 2007, three members of our Board of Directors resigned. Our Board of Directors met eight times in 2007. Each of the directors attended at least 75% of the aggregate of (i) the total number of meetings of our Board of Directors (held during the period for which such directors served on the Board of Directors) and (ii) the total number of meetings of all committees of our Board of Directors on which the Director served (during the periods for which the director served on such committee or committees). Our annual meeting of stockholders is generally held to coincide with one of the Board's regularly scheduled meetings. AVANT does not have a formal policy requiring members of the Board of Directors to attend our annual meetings, although

all directors typically attend the annual meeting. Each of the then current directors attended the 2007 annual meeting of stockholders.

Audit Committee. The Board of Directors has established an Audit Committee currently consisting of Larry Ellberger, Chairman, Harry H. Penner, Jr., and Karen Shoos Lipton. During 2007, Peter A. Sears and Francis Cano also were members of the Audit Committee prior to their resignations. The Audit Committee makes recommendations concerning the engagement of independent public accountants, reviews with the independent public accountants the scope and results of the audit engagement, approves professional services provided by the independent public accountants, reviews the independence of the independent public accountants, considers the range of audit and non-audit fees, and reviews the adequacy of our internal accounting controls. Each member of the Audit Committee is "independent" as that term is defined in the rules of the Securities and Exchange Commission and the applicable NASDAQ listing standards. The Board has determined that each Audit Committee member has sufficient knowledge in financial and auditing matters to serve on the Committee. The Board has designated Larry Ellberger as an "audit committee financial expert," as defined under the applicable rules of the Securities and Exchange Commission and the applicable NASDAQ listing standards. The Audit Committee met eight times during 2007. Our Board has adopted an Audit Committee Charter, which is available for viewing at *www.avantimmune.com.*

Compensation Committee. The Board of Directors has established a Compensation Committee currently consisting of Karen Shoos Lipton, Chairman, Harry H. Penner, Jr. and Larry Ellberger. During 2007, Peter A. Sears, Alf Lindberg and Francis Cano also were members of the Compensation Committee prior to their resignations. The primary function of the Compensation Committee is to assist the Board in the establishment of compensation for the Chief Executive Officer and, upon her recommendation, to approve the compensation of other officers and senior employees and to approve certain other personnel and employee benefit matters. The Compensation Committee met four times during 2007. Our Board has adopted a Compensation Committee Charter, which is available for viewing at *www.avantimmune.com.*

Nominating and Corporate Governance Committee. The Board of Directors has established a Nominating and Corporate Governance Committee consisting of Karen Shoos Lipton, Chairman, and Harry H. Penner, Jr. Alf Lindberg, also was a member of the Nominating and Corporate Governance Committee in 2007 prior to his resignation. The primary function of the Nominating and Corporate Governance Committee is to assist the Board in reviewing, investigating and addressing issues regarding Board composition, policy and structure; membership on Board committees; and other matters regarding the governance of AVANT. The Nominating and Corporate Governance Committee met once during 2007. Our Board has adopted a Nominating and Corporate Governance Charter, which is available for viewing at *www.avantimmune.com*. Each member of the Nominating and Corporate Governance Committee is "independent" as that term is defined in the rules of the Securities and Exchange Commission and the applicable NASDAQ listing standards.

The process followed by the Nominating and Corporate Governance Committee to identify and evaluate candidates includes (i) the review of requests from Board members, management, members of the Nominating and Corporate Governance Committee, stockholders and other external sources; (ii) meetings from time to time to evaluate biographical information and background material relating to potential candidates to the Board; and (iii) interviews of selected candidates by members of the Committee and the Board. All nominees must have, at a minimum, high personal and professional integrity, exceptional ability and judgment, and be effective in collectively serving the long-term interests of all stockholders. Other qualifications that may be considered by the Committee are described in the Nominating and Corporate Governance Charter.

Stockholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates by submitting their names and background

to the Secretary of AVANT at the address set forth below under "Stockholder Communications." All such recommendations will be forwarded to the Nominating and Corporate Governance Committee, which will review and consider only such recommendations if appropriate biographical and other information is provided, as described below, on a timely basis. All securityholder recommendations for director candidates must be submitted to AVANT not less than 120 calendar days prior to the date on which AVANT's proxy statement was released to stockholders in connection with the previous year's annual meeting, and must include the following information:

- the name and address of record of the securityholder;
- a representation that the securityholder is a record holder of AVANT's securities, or if the securityholder is not a record holder, evidence of ownership in accordance with Rule 14a-8(b)(2) of the Securities Exchange Act of 1934;
- the name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five (5) full fiscal years of the proposed director candidate;
- a description of the qualifications and background of the proposed director candidate which addresses the minimum qualifications and other criteria for Board membership approved by the Board from time to time and set forth in the Nominating and Corporate Governance Committee's written charter;
- A description of any arrangements or understandings between the securityholder and the proposed director candidate; and
- The consent of the proposed director candidate to be named in the proxy statement relating to AVANT's annual meeting of stockholders and to serve as a director if elected at such annual meeting.

Assuming that appropriate information is provided for candidates recommended by stockholders, the Nominating and Corporate Governance Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by Board members or other persons, as described above and as set forth in its written charter.

Item 11. EXECUTIVE COMPENSATION

Overview

We believe that the compensation of our executive officers should focus executive behavior on the achievement of near-term corporate targets as well as long-term business objectives and strategies. We place significance on the data reported in the 2006 executive compensation survey of over 400 biotechnology companies independently prepared by Aon-Radford and on pay-for-performance compensation programs, which reward our executives when we achieve certain financial and business goals and create stockholder value. We use a combination of base salary, annual cash incentive compensation programs, a long-term equity incentive compensation program and a broad based benefits program to create a competitive compensation package for our executive management team. We describe below our compensation philosophy, policies and practices with respect to our chief executive officer, chief financial officer and our other executive officers, who are collectively referred to as our named executive officers.

Administration and Objectives of Our Executive Compensation Program

The Compensation Committee of the Board of Directors, which is comprised of non-employee directors, is responsible for establishing and administering the policies governing the compensation of AVANT's employees, including salary, bonus and stock option grants. The policy of the Compensation Committee is to compensate our employees with competitive salaries based on their level of experience and job performance. All permanent employees, including executive officers, are eligible for annual bonus awards based on achievement of AVANT's strategic corporate goals, and participation in our stock option program. The bonus awards and stock option grants are made in accordance with the AVANT Performance Incentive Plan and 1999 Stock Option and Incentive Plan. The Compensation Committee is also responsible for the administration of our 2004 Employee Stock Purchase Plan, in which employees participate on a voluntary basis.

Our compensation committee has designed our overall executive compensation program to achieve the following objectives:

- attract and retain talented and experienced executives
- motivate and reward executives whose knowledge, skills and performance are critical to our success
- provide a competitive compensation package that aligns the interests of our executive officers and stockholders by including a significant variable component which is weighted heavily towards performance-based rewards, based upon achievement of pre-determined goals
- ensure fairness among the executive management team by recognizing the contributions each executive makes to our success
- foster a shared commitment among executives by aligning AVANT's and their individual goals, and
- compensate our executives to manage our business to meet our near-term and long-term objectives

We use a mix of short-term compensation (base salaries and cash incentive bonuses) and long-term compensation (equity incentive compensation) to provide a total compensation structure that is designed to achieve these objectives. We determine the percentage mix of compensation structures that we think is appropriate for each of our executive officers. In general, the Compensation Committee believes that a substantial percentage of the compensation of our executive officers should be performance based. The Compensation Committee uses its judgment and experience and the recommendations of the chief executive officer (except for her own compensation) to determine the appropriate mix of compensation for each individual.

In determining whether to adjust the compensation of any one of our executive officers, including our named executive officers, we annually take into account the changes, if any, in the following:

- market compensation levels
- the contributions made by each executive officer
- the performance of each executive officer
- the increases or decreases in responsibilities and roles of each executive officer
- the business needs for each executive officer
- the relevance of each executive officer's experience to other potential employers
- the readiness of each executive officer to assume a more significant role within the organization

In addition, with respect to new executive officers, we take into account their prior base salary and annual cash incentives, their expected contribution and our business needs. We believe that our executive officers should be fairly compensated each year relative to market pay levels within our industry and that there should also be internal equity among our executive officers.

Executive Compensation Components

In order to both attract and retain experienced and qualified executives to manage AVANT, the Compensation Committee's policy on executive compensation is to (i) pay salaries which are competitive with the salaries of executives in comparable positions in the biotechnology industry, and (ii) allow for additional compensation upon achievement of goals under the Performance Incentive Plan and through the appreciation of stock-based incentive awards. This policy is designed to have a significant portion of each executive's total compensation be tied to AVANT's progress in order to incentivize the executive to fully dedicate himself or herself to achievement of corporate goals, and to align the executive's interest with those of our stockholders through equity incentive compensation.

Our executive compensation program is primarily composed of base salary, annual incentive cash compensation payable on an annual basis and equity compensation. In addition, we provide our executives with benefits that are generally available to our salaried employees, including medical, dental, group life and accidental death and dismemberment insurance, short- and long-term disability coverage and our 401(k) plan. Within the context of the overall objectives of our compensation programs, we determined the specific amounts of compensation to be paid to each of our executives in 2007 based on a number of factors including:

- our understanding of the amount of compensation generally paid by similarly situated companies to their executives with similar roles and responsibilities
- the roles and responsibilities of our executives
- the individual experience and skills of, and expected contributions from, our executives
- the amounts of compensation being paid to our other executives
- our executives' historical compensation at AVANT

We discuss each of the primary elements of our executive compensation in detail below. While we have identified particular compensation objectives that each element of executive compensation serves, our compensation programs complement each other and collectively serve all of our executive compensation objectives described above. Accordingly, whether or not specifically mentioned below, we believe that, as a part of our overall executive compensation, each element to a greater or lesser extent serves each of our objectives.

Base salary. Each executive officer (except the chief executive officer whose performance is reviewed by the Compensation Committee) has an annual performance review with the chief executive officer who makes recommendations on salary increases, promotions and stock option grants to the Compensation Committee. We have historically established base salaries for each of our executives based on many factors, including average salary increases expected in the biotechnology industry in the Boston, Massachusetts area, competition in the marketplace to hire and retain executives, experiences of our Board members and leadership team with respect to salaries and compensation of executives in similarly situated companies in our industry and other similar industries, as well as additional factors which we believe enables us to hire and retain our leadership team in an extremely competitive environment. Our compensation committee annually reviews salary ranges and individual salaries for our executive officers.

The base salaries paid to our named executive officers are set forth below in the summary compensation table. For the fiscal year ended December 31, 2007, the annual base salaries of our

president and chief executive officer, chief operating officer, chief financial officer, senior vice president of research and development, vice president of research and vice president, medical and regulatory affairs were $440,000, $285,000, $251,121, $161,046, $201,899 and $254,719, respectively. These salaries represent an average increase of approximately 5.5% over the 2006 fiscal year base salaries of these executive officers, excluding the senior vice president of research and development who resigned from AVANT effective July 31, 2007. The salaries in 2007 were either at or slightly above the fiftieth percentile of the salaries paid to persons in comparable positions using an independently prepared 2006 employee compensation survey of over 400 biotechnology companies. We believe that the base salaries paid to our executive officers during our fiscal year ended December 31, 2007 achieve our executive compensation objectives and are comparable to similarly situated companies.

Performance Incentive Plan. We have designed our performance plan program to reward our executive officers upon the achievement of certain annual revenue, cash flow, research, clinical development, regulatory and business development goals, as approved in advance by our compensation committee and the board of directors. The bonus award is based on achievement of AVANT's corporate goals which are set at the beginning of each fiscal year and measured against performance at the end of the year by AVANT in accordance with the Performance Incentive Plan. For 2007, the corporate goals were applicable to all employees, including the executive officers and included (i) overall strategic goals and (ii) goals applicable to our therapeutic programs. The corporate goals were allocated between specific product and financial performance targets. Our performance plan emphasizes pay-for-performance and is intended to closely align executive compensation with achievement of certain operating results and an increase in stockholder value. The compensation committee and the board of directors communicate the bonus criteria to all employees, including the named executive officers, at the beginning of the fiscal year. The performance goals and bonus criteria established by the compensation committee under the Performance Incentive Plan are designed to require significant effort and operational success on the part of our executives and AVANT for achievement. We measure such bonus criteria against actual operating results on an annual basis.

Equity Compensation. We also use stock options and equity-based incentive programs to attract, retain, motivate and reward our executive officers. Through our equity-based grants, we seek to align the interests of our executive officers with our stockholders, reward and motivate both near-term and long-term executive performance and provide an incentive for retention. Our decisions regarding the amount and type of equity incentive compensation and relative weighting of these awards among total executive compensation have been based on our understanding of market practices of similarly situated companies and our negotiations with our executives in connection with their initial employment or promotion.

Our recent practice has been to grant equity-based awards to our executive officers, if any at all, on an annual basis. All such grants are subject to approval by the Compensation Committee at a regularly scheduled meeting during the year. The date of grant and the fair market value of the award are based upon the date of the Compensation Committee meeting approving such grant. When granting stock options, the Compensation Committee considers a number of factors in determining the amount of equity incentive awards, if any, to grant to our executives, including:

- the existing levels of stock ownership among the executive officers relative to each other and to our employees as a whole
- previous grants of stock options to such executive officers
- vesting schedules of previously granted options
- the performance of the executives and their contributions to our overall performance

- an outside survey of stock option grants and restricted common stock awards in the biotechnology industry
- an internally prepared survey of similarly situated biotechnology companies' proxy statements
- personal knowledge of the Compensation Committee members regarding executive stock options and restricted common stock awards at comparable companies
- the impact of stock option awards on our results of operations and
- the amount and percentage of our total equity on a diluted basis held by our executives

Equity compensation awards to our named executive officers primarily consists of stock option awards. Stock option awards provide our executive officers with the right to purchase shares of our common stock at a fixed exercise price typically for a period of up to ten years, subject to continued employment with AVANT. Stock options are earned on the basis of continued service to us and generally vest over four years, beginning with 25% vesting one year after the date of grant, then pro-rata vesting annually thereafter.

All historical option grants were made at what our Compensation Committee and board of directors determined to be the fair market value of our shares of our common stock on the respective grant dates. In January 2007, we granted to our president and chief executive officer, chief operating officer, chief financial officer, senior vice president of research and development, vice president of research and vice president, medical and regulatory affairs options to purchase 50,000, 40,000, 25,000, 25,000, 12,000 and 15,000 shares, respectively. In September 2005, November 2004 and September 2003, AVANT also awarded Restricted Stock Units to Dr. Ryan and recorded non-cash deferred compensation amounting to $270,000, $832,000 and $1,104,000, respectively. On September 21, 2006, AVANT's Board of Directors modified these Restricted Stock Units to provide that they vest in their entirety upon the earlier of the sale of AVANT or Dr. Ryan's retirement at or after age 65. We recognize stock-based compensation expense under SFAS 123R using the fair-value based method for all awards granted on or after the date of our adoption and these values have since been reflected in our consolidated financial statements. Accordingly, the extent and value of our stock-based awards to our executive officers and other employees and directors have a direct effect on the calculation of our operating profit margin, a principal component of variable compensation under our performance plan.

In April 2007, we adopted an equity grant policy for 2007 that formalizes how we grant equity awards by setting a regular schedule for grants, outlining grant approval requirements and specifying how awards are priced. We believe that this policy will enable us to avoid any option backdating issues or concerns that our awards were timed to precede or follow our release or withholding of material non-public information.

Other Benefits

We believe that establishing competitive benefit packages for our employees is an important factor in attracting and retaining highly qualified personnel. Executive officers are eligible to participate in all of our employee benefit plans, such as medical, dental, group life and accidental death and dismemberment insurance, short- and long-term disability coverage and our 401(k) plan, in each case on the same basis as other employees. We provide a matching contribution under our 401(k) plan.

Summary Compensation Table

Name and Principal Position	Years	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(4)	Total ($)
Una S. Ryan, Ph.D.	2007	440,000	123,200	—	12,266	—	—	2,700	454,966
President and Chief Executive Officer	2006	415,000	73,040	1,225,000	26,250	—	—	2,700	1,741,990
M. Timothy Cooke, Ph.D.(5)	2007	285,000	49,875	—	117,524	—	—	420	402,944
Chief Operating Officer	2006	262,500	28,875	—	107,199	—	—	420	398,994
Avery W. Catlin	2007	251,121	35,818	—	15,615	—	—	2,700	269,436
Senior Vice President and Chief Financial Officer	2006	241,462	21,249	—	12,008	—	—	2,680	277,399
Ronald W. Ellis(6)	2007	161,046	—	—	78,137	—	—	350	239,533
Senior Vice President, Research and Development	2006	224,519	22,000	—	67,534	—	—	550	314,603
Henry C. Marsh, Jr., Ph.D.(7)	2007	201,899	28,266	—	7,503	—	—	2,504	211,906
Vice President, Research	2006	194,134	17,084	—	7,129	—	—	2,408	220,755
Taha Keilani, M.D.(7)	2007	254,719	35,000	—	22,716	—	—	2,520	279,955
Vice President, Medical and Regulatory Affairs	2006	244,923	21,553	—	18,766	—	—	2,520	287,762

(1) The amounts in the Bonus column include annual bonus amounts earned in 2007 and 2006 under AVANT's Performance Incentive Plan.

(2) This amount relates to the modification during 2006 of prior awards. No new awards were made to Dr. Ryan in 2006. See "Compensation Discussion and Analysis—Executive Compensation Components—Equity Compensation." The amount represents non-cash deferred compensation recognized under SFAS 123R as a result of the modification in September 2006 of Restricted Stock Unit awards made to Dr. Ryan in September 2003, November 2004 and September 2005 to provide that they vest in their entirety upon the earlier of the sale of AVANT or Dr. Ryan's retirement at or after age 65. Insofar as Dr. Ryan reached age 65 in 2006, under SFAS 123R the entire unamortized fair value of the modified awards ($1,225,000) had to be recognized in 2006 even though Dr. Ryan continues to be an executive officer of AVANT. The Restricted Stock Unit awards made to Dr. Ryan were settled for stock on a one-for-one basis upon the consummation of the Merger on March 7, 2008.

(3) The amounts in the Option Awards column reflect the dollar amounts recognized for financial statement purposes for the fiscal years ended December 31, 2007 and 2006, in accordance with FAS 123(R), (excluding the impact of estimated forfeitures related to service-based vesting conditions), for awards pursuant the AVANT 1999 Stock Option and Incentive Plan, and thus may include amounts attributable to awards granted during and before 2007 and 2006. Assumptions made in the calculation of these amounts are included in Note 5. These numbers do not reflect the 1-for-12 reverse stock split effected on March 7, 2008.

(4) The amounts listed in the All Other Compensation column includes AVANT's matching contribution to the 401(k) Savings Plan of each named executive officer and premiums paid for life insurance under AVANT's nondiscriminatory group plan for each named executive officer.

(5) Dr. Cooke joined AVANT on August 1, 2004. Dr. Cooke resigned from AVANT effective February 11, 2008.

(6) Dr. Ellis joined AVANT on January 23, 2006. Dr. Ellis resigned from AVANT effective July 31, 2007.

(7) Drs. Marsh and Keilani are no longer executive officers of AVANT, effective upon the consummation of the Merger with Celldex.

Grants of Plan-Based Awards

The following table provides information on stock options, restricted stock units and performance stock units granted in 2007 and 2006 to each of AVANT's named executive officers. The numbers below do not reflect the 1-for-12 reverse stock split effected on March 7, 2008.

GRANTS OF PLAN-BASED AWARDS

		Estimated Future Payouts Under Equity Incentive Plan Awards							
Name	**Grant Date**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**All Other Stock Awards: Number of Shares or Units (#)**	**All Other Option Awards: Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards ($/Sh)(1)**	**Market Price on Date of Grant (#)(1)**	**Grant Date Fair Value of Stock and Option Awards ($)(2)**
Una S. Ryan, Ph.D.	01/05/07		50,000				1.36	1.35	49,195
M. Timothy Cooke, Ph.D.	01/05/07		40,000				1.36	1.35	39,356
	01/06/06		100,000				2.04	2.08	152,740
Avery W. Catlin	01/05/07		25,000				1.36	1.35	24,598
	01/06/06		25,000				2.04	2.08	38,185
Ronald W. Ellis, Ph.D.	01/05/07		25,000				1.36	1.35	24,598
	01/23/06		200,000				1.93	1.94	288,500
Henry C. Marsh, Jr., Ph.D.	01/05/07		12,000				1.36	1.35	11,807
	01/06/06		12,000				2.04	2.08	18,329
Taha Keilani, M.D.	01/05/07		15,000				1.36	1.35	14,759
	01/06/06		50,000				2.04	2.08	76,370

(1) The exercise price of the option awards differs from the market price on the date of grant. The exercise price is determined based on the average of the high and low price of AVANT's common stock on the date of grant, while the market price on the date of grant is the closing price of AVANT's common stock on that date.

(2) The grant date fair value is generally the amount AVANT would expense in its financial statements over the award's service period, but does not include a reduction for forfeitures.

Outstanding Equity Awards

The following table sets forth certain information regarding the stock option grants and stock awards to the named executive officers at the end of fiscal 2007. The numbers below do not reflect the 1-for-12 reverse stock split effected on March 7, 2008.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END—DECEMBER 31, 2007

	Option Awards(1)					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)
Una S. Ryan, Ph.D.	100,000			$ 1.97	02/09/2008				
	100,000			$ 1.88	01/04/2009				
	250,000			$ 1.31	05/06/2009				
	165,000			$ 2.41	01/06/2010				
	80,000			$ 8.53	11/17/2010				
	100,000			$ 2.99	11/08/2011				
	100,000			$ 1.14	01/02/2013				
	—	50,000							
	895,000	50,000							
M. Timothy Cooke, Ph.D.	150,000	50,000		$ 1.93	08/02/2014				
	12,000			$ 2.08	01/03/2015				
	25,000	75,000		$ 2.04	01/06/2016				
	—	40,000		$ 1.36	01/05/2017				
	187,000	165,000							
Avery W. Catlin	200,000			$ 2.28	01/05/2010				
	25,000			$ 2.99	11/08/2011				
	5,000			$ 1.14	01/02/2013				
	12,000			$ 2.77	01/02/2014				
	12,000			$ 2.08	01/03/2015				
	6,250	18,750		$ 2.04	01/06/2016				
	—	25,000		$ 1.36	01/05/2017				
	260,250	43,750							
Henry C. Marsh, Jr., Ph.D.	24,000			$ 1.97	02/09/2008				
	15,000			$ 1.67	12/09/2008				
	25,000			$ 2.41	01/06/2010				
	10,000			$ 8.53	11/17/2010				
	10,000			$ 2.99	11/08/2011				
	10,000			$ 1.14	01/02/2013				
	12,000			$ 2.77	01/02/2014				
	10,000			$ 2.08	01/03/2015				
	3,000	9,000		$ 2.04	01/06/2016				
	—	12,000		$ 1.36	01/15/2017				
	119,000	21,000							
Taha Keilani, M.D.	50,000			$ 2.59	06/07/2014				
	12,000			$ 2.08	01/03/2015				
	12,500	37,500		$ 2.04	01/06/2016				
	—	15,000		$ 1.36	01/05/2017				
	74,500	52,500							

(1) All options are exercisable in 25% annual increments beginning on the first anniversary of the date of grant.

Option Exercises and Stock Vested

The following table sets forth certain information regarding the number of shares of restricted stock issued under the AVANT 1999 Stock Option and Incentive Plan that vested in fiscal 2007 and 2006 and the corresponding amounts realized by the named executive officers. The numbers below do not reflect the 1-for-12 reverse stock split effected on March 7, 2008.

OPTION EXERCISES AND STOCK VESTED

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Una S. Ryan, Ph.D.	—	—	700,000	1,225,000
M. Timothy Cooke, Ph.D.	—	—	—	—
Avery W. Catlin	—	—	—	—
Henry C. Marsh, Jr., Ph.D.	—	—	—	—
Ronald W. Ellis, Ph.D.	—	—	—	—
Taha Keilani, M.D.	—	—	—	—

In September 2005, November 2004 and September 2003, AVANT awarded Restricted Stock Units to Dr. Ryan and recorded non-cash deferred compensation amounting to $270,000, $832,000 and $1,104,000, respectively. On September 21, 2006, AVANT's Board of Directors modified these Restricted Stock Units to provide that they vest in their entirety upon the earlier of the sale of AVANT or Dr. Ryan's retirement at or after age 65. Dr. Ryan reached age 65 in December 2006. The Restricted Stock Unit awards made to Dr. Ryan were settled for stock on a one-for-one basis upon the consummation of the Merger on March 7, 2008.

Employment Agreements

Dr. Ryan entered into an employment agreement with AVANT (the "agreement"), which was amended and restated as of August 20, 1998, amended as of December 23, 2002, September 18, 2003 and again as of October 19, 2007. The term of the agreement is for 13 months from the effective date of the merger, with rolling automatic one-year extensions. If prior to a change in control (as defined in the AVANT Immunotherapeutics, Inc. 1999 Stock Option and Incentive Plan), Dr. Ryan's employment is terminated by AVANT without cause (as defined in the agreement), Dr. Ryan will be eligible to receive a lump sum amount equal to one year's salary, at the rate then in effect, and continuation of group health plan benefits for a period of up to twelve (12) months. If within a year after a change in control, Dr. Ryan's employment is terminated by AVANT without cause or by Dr. Ryan for good reason (as defined in the agreement), or if a change in control occurs within one (1) year after Dr. Ryan is terminated without cause by AVANT, Dr. Ryan is entitled to receive a lump sum amount equal to three (3) times the base amount (as defined in Section 280G(b)(3) of the Internal Revenue Code of 1986, as amended) applicable to Dr. Ryan, less one dollar ($1.00). Such severance may be further reduced to the extent necessary to preserve AVANT's tax deduction. Further, if Dr. Ryan's employment is terminated by AVANT without cause or by Dr. Ryan for good reason at any time after the merger, or Dr. Ryan resigns or is terminated by AVANT or after the first anniversary of the merger for any reason, AVANT will pay Dr. Ryan a special retirement payment of $1,323,203. In September 2005, November 2004 and September 2003, AVANT also awarded Restricted Stock Units to Dr. Ryan and recorded non-cash deferred compensation amounting to $270,000, $832,000 and $1,104,000, respectively. On September 21, 2006, AVANT's Board of Directors modified these Restricted Stock Units to provide that they vest in their entirety upon the earlier of the sale of AVANT or Dr. Ryan's

retirement at or after age 65. Dr. Ryan reached age 65 in December 2006. These units will be settled in shares of common stock of AVANT upon a change in control of AVANT.

Dr. Cooke entered into a letter agreement with AVANT on June 10, 2004 (the "Letter Agreement"), which provides for AVANT's employment of Dr. Cooke, as a Senior Vice President of Commercial Development, beginning on June 21, 2004. Under the terms of the Letter Agreement, if (1) there has been a Change of Control of AVANT (as defined in the Letter Agreement) and Dr. Cooke's employment is thereafter terminated by Dr. Cooke for other than Good Reason (as defined in the Letter Agreement), or (2) there has been a Change of Control of AVANT and Dr. Cooke's employment is thereafter terminated for Cause (as defined in the Letter Agreement) by AVANT, death, Disability or Retirement (each as defined in the Letter Agreement), then no benefits shall be payable to Dr. Cooke. If Dr. Cooke's employment is terminated within one (1) year following a Change in Control of AVANT by Dr. Cooke for Good Reason or by AVANT other than for Cause, death, Disability or Retirement, then Dr. Cooke's benefits shall be those described in the Letter Agreement, including the continuance of Dr. Cooke's base salary for 12 months and a 100% vesting of all unvested options. On June 14, 2004, Dr. Cooke's employment terms were amended (the "Amended Letter Agreement") such that AVANT agreed to pay Dr. Cooke six months of severance (at the rate of his final base pay) if Dr. Cooke's employment is terminated by AVANT without cause. This Amended Letter Agreement provides that Dr. Cooke is employed on an at-will basis and also allows for Dr. Cooke to receive health and dental benefits during this severance period. Dr. Cooke was promoted to chief operating officer March 21, 2005 however, his employment terms pursuant to this Letter Agreement remained the same. Dr. Cooke resigned from AVANT on February 11, 2008.

Mr. Catlin and Dr. Marsh have agreements with AVANT under which each is eligible for a severance payment of twelve months' base salary, continuation of health insurance benefits for twelve months and 100% vesting of all stock option grants in the event of his termination following a change-of-control, as defined in the AVANT Immunotherapeutics, Inc. 1999 Stock Option and Incentive Plan.

Pension Benefits

None of our named executive officers participate in qualified or nonqualified defined benefit plans sponsored by AVANT.

Nonqualified Deferred Compensation

None of our named executive officers are covered by a defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

Potential Payments Upon Termination of Employment or Change in Control

Certain of our named executive officers have provisions in their employment agreements regarding severance upon certain termination events or acceleration of stock options in the event of a change of control of AVANT or termination following a change of control. These severance and acceleration provisions are described in "Employment Agreements," and certain estimates of these change of control benefits are provided in the table below.

Una S. Ryan, Ph.D.

The following table describes the potential payments and benefits upon employment termination for Una S. Ryan, president and chief executive officer, as if her employment terminated as of December 31, 2007, the last business day of our latest fiscal year.

Executive benefits and payments upon termination	Voluntary resignation no for good reason	Voluntary resignation for good reason	Termination by AVANT not for cause	Termination by AVANT for cause	Voluntary termination by the executive for good reason or termination by AVANT without cause in connection with or following change of control
Base salary	$ —(1)	$ —(1)	$ 440,000	$ —	$ 1,249,000
Equity Awards Acceleration	—	—	—	—	—
Continuation of Health Benefits	—	—	11,128	—	—
Total	$ —	$ —	$ 451,128	$ —	$ 1,249,000

(1) AVANT is only required to pay Dr. Ryan an amount equal to her salary pro-rated for the period of time for which AVANT waives the 60 days prior notice of termination as required under the agreement.

M. Timothy Cooke, Ph.D.

The following table describes the potential payments and benefits upon employment termination for M. Timothy Cooke, chief operating officer, as if his employment terminated as of December 31, 2007, the last business day of our latest fiscal year.

Executive benefits and payments upon termination	Voluntary resignation no for good reason	Voluntary resignation for good reason	Termination by AVANT not for cause	Termination by AVANT for cause	Voluntary termination by the executive for good reason or termination by AVANT without cause in connection with or following change of control
Base salary	$ —	$ —	$ 142,500	$ —	$ 285,000
Equity Awards Acceleration	—	—	—	—	—
Continuation of Health Benefits	—	—	6,108	—	12,216
Total	$ —	$ —	$ 148,608	$ —	$ 297,216

Avery W. Catlin

The following table describes the potential payments and benefits upon employment termination for Avery W. Catlin, chief financial officer, as if his employment terminated as of December 31, 2007, the last business day of our latest fiscal year.

Executive benefits and payments upon termination	Voluntary resignation no for good reason	Voluntary resignation for good reason	Termination by AVANT not for cause	Termination by AVANT for cause	Voluntary termination by the executive for good reason or termination by AVANT without cause in connection with or following change of control
Base salary	$ —	$ —	$ —	$ —	$ 251,121
Equity Awards Acceleration	—	—	—	—	—
Continuation of Health Benefits	—	—	—	—	12,216
Total	$ —	$ —	$ —	$ —	$ 263,337

Henry C. Marsh, Jr., Ph.D.

The following table describes the potential payments and benefits upon employment termination for Henry C. Marsh, Jr., Ph.D., vice president, research, as if his employment terminated as of December 31, 2007, the last business day of our latest fiscal year.

Executive benefits and payments upon termination	Voluntary resignation no for good reason	Voluntary resignation for good reason	Termination by AVANT not for cause	Termination by AVANT for cause	Voluntary termination by the executive for good reason or termination by AVANT without cause in connection with or following change of control
Base salary	$ —	$ —	$ —	$ —	$ 201,899
Equity Awards Acceleration	—	—	—	—	—
Continuation of Health Benefits	—	—	—	—	12,216
Total	$ —	$ —	$ —	$ —	$ 214,115

Director Compensation

Directors who are not employees of AVANT are each entitled to receive a retainer fee of $20,000 each fiscal year, with the Chairman of the board of directors receiving $30,000. Each board committee Chairman receives an annual additional retainer fee of $5,000 and an option to purchase 2,500 shares of common stock, with the Audit Committee Chairman receiving $10,000 and an option to purchase 5,000 shares of common stock. In addition, each non-employee director is entitled to receive $2,000 for attendance at each meeting in person and $1,000 for each telephonic meeting of the board of directors and $1,000 for attendance at each meeting in person and $500 for each telephonic meeting of a board committee. The AVANT 1999 Stock Option and Incentive Plan provides for annual automatic grants to each independent director of an option to purchase 10,000 shares of common stock with vesting after one year, a ten year term, and an exercise price equal to the fair market value of the common stock on the day of grant. As of January 16, 2008, the current independent directors had the following stock options outstanding: Harry H. Penner, Jr.—100,000, Karen Shoos Lipton—78,500, and Larry Ellberger—65,000.

This table summarizes the annual cash compensation for AVANT's non-employee directors during 2007.

DIRECTOR COMPENSATION—2007

Name	Fees Earned or Paid in Cash ($)	Stock Award ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
J. Barrie Ward(2)	2,625	—	4,785	—	—	—	7,410
Harry H. Penner, Jr.	43,750	—	8,999	—	—	—	52,749
Peter A. Sears(3)	38,000	—	10,116	—	—	—	48,116
Karen Shoos Lipton	38,125	—	9,227	—	—	—	47,352
Larry Ellberger	42,750	—	10,116	—	—	—	52,866
Alf Lindberg(4)	27,625	—	8,339	—	—	—	35,964
Francis Cano(5)	30,125	—	9,227	—	—	—	39,352

(1) The amounts in the Option Awards column reflect the dollar amounts recognized for financial statement purposes for the fiscal year ended December 31, 2007, in accordance with FAS 123(R), (excluding the impact of estimated forfeitures related to service-based vesting conditions), for awards pursuant the AVANT 1999 Stock Option and Incentive Plan, and thus may include amounts attributable to awards granted during and before 2007 and 2006. Assumptions made in the calculation of these amounts are included in Note 5. These numbers do not reflect the 1-for-12 reverse stock split effected on March 7, 2008.

(2) Dr. Ward resigned from the Board of Directors effective April 17, 2007.

(3) Mr. Sears resigned from the Board of Directors effective November 26, 2007.

(4) Dr. Lindberg resigned from the Board of Directors effective January 15, 2008.

(5) Dr. Cano resigned from the Board of Directors effective October 16, 2007.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board of Directors was composed at various times during the year by the following six non-employee directors: Messrs. J. Barrie Ward, Francis Cano, Peter A. Sears, Harry H. Penner, Jr. and Alf Lindberg and Ms. Karen Shoos Lipton. None of these Compensation Committee members was an officer or employee of AVANT during the year. Dr. Ward was formerly an employee of AVANT and was a consultant for AVANT until December 31, 2004. Dr. Ward did not participate in actions or discussions with respect to his own compensation. No Compensation Committee interlocks between AVANT and another entity existed.

REPORT OF THE AVANT COMPENSATION COMMITTEE*

The Compensation Committee of AVANT has reviewed the Compensation Discussion and Analysis with management and based on a review of the Compensation Discussion Analysis, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

Compensation Committee

Karen Shoos Lipton, Chairman
Harry H. Penner, Jr.
Larry Ellberger

* The foregoing report of the Compensation Committee is not to be deemed "soliciting material" or deemed to be "filed" with the Securities and Exchange Commission (irrespective of any general incorporation language in any document filed with the Securities and Exchange Commission) or subject to Regulation 14A of the Securities Exchange Act of 1934, as amended, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent we specifically incorporate it by reference into a document filed with the Securities and Exchange Commission.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table provides information as of December 31, 2007 regarding shares of common stock of AVANT that may be issued under our existing equity compensation plans, including AVANT's 1999 Stock Option and Incentive Plan (the "1999 Plan") and AVANT's 1994 Employee Stock Purchase Plan (the "1994 Plan"). Footnote (4) to the table sets forth the total number of shares of common stock of AVANT issuable upon the exercise of assumed options as of December 31, 2007, and of assumed options and warrants as of August 21, 1998, and the weighted average exercise price of these options and warrants.

	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted Average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plan (excluding securities referenced in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders(2)	2,830,728(3)	$ 2.29	863,675(4)

(1) Does not include any Restricted Stock as such shares are already reflected in AVANT's outstanding shares.

(2) Consists of the 1999 Plan and the 1994 Plan.

(3) Does not include purchase rights accruing under the 1994 Plan because the purchase price (and therefore the number of shares to be purchased) will not be determined until the end of the purchase period and does not reflect the 1-for-12 reverse stock split effected on March 7, 2008.

(4) Includes shares available for future issuance under the 1994 Plan.

AVANT Principal Stockholders

The following table sets forth the amount of common stock beneficially owned as of January 17, 2008 by the following people and does not reflect the 1-for-12 reverse stock split effected on March 7, 2008:

- each director and nominee for director;
- the chief executive officer and the other most highly compensated executive officers whose total salary and bonus exceeded $100,000 during 2007;
- all directors and officers as a group; and
- each person known by AVANT to hold more than 5% of our outstanding common stock.

Name and Business Address of Beneficial Owners*	Amount and Nature of Beneficial Ownership(1)	Percentage of Common Stock(2)
Directors and Executive Officers		
Una S. Ryan, Ph.D.	2,026,213(3)	2.73%
Harry H. Penner, Jr.	90,000(4)	**
Karen Shoos Lipton	70,000(5)	**
Larry Ellberger	50,000(6)	**
M. Timothy Cooke, Ph.D.	187,000(7)	**
Avery W. Catlin	281,750(8)	**
Henry C. Marsh, Jr., Ph.D.	124,835(9)	**
Taha Keilani, M.D.	76,000(10)	**
All Directors and Executive Officers as a group		
(Consisting of 8 persons)	2,905,798(11)	3.92%

* Unless otherwise indicated, the address is c/o AVANT Immunotherapeutics, Inc., 119 Fourth Avenue, Needham, Massachusetts 02494-2725.

** Less than 1%.

(1) Unless otherwise indicated, the persons shown have sole voting and investment power over the shares listed.

(2) Common stock includes all outstanding common stock plus, as required for the purpose of determining beneficial ownership (in accordance with Rule 13d-3(d)(1) of the Securities Exchange Act of 1934, as amended), all common stock subject to any right of acquisition, through exercise or conversion of any security, within 60 days of the record date.

(3) Includes 895,000 shares of common stock issuable upon exercise of options, which are vested or will vest within 60 days of the record date. Includes 1,000,000 Restricted Stock Units, which are fully vested and were settled for stock on a one-for-one basis upon the consummation of the Merger on March 7, 2008. Includes 32,000 shares owned by Dr. Ryan's husband, of which Dr. Ryan disclaims beneficial ownership.

(4) Includes 85,000 shares of common stock issuable upon exercise of options, which are vested or will vest within 60 days of the record date. The business address of Mr. Penner is Marinus Pharmaceuticals, Inc., 21 Business Park Drive, Branford, Connecticut 06405.

(5) Includes 66,000 shares of common stock issuable upon exercise of options, which are vested or will vest within 60 days of the record date. The business address of Ms. Lipton is American Association of Blood Banks, 8101 Glenbrook Road, Bethesda, MD 20814.

(6) Includes 50,000 shares of common stock issuable upon exercise of options, which are vested or will vest within 60 days of the record date. The business address of Mr. Ellberger is 23 Fawn Drive, Livingston, NJ 0739.

(7) Includes 187,000 shares of common stock issuable upon exercise of options, which are vested or will vest within 60 days of the record date.

(8) Includes 260,250 shares of common stock issuable upon exercise of options, which are vested or will vest within 60 days of the record date.

(9) Includes 119,000 shares of common stock issuable upon exercise of options, which are vested or will vest within 60 days of the record date.

(10) Includes 74,500 shares of common stock issuable upon exercise of options, which are vested or will vest within 60 days of the record date.

(11) Includes 1,766,750 shares of common stock issuable upon exercise of options and 1,000,000 Stock Units, which are fully vested.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

It is our policy that all employees and directors, as well as their family members, must avoid any activity that is or has the appearance of conflicting with AVANT's business interest. This policy is included in our Code of Business Conduct and Ethics. All directors and officers of AVANT complete a directors and officers questionnaire at the beginning of each year, in which they are asked to disclose family relationships and other related party transactions. Our Audit Committee must review and approve all related party transactions, as defined in Item 404 of Regulation S-K. Our Audit Committee's procedures for reviewing related party transactions are not in writing. In fiscal 2007, there were no related party transactions.

Director Independence

For information on director independence, please see Item 10 above under the caption "The Board of Directors and Its Committees."

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The Audit Committee approved the engagement of PricewaterhouseCoopers LLP as AVANT's independent registered public accounting firm for fiscal 2007.

Audit Fees

Represents fees for professional services provided in connection with the audit of AVANT's annual audited financial statements and reviews of AVANT's quarterly financial statements, advice on accounting matters directly related to the audit and audit services provided in connection with other statutory or regulatory filings. Fees, including out of pocket expenses, for the fiscal years 2007 and 2006 audit, including assurance services provided in connection with the assessment and testing of internal controls pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, quarterly reviews of Forms 10-Q during fiscal years 2007 and 2006 and in connection with the Celldex Merger entered into in 2007 were $443,400 and $374,550, respectively.

Audit-Related Fees

Audit-related fees are for assurance and other activities not explicitly related to the audit of AVANT's financial statements, and consisted principally of fees for consultations concerning financial

accounting and reporting standards. There were no audit-related fees billed by PricewaterhouseCoopers LLP for fiscal 2007 and 2006.

Tax Fees

Tax fees are associated with tax compliance, tax advice, tax planning and tax preparation services. In 2007 and 2006, we engaged another public accounting firm to perform these services.

All Other Fees

Other fees of $1,500 were billed by PricewaterhouseCoopers LLP in fiscal years 2007 and 2006.

The Audit Committee is responsible for appointing, setting compensation and overseeing the work of the independent auditors. The Audit Committee has established a policy regarding pre-approval of all auditing services and the terms thereof and non-audit services (other than non-audit services prohibited under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the Public Company Accounting Oversight Board) to be provided to AVANT by the independent auditor. However, the pre-approval requirement may be waived with respect to the provision of non-audit services for AVANT if the "de minimus" provisions of Section 10A(i)(1)(B) of the Exchange Act are satisfied.

The Audit Committee has considered whether the provision of Audit-Related Fees, Tax Fees, and all other fees as described above is compatible with maintaining PricewaterhouseCoopers, LLP's independence and has determined that such services for fiscal years 2007, 2006 and 2005 were compatible. All such services were approved by the Audit Committee pursuant to Rule 2-01 of Regulation S-X under the Exchange Act to the extent that rule was applicable.

The Audit Committee is responsible for reviewing and discussing the audit financial statements with management, discussing with the independent auditors the matters required in Auditing Standards No. 61, receiving written disclosures from the independent auditors required by ISB No.1 and discussing with the independent auditors their independence, and recommending to the board of directors that the audit financial statements be included in the company's annual report of Form 10-K.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(1) Financial Statements:

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

(2) Financial Statement Schedules:

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

(3) Exhibits:

No.	Description	Page No.
2.1	Agreement and Plan of Merger, dated as of October 19, 2007, by and among AVANT, Celldex Merger Corporation, and Celldex Therapeutics, Inc.	Incorporated by reference to Exhibit 2.1 of AVANT's Registration Statement on Form S-4 (Reg. N. 333-148291), filed December 31, 2007
2.2	Agreement and Plan of Merger, dated as of November 20, 2000, by and among AVANT, AVANT Acquisition Corp., and Megan Health, Inc.	Incorporated by reference to Exhibit 2.1 of AVANT's Current Report on Form 8-K filed December 12, 2000
2.3	First Amendment to Agreement and Plan of Merger, dated as of November 20, 2000, by and among AVANT, AVANT Acquisition Corp., and Megan Health, Inc.	Incorporated by reference to Exhibit 2.2 of AVANT's Current Report on Form 8-K filed December 12, 2000
3.1	Third Restated Certificate of Incorporation of AVANT	Incorporated by reference to Exhibit 3.1 of AVANT's Registration Statement on Form S-4 (Reg. No. 333-59215), filed July 16, 1998
3.2	Certificate of Amendment of Third Restated Certificate of Incorporation of AVANT	Incorporated by reference to Exhibit 3.1 of AVANT's Registration Statement on Form S-4 (Reg. No. 333-59215), filed July 16, 1998
3.3	Second Certificate of Amendment of Third Restated Certificate of Incorporation of AVANT	Incorporated by reference to Exhibit 3.2 of AVANT's Registration Statement on Form S-4 (Reg. No. 333-59215), filed July 16, 1998
3.4	Third Certificate of Amendment of Third Restated Certificate of Incorporation of AVANT	Incorporated by reference to Exhibit 3.1 of AVANT's Quarterly Report on Form 10-Q, filed May 10, 2002
3.5	Amended and Restated By-Laws of AVANT as of March 14, 2007	Filed herewith

3.6	Certificate of Elimination of Series C-1 Junior Participating Cumulative Preferred Stock	Incorporated by reference to Exhibit 3.6 of AVANT's Annual Report on Form 10-K, filed March 16, 2005
3.7	Certificate of Designations, Preferences and Rights of a Series of Preferred Stock of AVANT Immunotherapeutics, Inc. classifying and designating the Series C-1 Junior Participating Cumulative Preferred Stock	Incorporated by reference to Exhibit 3.1 of AVANT's Registration Statement on Form 8-A filed November 8, 2004
3.8	Fourth Certificate of Amendment of Third Restated Certificate of Incorporation of AVANT	Incorporated by reference to Exhibit 3.1 of AVANT's Current Report on Form 8-K filed on March 11, 2008
3.9	Fifth Certificate of Amendment of Third Restated Certificate of Incorporation of AVANT	Incorporated by reference to Exhibit 3.2 of AVANT's Current Report on Form 8-K filed on March 11, 2008
4.1	Shareholder Rights Agreement dated November 5, 2004 between AVANT and EquiServe Trust Company, N.A. as Rights Agent	Incorporated by reference to Exhibit 4.1 of AVANT's Registration Statement on Form 8-A filed November 8, 2004
4.2	Amendment No. 1 to Shareholder Rights Agreement dated October 19, 2007 between AVANT and Computershare Trust Company, N.A. (formerly EquiServe Trust Company, N.A.) as Rights Agent	Incorporated by reference to Exhibit 10.1 of AVANT's Registration Statement on Form 8-A/A filed October 22, 2007
4.3	Amendment No. 2 to Shareholder Rights Agreement dated November 5, 2004, between AVANT and Computershare Trust Company, N.A. (formerly EquiServe Trust Company, N.A.), as Rights Agent	Incorporated by reference to Exhibit 10.1 of AVANT's Registration Statement on Form 8-A1G/A filed on March 7, 2008
†10.1	AVANT Immunotherapeutics, Inc. 2004 Employee Stock Purchase Plan	Incorporated by reference to Appendix A to AVANT's Proxy Statement filed on April 19, 2004 pursuant to Section 14 (a) of the Exchange Act
†10.2	Megan Health, Inc. Stock Option Plan	Incorporated by reference to Exhibit 4.6 of AVANT's Registration Statement on Form S-8 (Reg. No. 333-52796), filed December 27, 2000
†10.3	AVANT Immunotherapeutics, Inc. 1999 Stock Option and Incentive Plan	Incorporated by reference to Exhibit A to AVANT's Proxy Statement on Schedule 14A filed on April 1, 1999
†10.4	Virus Research Institute, Inc. 1992 Equity Incentive Plan as amended and restated	Incorporated by reference to Exhibit 10.4 of AVANT's Annual Report on Form 10-K filed March 28, 2000

10.5	Performance Plan of AVANT Immunotherapeutics, Inc.	Incorporated by reference to Exhibit 10.5 of AVANT's Annual Report on Form 10-K filed March 28, 2000
†10.6	Form of Agreement relating to Change of Control	Incorporated by reference to Exhibit 10.6 of AVANT's Annual Report on Form 10-K filed March 28, 2000
†10.7	Amended and Restated Employment Agreement between AVANT and Una S. Ryan, Ph.D. dated August 20, 1998	Incorporated by reference to Exhibit 10.8 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 1998
10.8	Commercial Lease Agreement of May 1, 1996 between AVANT and Fourth Avenue Ventures Limited Partnership	Incorporated by reference to Exhibit 10.11 of AVANT's quarterly report on Form 10-Q/A for the quarterly period ended June 30, 1996 (File No. 0-15006)
10.9	Extension of Lease Agreement of May 1, 1997 between AVANT and DIV Needham 53 LLC (successor in interest to Fourth Avenue Ventures Limited Partnership) dated as of August 23, 2001	Incorporated by reference to AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 2001
10.10	Settlement Agreement between AVANT and Forest City 38 Sidney Street, Inc.; Forest City Management, Inc.; and Forest City Enterprises, Inc.	Incorporated by reference to Exhibit 10.15 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 1997
10.11	Agreement between Lonza Biologics plc and AVANT dated as of April 19, 2000, portions of which are subject to confidential treatment	Incorporated by reference to Exhibit 10.11 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 2000
10.12	Stock Purchase Agreement dated December 1, 2000 by and between AVANT and Pfizer Inc	Incorporated by reference to Exhibit 10.12 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 2000
10.13	License and Royalty Agreement by and between Pfizer Inc, AVANT and Megan Health, Inc. dated as of December 1, 2000, portions of which are subject to confidential treatment	Incorporated by reference to Exhibit 10.13 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 2000
10.14	Amendment to License and Royalty Agreement by and between Pfizer Inc, AVANT and Megan Health, Inc. dated as of December 1, 2000, portions of which are subject to confidential treatment	Incorporated by reference to Exhibit 10.14 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 2000
10.15	Collaborative Research and Development Agreement by and between Pfizer Inc. and Megan Health, Inc. dated as of December 1, 2000, portions of which are subject to confidential treatment	Incorporated by reference to Exhibit 10.15 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 2000

10.16	Exclusive License Agreement between AVANT Immunotherapeutics, Inc. and DynPort Vaccine Company, LLC dated as of October 10, 2001, portions of which are subject to a request for confidential treatment	Incorporated by reference to Exhibit 10.17 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 2001
†10.17	First Amendment to AVANT Immunotherapeutics, Inc. 1999 Stock Option and Incentive Plan	Incorporated by reference to Exhibit 10.18 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 2001
†10.18	First Amendment to Amended and Restated Employment Agreement between AVANT and Una S. Ryan, Ph.D. dated as of December 23, 2002	Incorporated by reference to Exhibit 10.19 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002
10.19	License Agreement between Virus Research Institute, Inc. and SmithKline Beecham PLC dated as of December 1, 1997, portions of which are subject to confidential treatment	Incorporated by reference to Exhibit 10.20 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 1999
10.20	Amendment Agreement, dated January 9, 2003, between AVANT and SmithKline Beecham PLC	Incorporated by reference to Exhibit 10.21 of AVANT's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2002
10.21	License Agreement, dated as of January 31, 2003, by and between AVANT and Elan Drug Delivery Limited	Incorporated by reference to Exhibit 10.22 of AVANT's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2002
10.22	License and Clinical Trials Agreement, effective as of February 27, 1995, between Virus Research Institute, Inc. and the James N. Gamble Institute of Medical Research	Incorporated by reference to Exhibit 10.23 of AVANT's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2002
10.23	License Agreement, dated as of May 1, 1992, by and between the President and Fellows of Harvard College and Virus Research Institute, Inc.	Incorporated by reference to Exhibit 10.24 of AVANT's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2002
10.24	Amendment to License Agreement, dated July 23, 1993, by and between the President and Fellows of Harvard College and Virus Research Institute, Inc.	Incorporated by reference to Exhibit 10.25 of AVANT's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2002
10.25	Amendment to License Agreement, dated as of August 2, 2000, by and between the President and Fellows of Harvard College and AVANT	Incorporated by reference to Exhibit 10.26 of AVANT's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2002
10.26	License Agreement, dated as of November 25, 1988, by and among The Johns Hopkins University, Brigham and Women's Hospital and AVANT f/k/a T Cell Sciences, Inc.	Incorporated by reference to Exhibit 10.28 of AVANT's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2002

10.27	Subcontractor Service Agreement by and between DynPort Vaccine Company LLC and AVANT, dated January 15, 2003	Incorporated by reference to Exhibit 10.1 of AVANT's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003
10.28	Subcontract modification by and between DynPort Vaccine Company LLC and AVANT, dated May 27, 2003	Incorporated by reference to Exhibit 10.2 of AVANT's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003
10.29	Subcontract by and between DynPort Vaccine Company LLC and AVANT, dated May 27, 2003	Incorporated by reference to Exhibit 10.3 of AVANT's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003
†10.30	Second Amendment to Amended and Restated Employment Agreement between AVANT and Una S. Ryan, Ph.D., dated as of September 18, 2003	Incorporated by reference to Exhibit 10.4 of AVANT's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003
†10.31	Third Amendment to Amended and Restated Employment Agreement between AVANT and Una S. Ryan, Ph.D., dated as of October 19, 2007	Incorporated by reference to Exhibit 10.2 to a Current Report on Form 8-K filed by AVANT on October 22, 2007
†10.32	Restricted Stock Unit Agreement between AVANT and Una S. Ryan, dated September 18, 2003	Incorporated by reference to Exhibit 10.5 of AVANT's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003
†10.33	Amendment to AVANT Immunotherapeutics, Inc. 1999 Stock Option and Incentive Plan	Incorporated by reference to Exhibit 10.34 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 2003
10.34	Lease Agreement, by and between AVANT and the Massachusetts Development Finance Agency, dated as of December 22, 2003, portions of which are subject to a request for confidential treatment	Incorporated by reference to Exhibit 10.1 of AVANT's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004
10.35	Security Agreement, by and between AVANT and the Massachusetts Development Finance Agency, dated as of December 22, 2003, portions of which are subject to a request for confidential treatment	Incorporated by reference to Exhibit 10.2 of AVANT's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004
10.36	Secured Promissory Note: Equipment Loan, by and between AVANT and the Massachusetts Development Finance Agency, dated as of December 22, 2003, portions of which are subject to a request for confidential treatment	Incorporated by reference to Exhibit 10.3 of AVANT's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004
10.37	Non-Exclusive License Agreement, by and between AVANT and AdProTech Ltd., dated as of March 10, 2004, portions of which are subject to a request for confidential treatment	Incorporated by reference to Exhibit 10.4 of AVANT's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004

10.38	Design/Builder Agreement, dated August 20, 2004 by and between AVANT Immunotherapeutics, Inc. and SPEC Process Engineering & Construction, Inc.	Incorporated by reference to Exhibit 10.1 of AVANT's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004
10.39	First Amendment to Lease by and between AVANT and DIV Needham 53 LLC dated November 29, 2005	Incorporated by reference to Exhibit 10.40 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 2005
10.40	Second Amendment to Lease by and between AVANT and the Massachusetts Development Finance Agency dated as of November 4, 2005	Incorporated by reference to Exhibit 10.41 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 2005
10.41	Amendment Agreement to Purchase Agreement between AVANT and PRF Vaccine Holdings LLC, dated as of March 14, 2006	Incorporated by reference to Exhibit 10.1 of AVANT's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006
*10.42	Exclusive License Agreement dated February 1, 2003 by and between Thomas Jefferson University ("TJU") and Spliceomix, Inc.	Incorporated by reference to Exhibit 10.1 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
*10.43	License Agreement dated as of November 1, 2005 by and between The Rockefeller University and Celldex.	Incorporated by reference to Exhibit 10.2 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
*10.44	License Agreement dated September 1, 2006 by and between Duke University and Celldex.	Incorporated by reference to Exhibit 10.3 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
*10.45	Assignment and License Agreement dated April 6, 2004 by and among Medarex, Inc., GenPharm International, Inc., and Celldex., as amended	Incorporated by reference to Exhibit 10.4 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
*10.46	Research and Commercialization Agreement dated as of April 6, 2004 by and among Medarex, Inc., Celldex and GenPharm International, Inc., as amended.	Incorporated by reference to Exhibit 10.5 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
*10.47	Termination Agreement dated December 21, 2005 by and between Corixa Corporation, a wholly owned subsidiary of GlaxoSmithKline and Lorantis Limited, a wholly owned subsidiary of Celldex.	Incorporated by reference to Exhibit 10.6 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
*10.48	Clinical Trial Research Agreement dated April 5, 2004 by and between Duke University and Medarex, Inc., as amended on November 20, 2006.	Incorporated by reference to Exhibit 10.7 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008

*10.49	Sponsored Research Agreement dated as of May 1, 2004 by and between Duke University and Medarex, Inc.	Incorporated by reference to Exhibit 10.8 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
*10.50	Supply Agreement dated August 18, 2006 by and between Celldex and Biosyn.	Incorporated by reference to Exhibit 10.9 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
10.51	Lease Agreement dated as of October 21, 2005 by and between Phillipsburg Associates, L.P. and Celldex.	Incorporated by reference to Exhibit 10.10 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
†10.52	Employment Agreement dated as of May 15, 2006 by and between Celldex and Dr. Ronald Newbold.	Incorporated by reference to Exhibit 10.11 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
†10.53	Employment Agreement dated as of April 5, 2006 by and between Celldex and Dr. Thomas Davis.	Incorporated by reference to Exhibit 10.12 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
†10.54	Employment Agreement dated as of April 6, 2004 by and between Celldex and Dr. Tibor Keler.	Incorporated by reference to Exhibit 10.13 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
†10.55	Employment Agreement dated as of April 6, 2004 by and between Celldex and Anthony Marucci.	Incorporated by reference to Exhibit 10.14 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
†10.56	Separation and Mutual Release Agreement dated October 19, 2007 by and between Dr. Robert F. Burns and Celldex.	Incorporated by reference to Exhibit 10.15 of Amendment No. 2 to AVANT's Registration Statement on Form S-4 (Reg. No. 333-148291), filed January 18, 2008
†10.57	AVANT Immunotherapeutics, Inc. 2008 Stock Option and Incentive Plan	Incorporated by reference to Exhibit 10.3 to a Current Report on Form 8-K filed by AVANT on October 22, 2007
18.0	Letter regarding Change in Accounting Principle	Incorporated by reference to Exhibit 18.0 of AVANT's Annual Report on Form 10-K for the fiscal year ended December 31, 2003
21.0	List of Subsidiaries	Filed herewith
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith
31.1	Certification of President and Chief Executive Officer	Filed herewith

31.2	Certification of Senior Vice President and Chief Financial Officer	Filed herewith
32	Section 1350 Certifications	Furnished herewith

* Confidential treatment has been requested for certain provisions of this Exhibit pursuant to Rule 406 promulgated under the Securities Act.

† Indicates a management contract or compensation plan, contract or arrangement.

SIGNATURES

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

Date

March 18, 2008

AVANT IMMUNOTHERAPEUTICS, INC.

By: /s/ UNA S. RYAN

Una S. Ryan
President and Chief Executive Officer

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

Signature	Title	Date
/s/ UNA S. RYAN Una S. Ryan	President, Chief Executive Officer, and Director	March 18, 2008
/s/ AVERY W. CATLIN Avery W. Catlin	Senior Vice President, Chief Financial Officer and Treasurer	March 18, 2008
/s/ HARRY H. PENNER, JR. Harry H. Penner, Jr.	Director	March 18, 2008
/s/ KAREN S. LIPTON Karen S. Lipton	Director	March 18, 2008
/s/ LARRY ELLBERGER Larry Ellberger	Director	March 18, 2008

QuickLinks

AMENDED AND RESTATED
BY-LAWS
OF
AVANT IMMUNOTHERAPEUTICS, INC.

as of March 14, 2007

ARTICLE I

OFFICES

SECTION 1. REGISTERED OFFICE. The registered office of the Corporation shall be established and maintained at the office of the designated agent in the City of Dover, in the county of Kent, in the State of Delaware, and said agent shall be the registered agent of the Corporation in charge of such office.

SECTION 2. OTHER OFFICES. The Corporation may have other offices, either within or without the State of Delaware, at such place or places as the Board of Directors may from time to time appoint or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. ANNUAL MEETINGS. Annual meetings of stockholders, for the election of directors and for such other business as may be stated in the notice of the meeting, shall be held at such place either within or without the State of Delaware, and at such time and date as the Board of Directors, by resolution, shall determine and set forth in the notice of meeting.

If the date of the annual meeting shall fall upon a legal holiday, the meeting shall be held on the next succeeding business day. At each annual meeting, the stockholders entitled to vote shall elect a Board of Directors and they may transact such other corporate business as shall be stated in the notice of the meeting.

SECTION 2. MATTERS TO BE CONSIDERED AT ANNUAL MEETINGS. At any annual meeting of stockholders, only such business shall be conducted, and only such proposals shall be acted upon, as shall have been properly brought before such annual meeting. To be considered as properly brought before an annual meeting of stockholders, business must be: (a) specified in the notice of meeting (or any supplement thereto), (b) otherwise properly brought before the meeting by, or at the direction of, the Board of Directors, or (c) otherwise properly brought before the meeting by any holder of record (both as of the time notice of such proposal is given by the stockholder as set forth below and as of the record date for the annual meeting in question) of any shares of capital stock

of the Corporation entitled to vote at such annual meeting who complies with the requirements set forth in this Section 2.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder of record of any shares of capital stock entitled to vote at such annual meeting (other than a stockholder proposal included in the Corporation's proxy statement pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended), such stockholder shall: (i) give timely notice as required by this Section 2 to the Secretary of the Corporation and (ii) be present at such meeting, either in person or by a representative. To be timely, a stockholder's notice must be delivered to, or mailed to and received by, the Corporation at its principal executive office not less than 75 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders (the "Anniversary Date"); provided, however, that in the event the annual meeting is scheduled to be held on a date more than 30 days before the Anniversary Date or more than 60 days after the Anniversary Date, timely notice by the stockholder must be delivered not later than the close of business on the later of (A) the 75th day prior to the scheduled date of such annual meeting or (B) the 15th day following the day on which public announcement of the date of such annual meeting is first made by the Corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice under these By-laws.

For purposes of these By-laws, "public announcement" shall mean: (i) disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service, (ii) a report or other document filed publicly with the Securities and Exchange Commission (including, without limitation, a Form 8-K), or (iii) a letter or report sent to stockholders of record of the Corporation at the time of the mailing of such letter or report.

A stockholder's notice to the Secretary shall set forth as to each matter proposed to be brought before an annual meeting of stockholders: (i) a brief description of the business the stockholder desires to bring before such annual meeting and the reasons for conducting such business at such annual meeting, (ii) the name and address, as they appear on the Corporation's stock transfer books, of the stockholder proposing such business, (iii) the class and number of shares of the Corporation's capital stock beneficially owned by the stockholder proposing such business, (iv) the names and addresses of the beneficial owners, if any, of any capital stock of the Corporation registered in such stockholder's name on such books, and the class and number of shares of the Corporation's capital stock beneficially owned by such beneficial owners, (v) the names and addresses of other stockholders known by the stockholder proposing such business to support such proposal, and the class and number of shares of the Corporation's capital stock beneficially owned by such other stockholders, and (vi) any material interest of the stockholder proposing to bring such business before such meeting (or any other stockholders known to be supporting such proposal) in such proposal.

If the Board of Directors or a designated committee thereof determines that any stockholder proposal was not made in a timely fashion in accordance with the provisions of this Section 2 or that the information provided in a stockholder's notice does not satisfy the information requirements of this Section 2 in any material respect, such proposal shall not be presented for action at the annual meeting in question. If neither the Board of Directors nor such committee makes a determination as to the validity of any stockholder proposal in the manner set forth above, the presiding officer of the annual meeting shall determine and declare at the annual meeting whether the stockholder proposal was made in accordance with the terms of this Section 2. If the presiding officer determines that a stockholder proposal was made in accordance with the requirements of this Section 2, he shall so declare at the annual meeting and ballots shall be provided for use at the meeting with respect to such proposal. If the presiding officer determines that a stockholder proposal was not made in accordance with the requirements of this Section 2, he shall so declare at the annual meeting and such proposal shall not be acted upon at such meeting.

SECTION 3. OTHER MEETINGS. Meetings of stockholders for any purpose other than the election of directors may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting.

SECTION 4. VOTING AND PROXIES. Stockholders shall have one vote for each share of stock entitled to vote owned by them of record according to the stock transfer books of the Corporation, unless otherwise provided by law or by the Certificate. Stockholders may vote either (i) in person, (ii) by written proxy or (iii) by an electronic transmission permitted by §212(c) of the Delaware General Corporation Law ("DGCL"). No proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission permitted by §212(c) of the DGCL may be substituted for or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. Proxies shall be filed with the Secretary of the meeting before being. Except as otherwise limited therein or as otherwise provided by law, proxies shall entitle the persons authorized thereby to vote at any adjournment of such meeting, but they shall not be valid after final adjournment of such meeting. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by or on behalf of any one of them unless at or prior to the exercise of the proxy the Corporation receives a specific written notice to the contrary from any one of them. A proxy purporting to be executed by or on behalf of a stockholder shall be deemed valid, and the burden of proving invalidity shall rest on the challenger.

SECTION 5. QUORUM. Except as otherwise required by law, by the Certificate of Incorporation or by these By-Laws, the presence, in person or by proxy, of stockholders holding a majority of the stock of the Corporation entitled to vote shall constitute a quorum at all meetings of the stockholders. In case a quorum shall not be

present at any meeting, a majority in interest of the stockholders entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of stock entitled to vote shall be present. At any such adjourned meeting at which the requisite amount of stock entitled to vote shall be represented, any business may be transacted which might have been transacted at the meeting as originally noticed, but only those stockholders entitled to vote at the meeting as originally noticed shall be entitled to vote at any adjournment or adjournments thereof.

SECTION 6. SPECIAL MEETINGS. Special meetings of the stockholders for any purpose or purposes may be called by the Chairman of the Board, President, or Secretary, or by resolution of the directors.

SECTION 7. NOTICE OF MEETINGS. Written notice, stating the place, date and time of the meeting, and the general nature of the business to be considered, shall be given to each stockholder entitled to vote thereat at his address as it appears on the records of the Corporation, not less than ten nor more than sixty days before the date of the meeting. No business other than that stated in the notice shall be transacted at any meeting without the unanimous consent of all the stockholders entitled to vote thereat.

SECTION 8. ACTION WITHOUT MEETING. Unless otherwise provided by the Certificate of Incorporation, any action required to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III

DIRECTORS

SECTION 1. NUMBER AND TERM. The number of directors shall be no less than three but no more than nine. The directors shall be elected at the annual meeting of the stockholders and each director shall be elected to serve until his successor shall be elected and shall qualify. Effective December 31, 1992, no person shall be eligible to serve as a Director beyond his seventy-second birthday. Directors need not be stockholders.

SECTION 2. DIRECTOR NOMINATIONS. Nominations of candidates for election as directors of the Corporation at any annual meeting of stockholders may be made (a) by, or at the direction of, a majority of the Board of Directors or (b) by any

holder of record (both as of the time notice of such nomination is given by the stockholder as set forth below and as of the record date for the annual meeting in question) of any shares of the capital stock of the Corporation entitled to vote at such annual meeting who complies with the procedures set forth in this Section 2. Any stockholder who seeks to make such a nomination or his representative must be present in person at the annual meeting. Only persons nominated in accordance with the procedures set forth in this Section 2 shall be eligible for election as directors at an annual meeting of stockholders.

Nominations, other than those made by, or at the direction of, the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation as set forth in this Section 2. To be timely, a stockholder's notice shall be delivered to, or mailed to and received by, the Corporation at its principal executive office not less than 75 days nor more than 120 days prior to the Anniversary Date; provided, however, that in the event the annual meeting is scheduled to be held on a date more than 30 days before the Anniversary Date or more than 60 days after the Anniversary Date, notice by the stockholder to be timely must be delivered not later than the close of business on the later of (i) the 75th day prior to the scheduled date of such annual meeting or (ii) the 15th day following the day on which public announcement of the date of such annual meeting is first made by the Corporation. Public announcement of the scheduled date of the annual meeting of stockholders shall be determined in accordance with the provisions of Article II, Section 2 of these By-laws. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice under these By-laws.

A stockholder's notice to the Secretary shall set forth as to each person whom the stockholder proposes to nominate for election or re-election as a director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Corporation's capital stock which are beneficially owned by such person on the date of such stockholder notice, and (iv) the consent of each nominee to serve as a director if elected. A stockholder's notice to the Secretary shall further set forth as to the stockholder giving such notice (i) the name and address, as they appear on the Corporation's stock transfer books, of such stockholder and of the beneficial owners (if any) of the Corporation's capital stock registered in such stockholder's name and the name and address of other stockholders known by such stockholder to be supporting such nominee(s), (ii) the class and number of shares of the Corporation's capital stock which are held of record, beneficially owned or represented by proxy by such stockholder and by any other stockholders known by such stockholder to be supporting such nominee(s) on the record date for the annual meeting in question (if such date shall then have been made publicly available) and on the date of such stockholder's notice, and (iii) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder.

If the Board of Directors or a designated committee thereof determines that any stockholder nomination was not timely made in accordance with the terms of this Section 2 or that the information provided in a stockholder's notice does not satisfy the informational requirements of this Section 2 in any material respect, then such nomination shall not be considered at the annual meeting in question. If neither the Board of Directors nor such committee makes a determination as to whether a nomination was made in accordance with the provisions of this Section 2 , the presiding officer of the annual meeting shall determine and declare at the annual meeting whether a nomination was made in accordance with such provisions. If the presiding officer determines that a nomination was made in accordance with the terms of this Section 2, he shall so declare at the annual meeting and ballots shall be provided for use at the meeting with respect to such nominee. If the presiding officer determines that a nomination was not made in accordance with the terms of this Section 2, he shall so declare at the annual meeting and such nomination shall not be considered at such meeting.

Notwithstanding anything to the contrary in the second sentence of the second paragraph of this Section 2, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 75 days prior to the Anniversary Date, a stockholder's notice required by this Section 2 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if such notice shall be delivered to, or mailed to and received by, the Corporation at its principal executive office not later than the close of business on the 15th day following the day on which such public announcement is first made by the Corporation.

SECTION 3. RESIGNATIONS. Any director, member of a committee or officer may resign at any time. Such resignation shall be made in writing, and shall take effect at the time specified therein, and if no time be specified, at the time of its receipt by the Chairman of the Board, the President or the Secretary. The acceptance of a resignation shall not be necessary to make it effective.

SECTION 4. VACANCIES. If the office of any director, member of a committee or officer becomes vacant, the remaining directors in office, though less than a quorum, by a majority vote may appoint any qualified person to fill such vacancy, who shall hold such office for the unexpired term and until his successor shall be duly elected and shall qualify.

SECTION 5. REMOVAL. Except as hereinafter provided, any director or directors may be removed either for or without cause at any time by the affirmative vote of the holders of a majority of all the shares of stock outstanding and entitled to vote, at a special meeting of the stockholders called for the purpose and the vacancies thus created may be filled, at the meeting held for the purpose of removal, by the affirmative vote of a majority in interest of the stockholders entitled to vote.

Unless the Certificate of Incorporation otherwise provides, stockholders may effect removal of a director who is a member of a classified Board of Directors only for cause. If the Certificate of Incorporation provides for cumulative voting and if less than the entire Board is to be removed, no director may be removed without cause if the vote cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors, or, if there be classes of directors, at an election of the class of directors of which he is a part.

If the holders of any class or series of stock are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, these provisions shall apply, in respect to the removal without cause of a director or directors so elected, to the vote of the holders of the outstanding shares of that class or series of stock and not to the vote of the outstanding shares as a whole.

SECTION 6. INCREASE OF NUMBER. The number of directors may be increased by amendment of these By-Laws by the affirmative vote of a majority of the directors, though less than a quorum, or by the affirmative vote of a majority in interest of the stockholders, at the annual meeting or at a special meeting called for that purpose, and by like vote, the additional directors may be chosen at such meeting to hold office until the next annual election and until their successors are elected and qualify.

SECTION 7. POWERS. The Board of Directors shall exercise all of the powers of the Corporation except such as are by law, by the Certificate of Incorporation of the Corporation or by these By-Laws conferred or reserved to the stockholders.

SECTION 8. COMMITTEES. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Any such committee, to the extent provided in the resolution of the Board of Directors or in these By-Laws, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority to amend the Certificate of Incorporation, adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amend the By-Laws of the Corporation; and, unless a resolution of the Board of Directors, these By-Laws or the Certificate of Incorporation

expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

SECTION 9. MEETINGS. The newly elected directors may hold their first meeting for the purpose of organization and the transaction of business, if a quorum be present, immediately after the annual meeting of the stockholders; or the time and place of such meeting may be fixed by consent in writing of all the directors.

Regular meetings of the directors may be held without notice at such places and times as shall be determined from time to time by resolution of the directors.

Special meetings may be held at any time upon call of the Chairman of the Board, the President or any two directors, upon written or telegraphic notice deposited in the U.S. mail or delivered to the telegraphic company at least two (2) days prior to the day of the meeting. An attempt shall also be made at least two (2) days prior to the day of the meeting to give notice thereof by telephone and the Secretary shall file a written statement with the minutes of the meeting that written notice was duly given and telephonic notice duly attempted in accordance herewith. Special meetings may be held at any time without notice if all the directors are present or if, before the meeting, those not present waive such notice in writing and such waivers are filed with the minutes of such meeting. Notice of a special meeting of the Board of Directors need not state the purpose of, nor the business to be transacted at, such meeting. Special meetings of the Board shall be held at such place or places as may be determined by the directors, or as shall be stated in the call of the meeting.

The directors shall elect a Chairman of the Board of Directors, who shall preside at all meetings of the Board of Directors and who shall have and perform such other duties as from time to time may be assigned to him by the Board of Directors.

Unless otherwise restricted by the Certificate of Incorporation or these By-Laws, members of the Board of Directors or of any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

SECTION 10. QUORUM. A majority of the directors shall constitute a quorum for the transaction of business. If at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum is obtained, and no further notice need be given other than by announcement at the meeting which shall be so adjourned.

SECTION 11. COMPENSATION. Directors, and members of any committee of the Board of Directors, shall be entitled to such reasonable compensation for serving as directors and as members of any committee as shall be fixed from time to time by resolution of the Board of Directors, and shall also be entitled to reimbursement for any

reasonable expenses incurred in attending those meetings. The compensation of directors may be on any basis as determined in the resolution of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the Corporation in another capacity as an officer, agent or otherwise, and receiving compensation therefor.

SECTION 12. ACTION WITHOUT MEETING. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if prior to such action a written consent thereto is signed by all members of the Board, or of such committee as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

ARTICLE IV

OFFICERS

SECTION 1. OFFICERS. The officers of the Corporation shall be a President, a Chief Financial Officer and a Secretary, all of whom shall be elected by the Board of Directors and each of whom shall hold office until their successors are elected and qualified. In addition, the Board of Directors may elect one or more Vice Presidents, a Treasurer and such Assistant Secretaries and Assistant Treasurers as they may deem proper. None of the officers of the Corporation need be directors. The officers shall be elected at the first meeting of the Board of Directors after each annual meeting. More than two offices may be held by the same person.

SECTION 2. OTHER OFFICERS AND AGENTS. The Board of Directors may appoint such other officers and agents as it may deem advisable, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

SECTION 3. PRESIDENT. The President shall be the chief executive officer of the Corporation. Subject to the provisions of these By-Laws and to the direction of the Board of Directors, the President shall have the responsibility for the general management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of chief executive or which are delegated to him by the Board of Directors. The President shall have the power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation.

SECTION 4. VICE PRESIDENT. Each Vice President, if any, shall have such powers as shall be assigned by the Board of Directors and shall perform such duties as shall be assigned by the President or the Board of Directors.

SECTION 5. CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall have the custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the Corporation. He shall deposit all moneys and other valuables in the name and to the credit of the Corporation in such depositaries as may be designated by the Board of Directors.

The Chief Financial Officer shall disburse the funds of the Corporation as may be ordered by the Board of Directors or the President, taking proper vouchers for such disbursements. He shall render to the President and the Board of Directors at the regular meetings of the Board of Directors, or whenever they may request it, an account of all his transactions as Chief Financial Officer and of the financial condition of the Corporation. If required by the Board of Directors, he shall give the Corporation a bond for the faithful discharge of his duties, in such amount and with such surety as the Board of Directors shall prescribe.

SECTION 6. SECRETARY. The Secretary shall give, or cause to be given, notice of all meetings of stockholders and directors, and all other notices required by law or by these By-Laws, and in case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the President, or by the Board of Directors, or by those stockholders upon whose requisition the meeting is called as provided in these By-Laws. He shall record all the proceedings of the meetings of the Corporation and of the directors, in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him by the Board of Directors or by the President. He shall have the custody of the seal of the Corporation and shall affix the same to all instruments requiring it, when authorized by the directors or the President, and attest the same.

SECTION 7. TREASURER. The Treasurer, if any, shall have the powers and shall perform the duties as shall be assigned to him by the directors.

SECTION 8. ASSISTANT TREASURERS AND ASSISTANT SECRETARIES. Assistant Treasurers and Assistant Secretaries, if any, shall be elected and shall have such powers and shall perform such duties as shall be assigned to them, respectively, by the directors.

ARTICLE V

STOCK CERTIFICATES AND THEIR TRANSFER

SECTION 1. CERTIFICATE OF STOCK. Each stockholder shall be entitled to a certificate of the capital stock of the Corporation in such form as may from time to time be prescribed by the Board of Directors; provided, however, that the Board of Directors may provide that some or all of any or all classes or series of shares of the Corporation shall be uncertificated shares, in which case the holders of such shares will not be entitled to certificates with respect to such shares, unless a holder requests a certificate with respect to such shares. Certificates of stock may be signed by the President or a Vice

President, and the Chief Financial Officer, Treasurer or an Assistant Treasurer, or Secretary or an Assistant Secretary. Any or all of the signatures may be facsimiles.

SECTION 2. LOST CERTIFICATES. A new certificate of stock may be issued in the place of any certificate, theretofore issued by the Corporation, alleged to have been lost or destroyed. When authorizing such issue of a new certificate, the directors may, in their discretion, require the owner of such a lost or destroyed certificate, or his legal representative, to give the Corporation a bond, in such sum as they may direct, not exceeding double the value of the stock, to indemnify the Corporation against any claim that may be made against it or its transfer agent on account of the alleged loss of any such certificate or the issuance of any such new certificate.

SECTION 3. TRANSFER OF SHARES. The shares of stock of the Corporation shall be transferable only upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives, and, if such shares are certificated shares, upon such transfer the old certificates shall be surrendered to the Corporation by the delivery thereof to the person in charge of the stock and transfer books and ledgers, or to such other person as the directors may designate, by whom they shall be cancelled, and new certificates shall thereupon be issued. A record shall be made of each transfer and whenever a transfer shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer.

SECTION 4. STOCKHOLDERS RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 1. GENERAL. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation, as a director, officer, employee or agent of another

corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and accounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he (a) acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and (b) with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person (x) did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation and (y) with respect to any criminal action or proceeding, did not have reasonable cause to believe that his conduct was unlawful.

SECTION 2. DERIVATIVE ACTIONS. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, provided, however, that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

SECTION 3. INDEMNIFICATION IN CERTAIN CASES. To the extent that a director, officer, employee, or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article VI, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

SECTION 4. PROCEDURE. Any indemnification under Sections 1 and 2 of this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in such Sections 1 and 2. Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (b) if such quorum is

not obtainable, or even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (c) by the stockholders.

SECTION 5. ADVANCES FOR EXPENSES. Expenses (including attorneys' fees) incurred by an officer or director in defending a civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount unless it shall be ultimately determined that he is entitled to be indemnified by the Corporation as authorized in this Article VI. Such expenses (including attorneys' fees) incurred by other employees and agents of the Corporation may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

SECTION 6. RIGHTS NON-EXCLUSIVE. The indemnification and advancement of expenses provided by or granted pursuant to this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under law, by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as a contract right in favor of any person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 7. INSURANCE. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

SECTION 8. DEFINITION OF CORPORATION. For the purposes of this Article VI, reference to the "Corporation" shall include any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under this Article VI with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

SECTION 9. OTHER DEFINITIONS. For purposes of this Article VI, references to "other enterprises" shall include employee benefit plans; references to "fines" shall

include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VI.

ARTICLE VII

GENERAL PROVISIONS

SECTION 1. DIVIDENDS. Subject to the provisions of the Certificate of Incorporation, the Board of Directors may, out of funds legally available therefor at any regular or special meeting, declare dividends upon the capital stock of the Corporation as and when they deem expedient. Before declaring any dividend there may be set apart out of any funds of the Corporation available for dividends, such sum or sums as the directors from time to time in their discretion deem proper for working capital or as a reserve fund to meet contingencies or for equalizing dividends or for such other purposes as the directors shall deem conducive to the interests of the Corporation.

SECTION 2. SEAL. The corporate seal shall be circular in form and shall contain the name of the Corporation, the year of its creation and the words "CORPORATE SEAL DELAWARE". Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 3. FISCAL YEAR. The fiscal year of the Corporation shall be determined by resolution of the Board of Directors.

SECTION 4. CHECKS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation, and in such manner an shall be determined from time to time by resolution of the Board of Directors.

SECTION 5. NOTICE AND WAIVER OF NOTICE. Whenever any notice is required by these By-Laws to be given, personal notice is not meant unless expressly so stated, and any notice so required shall be deemed sufficient if given by depositing the same in the United States mail, postage prepaid, addressed to the person entitled thereto at his address as it appears on the records of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. Stockholders not entitled to vote shall not be entitled to receive notice of any meetings except as otherwise provided by statute.

Whenever any notice whatsoever is required to be given under the provisions of any law, or under the provisions of the Certificate of Incorporation of the Corporation or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time

stated therein, shall be deemed equivalent thereto.

ARTICLE VIII

AMENDMENTS

These By-Laws may be altered or repealed and By-Laws may be made (a) at any annual meeting of the stockholders or at any special meeting thereof, if notice of the proposed alteration or repeal or By-Law or By-Laws to be made is contained in the notice of such special meeting, by the affirmative vote of a majority of the stock issued and outstanding and entitled to vote thereat, or (b) by the affirmative vote of a majority of the Board of Directors at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors if notice of the proposed alteration or repeal, or By-Law or By-Laws to be made, is contained in the notice of such special meeting.

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Exhibit 21.0

LIST OF SUBSIDIARIES

Name	State of Incorporation
Megan Health, Inc.	Delaware
Celldex Therapeutics, Inc. (formerly Callisto Merger Corporation)	Delaware

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-52796, 333-34780, 33-80036, 33-80050, 333-62017, 333-117601 and 333- 117602) and on Form S-3 (File Nos. 333-143112, 333-64704, 333-43204, 333-52736, 33-64021, 333-08607, 333-56755, 333-64761, 333-89341, 333-109583 and 333-106918) of AVANT Immunotherapeutics, Inc. of our report dated March 18, 2008 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
March 18, 2008

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Exhibit 31.1

CERTIFICATION

I, Una S. Ryan, certify that:

1. I have reviewed this annual report on Form 10-K of AVANT Immunotherapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2008

By: /s/ UNA S. RYAN

Name: Una S. Ryan, Ph.D.
Title: *President and Chief Executive Officer*

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Exhibit 31.2

CERTIFICATION

I, Avery W. Catlin, certify that:

1. I have reviewed this annual report on Form 10-K of AVANT Immunotherapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2008

By: /s/ AVERY W. CATLIN

Name: Avery W. Catlin
Title: *Senior Vice President and Chief Financial Officer*

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Exhibit 32

The undersigned officers of AVANT Immunotherapeutics, Inc. (the "Company") hereby certify to our knowledge that the Company's annual report on Form 10-K to which this certification is attached (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 18, 2008 By: /s/ UNA S. RYAN

Name: Una S. Ryan, Ph.D.
Title: *President and Chief Executive Officer*

Date: March 18, 2008 By: /s/ AVERY W. CATLIN

Name: Avery W. Catlin
Title: *Senior Vice President and Chief Financial Officer*

This certification shall be not be deemed "filed" for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act.

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Exhibit 32