

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2007

OR

**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
(State of Incorporation)

No. 13-3191702
(I.R.S. Employer Identification No.)

119 Fourth Avenue, Needham, Massachusetts 02494-2725
(Address of principal executive offices) (Zip Code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

As of May 1, 2007, 74,184,048 shares of common stock, \$.001 par value per share, were outstanding.

AVANT IMMUNOTHERAPEUTICS, INC.

FORM 10-Q
Quarter Ended March 31, 2007
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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

**AVANT IMMUNOTHERAPEUTICS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)**

	March 31, 2007	December 31, 2006
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 32,573,796	\$ 40,911,539
Accounts Receivable	238,606	320,941
Prepaid Expenses and Other Current Assets	1,112,149	1,171,014
Total Current Assets	33,924,551	42,403,494
Property and Equipment, Net	15,551,013	13,967,800
Intangible and Other Assets, Net	3,831,914	4,071,963
Goodwill	1,036,285	1,036,285
Total Assets	\$ 54,343,763	\$ 61,479,542
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 1,017,921	\$ 2,552,089
Accrued Expenses	2,603,581	2,674,544
Current Portion of Deferred Revenue	6,039,687	4,380,074
Current Portion of Long-Term Liabilities	546,479	477,606
Total Current Liabilities	10,207,668	10,084,313
Deferred Revenue	42,984,354	45,069,123
Other Long-Term Liabilities	4,516,433	4,165,126
Commitments and Contingent Liabilities (Note 12)		
Stockholders' Equity:		
Convertible Preferred Stock, 4,513,102 Shares Authorized; None Issued and Outstanding	—	—
Common Stock, \$.001 Par Value; 100,000,000 Shares Authorized; 74,404,367 Issued and 74,184,048 Outstanding at March 31, 2007 and 74,402,867 Issued and 74,182,548 Outstanding at December 31, 2006	74,404	74,403
Additional Paid-In Capital	258,661,233	258,560,628
Less: 220,319 Common Treasury Shares at Cost	(227,646)	(227,646)
Accumulated Deficit	(261,872,683)	(256,246,405)
Total Stockholders' Equity (Deficit)	(3,364,692)	2,160,980
Total Liabilities and Stockholders' Equity	\$ 54,343,763	\$ 61,479,542

See accompanying notes to unaudited consolidated financial statements

AVANT IMMUNOTHERAPEUTICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	March 31, 2007	March 31, 2006
REVENUE:		
Product Development and Licensing Agreements	\$ 8,086	\$ 2,619,974
Government Contracts and Grants	262,259	500,207
Product Royalties	911,852	586,306
Total Revenue	1,182,197	3,706,487
OPERATING EXPENSE:		
Research and Development	4,958,702	4,348,707
General and Administrative	2,051,977	1,988,514
Amortization of Acquired Intangible Assets	240,048	248,778
Total Operating Expense	7,250,727	6,585,999
Operating Loss	(6,068,530)	(2,879,512)
Investment and Other Income, Net	442,251	280,521
Loss before Provision for Income Taxes	(5,626,279)	(2,598,991)
Provision for Income Taxes	—	372,000
Net Loss	\$ (5,626,279)	\$ (2,970,991)
Basic and Diluted Net Loss Per Common Share	\$ (0.07)	\$ (0.04)
Shares Used in Calculating Basic and Diluted Earnings per Share	75,183,981	74,172,563

See accompanying notes to unaudited consolidated financial statements

AVANT IMMUNOTHERAPEUTICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31, 2007	March 31, 2006
Cash Flows from Operating Activities:		
Net Loss	\$ (5,626,279)	\$ (2,970,991)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization	578,523	473,080
Loss on Disposal of Assets	74,148	—
Stock-Based Compensation Expense	98,897	264,255
Changes in Operating Assets and Liabilities:		
Accounts Receivable	82,335	(297,839)
Prepaid and Other Current Assets	58,865	(10,678)
Accounts Payable and Accrued Expenses	(1,605,130)	(19,269)
Deferred Revenue	(425,156)	39,449,197
Other Long-Term Liabilities	494,430	198,707
Net Cash Provided by (Used in) Operating Activities	(6,269,367)	37,086,462
Cash Flows from Investing Activity:		
Acquisition of Property and Equipment	(1,995,835)	(684,397)
Cash Used in Investing Activity	(1,995,835)	(684,397)
Cash Flows from Financing Activities:		
Proceeds from Stock Issuance	1,709	6,145
Payment of Long-Term Liabilities	(74,250)	(71,725)
Net Cash Used in Financing Activities	(72,541)	(65,580)

Net Increase (Decrease) in Cash and Cash Equivalents	(8,337,743)	36,336,485
Cash and Cash Equivalents at Beginning of Period	40,911,539	23,419,434
Cash and Cash Equivalents at End of Period	\$ 32,573,796	\$ 59,755,919
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 31,699	\$ 35,737

See accompanying notes to unaudited consolidated financial statements

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AVANT IMMUNOTHERAPEUTICS, INC.
Notes to Unaudited Consolidated Financial Statements
March 31, 2007

(1) Nature of Business

AVANT Immunotherapeutics, Inc. (the “Company” or “AVANT”) is engaged in the discovery, development and commercialization of products that harness the human immune system to prevent and treat disease. The Company is developing a broad portfolio of vaccines and therapeutics against infectious diseases. The portfolio includes a pipeline of preventative, single-dose oral vaccines aimed at protecting travelers and people in regions where infectious diseases are endemic. The portfolio also includes immunotherapeutics for cardiovascular diseases which are available for partnering, including a treatment to reduce complement-mediated tissue damage associated with cardiac by-pass surgery and transplantation and a proprietary vaccine candidate for cholesterol management. In addition, the Company is developing the VitriLife[®] preservation and lyophilization technologies for use in manufacturing AVANT’s oral vaccines and certain other non-injectable applications. AVANT further leverages the value of its technology portfolio through corporate, governmental and non-governmental partnerships. One successful collaboration resulted in the development and marketing of an oral human rotavirus vaccine. Current collaborations encompass the development of vaccines addressed to global health, human food safety and animal health.

The unaudited consolidated financial statements include the accounts of AVANT and its wholly owned subsidiary, Megan Health, Inc. (“Megan”). All intercompany transactions have been eliminated.

(2) Interim Financial Statements

The accompanying unaudited consolidated financial statements for the three months ended March 31, 2007 and 2006 include the consolidated accounts of AVANT, and have been prepared in accordance with instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the information contained herein reflects all adjustments, consisting solely of normal recurring adjustments, that are necessary to present fairly the Company’s financial position at March 31, 2007, results of operations for the three months ended March 31, 2007 and 2006, and cash flows for the three-month periods ended March 31, 2007 and 2006. The results of operations for the three-month period ended March 31, 2007 are not necessarily indicative of results for any future interim period or for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been omitted, although the Company believes that the disclosures included, when read in conjunction with AVANT’s Annual Report on Form 10-K for the year ended December 31, 2006, are adequate to make the information presented not misleading. The accompanying December 31, 2006 Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

(3) 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 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. AVANT has 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.

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SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. AVANT has not yet determined the effect if any that adopting SFAS 159 will have on the Company’s financial statements.

(4) Stock-Based Compensation

The Company adopted SFAS 123(R) beginning January 1, 2006, using the modified prospective transition method. In conjunction with the adoption of SFAS 123(R), compensation expense for all stock-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 the first three months of fiscal 2007 and 2006 is 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.

Also, 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"). 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.

As of March 31, 2007, the Company had two shareholder approved, share-based compensation plans; the 2004 Employee Stock Purchase Plan (the "2004 ESPP Plan") and the 1999 Stock Option and Incentive Plan (the "1999 Plan"). For a complete discussion of the Company's share-based plans see Note 5 of the consolidated financial statements included in its annual report on Form 10-K, as previously filed with the Securities and Exchange Commission on March 16, 2007.

Employee Stock Benefit Plans

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

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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 awards, the Company recognized \$175,000 as stock-based compensation expense in the statement of operations during the three-month period ended March 31, 2006.

AVANT has applied an estimated forfeiture rate of zero to the restricted stock unit awards.

Employee Stock Purchase Plan

During the three months ended March 31, 2007 and 2006, the Company issued 1,500 and 5,927 shares, respectively, under the 2004 ESPP Plan. At March 31, 2007, 125,257 shares were available for issuance under the 2004 ESPP Plan.

The current purchase period began on January 1, 2007. The Company has established the risk-free interest rate assumption to be 5.1% using the 6-month rate on a traded zero-coupon U.S. Treasury bond. The Company used its historical volatility rate of 39% for the 6-month period preceding the grant date for the current stock purchase period. The Company has concluded that volatility during the current purchase period is expected to be consistent with the calculated historical volatility rate. Finally, the Company established the expected term for the current stock purchase period as six months. Based on these assumptions, the stock-based compensation expense recorded for the employee stock purchases was not significant.

Employee Stock Option Plan

General Option Information

A summary of stock option activity under the 1999 Plan for the three months ended March 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	5.26
Granted	371,100	1.36	
Canceled/forfeited	(28,037)	1.77	
Expired	(168,100)	1.70	
Outstanding at March 31	3,456,117	\$ 2.33	5.72
At March 31,			
Options exercisable	2,476,687	\$ 2.57	4.42

The weighted average fair value of options granted during the three-month period ended March 31, 2007 was \$0.98.

The aggregate intrinsic value of options outstanding at March 31, 2007 was \$133,151, of which \$99,774 related to exercisable options.

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 and employee stock purchases under SFAS 123(R) for the three months ended March 31, 2007 and 2006 which was allocated as follows:

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Research and development	\$ 41,033	\$ 33,395
General and administrative	57,865	230,860
Total stock-based compensation expense	<u>\$ 98,898</u>	<u>\$ 264,255</u>

Stock-based compensation expense recognized for the three months ended March 31, 2006 included \$175,000 related to restricted stock unit awards, all of which was allocated to general and administrative expenses.

Based on basic and diluted weighted average common shares outstanding of 75,183,981, the effect of stock-based compensation expense recorded under SFAS 123R for the three-month periods has no impact on earning's per share.

As of March 31, 2007, total compensation cost related to non-vested stock options not yet recognized was \$905,262, net of estimated forfeitures, which is expected to be recognized as expense over a weighted average period of 2.2 years.

The fair values of employee and non-employee director stock options granted during the three months ended March 31, 2007 and 2006 were valued using the Black-Scholes model with the following assumptions:

	Three months ended March 31,	
	2007	2006
Expected stock price volatility (employees)	74%	85%
Expected stock price volatility (non-employee directors)	73%	80%
Expected option term (employees)	6.25 Years	6.25 Years
Expected option term (non-employee directors)	5.5 Years	5.5 Years
Risk-free interest rate	4.4 - 4.9%	4.3 - 4.8%
Expected dividend yield	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. The Company has assessed that its historical volatility is representative of expected future stock price trends.

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 expected term of employee and non-employee director stock options represents the weighted-average period the stock options are expected to remain outstanding. SAB 107 provides for a simplified method for estimating expected term for "plain-vanilla" options. The simplified method is based on the vesting period and the contractual term for each grant or for each vesting tranche for awards with graded vesting. The mid-point between the vesting date and the expiration date is used as the expected term under this method. The Company has elected to follow the guidance of SAB 107 and adopt this simplified method in determining expected term for its stock option awards. There were no stock option grants to non-employee directors during the three months ended March 31, 2007.

Forfeitures were estimated based on historical experience by applying a nine percent forfeiture rate to employee stock option awards granted during the three months ended March 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.

(5) Accounts Receivable

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

Accounts receivable consists of the following:

	March 31, 2007	December 31, 2006
Trade	\$ 138,671	\$ 183,830
Other	99,935	137,111
	<u>\$ 238,606</u>	<u>\$ 320,941</u>

Other receivables at March 31, 2007 and December 31, 2006 represent interest receivable from a bank.

(6) **Property and Equipment**

Property and equipment includes the following:

	March 31, 2007	December 31, 2006
Laboratory Equipment	\$ 3,753,552	\$ 3,631,247
Manufacturing Equipment	1,911,722	1,842,017
Office Furniture and Equipment	1,336,758	992,076
Leasehold Improvements	5,276,481	5,202,366
Construction in Progress	8,831,228	7,668,904
Total Property and Equipment	21,109,741	19,336,610
Less Accumulated Depreciation and Amortization	(5,558,728)	(5,368,810)
	<u>\$ 15,551,013</u>	<u>\$ 13,967,800</u>

AVANT recorded a loss of \$74,148 on disposal of fixed assets during the three months ended March 31, 2007.

The Company has recognized \$9,073 and \$15,975 of capitalized interest costs incurred in financing leasehold improvements and laboratory and manufacturing equipment at its Fall River and Needham facilities during the three-month periods ended March 31, 2007 and 2006, respectively. The total amount of interest expense incurred by AVANT during the three-month periods ended March 31, 2007 and 2006 was \$23,448 and \$26,455, respectively.

Depreciation expense related to equipment and leasehold improvements was \$337,836 and \$246,002 for the three months ended March 31, 2007 and 2006, respectively.

(7) **Intangible and Other Assets**

Intangible and other assets include the following:

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	March 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)	\$ ¾	\$ 1,090,000	\$ (1,090,000)	\$ ¾
Core Technology	10 years	3,786,900	(1,981,719)	1,805,181	3,786,900	(1,887,046)	1,899,854
Developed Technology	7 years	3,263,100	(2,940,070)	323,030	3,263,100	(2,832,400)	430,700
Strategic Partner Agreement	17 years	2,563,900	(955,178)	1,608,722	2,563,900	(917,472)	1,646,428
Total Intangible Assets		10,703,900	(6,966,967)	3,736,933	10,703,900	(6,726,918)	3,976,982
Other Non Current Assets		94,981	¾	94,981	94,981	¾	94,981
		<u>\$ 10,798,881</u>	<u>\$ (6,966,967)</u>	<u>\$ 3,831,914</u>	<u>\$ 10,798,881</u>	<u>\$ (6,726,918)</u>	<u>\$ 4,071,963</u>

All of AVANT's intangible assets are amortized over their estimated useful lives. Total amortization expense for intangible assets was \$240,048 and \$248,778 for the three-month periods ended March 31, 2007 and 2006, respectively.

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

Year ending December 31,	Estimated Amortization Expense
2007 (remaining nine months)	\$ 720,164
2008	529,512
2008	529,512
2010	514,622
2011	350,822
2012 and thereafter	1,092,303

(8) **Loss Per Share**

The Company 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, warrants and restricted stock units. Options and warrants to purchase 3,900,561 and 3,964,060 shares of common stock and restricted stock units totaling 0 and 1,000,000 shares were not included in the computations of weighted average common shares for the periods ended March 31, 2007 and 2006, respectively, because inclusion of such shares would have an anti-dilutive effect on net loss per share. In 2007, restricted stock units totaling 1,000,000 shares were included in the computation of basic and diluted net loss per share as all necessary conditions for their issuance had been satisfied and an insignificant amount of cash consideration will be received upon issuance.

(9) 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 will be 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.

On January 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109* (“FIN 48”). FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return, including a decision whether to file or not to file in a particular jurisdiction. As a result of the implementation of FIN 48, AVANT recognized no material adjustment in the liability for unrecognized income tax benefits. At adoption date and at March 31, 2007, AVANT had no material unrecognized income tax benefits.

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As of December 31, 2006, the Company had federal and state NOL carryforwards and federal and state R&D credit carryforwards, which may be available to offset future federal and state income tax liabilities which expire at various dates starting in 2007 and going through 2026. Utilization of the NOL and 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 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 concluded that there are no such limitations. The Company does not expect to have any taxable income for the foreseeable future.

Massachusetts and Missouri are the two states in which the Company operates 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, 2003, 2004, 2005 and 2006 (which has not yet been filed). Carryforward attributes that were generated prior to 2003 may still be adjusted upon examination by the IRS if they either have been or will be used in a future period.

The Company’s practice 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.

As required by Statement of Financial Accounting Standards No. 109, management of the Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets, which are comprised principally of net operating losses (“NOL”), capitalized research and development expenditures and research and development credits (“R&D credit”). Management has determined that it is more likely than not that the Company will not realize the benefits of federal and state deferred tax assets and, as a result, a full valuation allowance was established at March 31, 2007 and December 31, 2006.

The Company is in the process of restructuring and closing the Company’s Missouri location and therefore expects to lose the benefit of the Missouri state loss carryforwards. This state net operating loss carryforward totaled approximately \$12,043,600 at March 31, 2007.

(10) Product Development and Licensing Agreements

AVANT’s revenue from product development and licensing agreements was received pursuant to contracts with different organizations. 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.

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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® (see Note 4). 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 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.

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.

AVANT also recorded \$600,000 in royalty expense payable to Cincinnati Children's Hospital Medical Center ("CCH") as a result of this milestone payment. AVANT remitted the remaining \$1.4 million of the Glaxo milestone payment to PRF in accordance with the PRF agreement. As a result, in the first quarter of 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 the first quarter of 2007, AVANT recognized \$879,209 in product royalty revenue consisting of \$425,156 related to PRF's purchased interest in Rotarix[®] net royalties and \$454,053 related to AVANT's retained interests in Rotarix[®] net royalties which were not sold to PRF and which amount is also payable 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 \$6,039,687 and \$42,984,354 of the deferred revenue balance at March 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 analyzing various options to counter Glaxo's assertions and protect AVANT's rights. AVANT is determined to take all available steps to enforce its rights under its license agreement with Glaxo.

(B) *Pfizer Inc ("Pfizer")*

The Company entered into a licensing agreement in December 2000 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. The collaboration will employ vaccine technologies owned by AVANT. Under the agreement, Pfizer and AVANT will conduct a joint research program funded by Pfizer to develop prophylactic and therapeutic vaccines. AVANT considers its June 2006 arrangement with Pfizer to be a revenue arrangement with multiple deliverables. AVANT expects to recognize revenue as the research and development service deliverables are completed and delivered to Pfizer. AVANT recognized \$0 in product development revenue from Pfizer, Inc for the three-month periods ended March 31, 2007 and 2006, respectively.

(C) *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. As of March 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 being developed by AVANT for use in the oral combination vaccine. Total contract funding awarded by DVC now totals approximately \$12 million. Payments under the subcontract agreement are made on a time and materials basis and receipt of the full amount is 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. For the three months ended March 31, 2007 and 2006, AVANT recognized \$181,884 and \$429,837, respectively, in government contract revenue from DVC. Through March 31, 2007, AVANT had received approximately \$9.5 million in payments under the various subcontract agreements. These agreements expire in 2007, although they may be terminated by DVC at any time upon 30 days written notice.

(D) *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 will initially target the development of

vaccines against influenza including both epidemic and pandemic forms of vaccine, with the opportunity to expand the collaboration to other disease targets. Under the terms of the agreement, AVANT will make an upfront equity investment of \$735,000 in Select Vaccines and fund influenza vaccine research and development for two years, as well as provide payments to Select Vaccines for the achievement of specific preclinical and clinical development milestones. Completion of the partnership agreement is subject to the approval of Select's shareholders. AVANT also gains the exclusive right to apply Select Vaccines' technology to a second target within the next two years, and a third target within the next three years. Select Vaccines would also be eligible to receive royalties based on net sales of any approved products arising out of this collaboration that are successfully marketed.

(11) **Other Long-Term Liabilities**

In December 2003, AVANT entered into a Lease Agreement, a Secured Promissory Note: Equipment Loan and a Security Agreement 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 Loan of \$1,227,800 to finance the build-out of its Fall River facility. Principal and interest payments on the loan are due monthly using an amortization period of 15 years and an interest rate of 5.5% per annum.

At March 31, 2007, AVANT has recorded leasehold improvements of \$1,227,800 and currently has a loan payable of \$1,043,630 to MassDevelopment, of which \$75,032 is classified as current and \$968,598 as long-term. AVANT began amortizing the leasehold improvements when the Fall River facility became operational. Based on current market interest rates available to AVANT for long-term liabilities with similar terms and maturities, the fair value of the loan is approximately \$760,400 at March 31, 2007.

(B) Note Payable

Under the Secured Promissory Note: Equipment Loan, AVANT received \$903,657 from MassDevelopment to finance the purchases of manufacturing and laboratory equipment to be placed in its 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 values of these collateralized assets at March 31, 2007 and December 31, 2006 was \$744,583 and \$769,855, respectively.

At March 31, 2007, AVANT currently has a note payable of \$624,393 to MassDevelopment, of which \$133,514 is classified as current and \$490,879 as long-term. AVANT began depreciating the manufacturing and laboratory equipment assets over the estimated economic lives of the assets when the equipment became ready for its intended use. 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 \$556,500 at March 31, 2007.

(12) Commitments and Contingencies

(A) Commitments for the Renovations of the Needham Facility and Improvements to the Fall River Facility

In November 2005, AVANT entered into a Lease Amendment with the landlord which specified terms for the complete renovation of the Company's Needham facility. The current projected costs for the tenant improvements portion of the renovations project are approximately \$9.3 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. The Company will record the full cost of the Needham renovation project as an asset and the amounts of 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

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operating activity in the Consolidated Statement of Cash Flows. At March 31, 2007, AVANT had recorded \$3,165,800 in deferred rent on the Consolidated Balance Sheet related to the Needham landlord's tenant incentive allowance, of which \$330,000 is classified as current and \$2,835,800 as long-term.

(B) Purchase Commitments for Contract Manufacturing

In April 2000, AVANT entered into a Services Agreement (the "Lonza Agreement") with Lonza Biologics plc ("Lonza") for process development and manufacture of its product candidate TP10. AVANT has entered into a number of amendments to the Lonza Agreement for specific process development and scale-up work and remaining aggregate commitments as of March 31, 2007 total approximately \$474,930. The Company has incurred \$344,040 and \$8,855,350 of expense related to the Lonza Agreement in the three-month period ended March 31, 2007 and from inception through March 31, 2007, respectively, of which \$202,831 remained accrued at March 31, 2007.

(13) Subsequent Event

On April 16, 2007, AVANT announced that it has initiated planned restructuring activities to reduce ongoing operational costs, following an extensive review of its operations and cost structure.

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Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: This quarterly report on Form 10-Q includes forward-looking statements that are subject to a variety of risks and uncertainties and reflect AVANT's current views with respect to future events and financial performance. 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 anthrax and plague or other any other microbes used as bioweapons and other disease causing agents; (3) the ability to successfully complete product research and further development, including animal, pre-clinical and clinical studies and commercialization of CholeraGarde® (Peru-15), Ty800, ETEC E. coli, VLPs 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 disposition transactions for AVANT's cardiovascular programs, including TP10 and CETi; (6) the ability of AVANT to manage multiple 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 produced at AVANT's own manufacturing facility or 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, for adults undergoing cardiac surgery, to raise serum HDL cholesterol levels and 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 alternatives 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 and restructuring costs; (17) AVANT's expectations regarding CETP's ability to improve cholesterol levels and AVANT's ability to find a partner to 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. You should carefully review all of these factors, and you should be aware that there may be other factors that could cause these differences. 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 2. Management's Discussion and Analysis of Financial Condition And Results of Operations

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

CRITICAL ACCOUNTING POLICIES

The Company's critical accounting policies are set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 to our 2006 Form 10-K. Other than the adoption of the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," ("FIN 48"), there has been no changes to these policies since December 31, 2006. Readers are encouraged to review these critical accounting policies in conjunction with the review of this Form 10-Q.

OVERVIEW

AVANT's focus is unlocking the power of the immune system to prevent and treat disease. The Company has assembled a broad portfolio of technologies and intellectual property that gives it a strong competitive position in vaccines and immunotherapeutics. These include an oral human rotavirus vaccine, which has gained marketing approval in over 65 countries worldwide and is being commercialized by Glaxo. Four of AVANT's products are in clinical development. The

Company has actively developed and acquired innovative technologies — especially novel approaches to vaccine creation. The marriage of innovative bacterial vector delivery technologies with unique manufacturing processes offer 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.

AVANT is targeting its efforts where it can add the greatest value to the development of its products and technologies. Its 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 AVANT to maximize the overall value of its technology and product portfolio while best ensuring the expeditious development of each individual product.

RESEARCH AND DEVELOPMENT ACTIVITIES

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

During the past five years through the end of 2006, AVANT incurred an aggregate of \$70 million in research and development costs. During the three months ended March 31, 2007, AVANT incurred an aggregate of \$4.9 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 two years ended December 31, 2006 and 2005 and the three-month periods ended March 31, 2007 and 2006. 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.

	Three Months Ended March 31,		Year Ended December 31,	
	2007	2006	2006	2005
Bacterial Vaccines:				
CholeraGarde [®]	\$ 1,062,700	\$ 678,500	\$ 5,427,800	\$ 1,257,200
Ty800	938,300	102,700	1,402,300	404,500
Other	1,145,200	361,400	1,873,600	528,900
Viral Vaccines:				
Rotarix [®] Vaccine	454,100	648,600	648,600	—
Avian and Human Influenza	177,200	141,400	711,600	¾
BioDefense Vaccines:	112,300	572,900	1,558,600	2,470,700
Cholesterol Management Vaccine:				
CETi-1	174,500	360,100	922,700	650,800
Complement Inhibitors:				
TP10/TP20	767,700	1,117,400	4,466,400	8,327,200
Food Safety & Animal Health Vaccines:				
Other Programs:	¾	4,600	6,700	9,900
	126,700	361,100	1,048,200	414,100
Total R&D Expense	\$ 4,958,700	\$ 4,348,700	\$ 18,066,500	\$ 14,063,300

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 Glaxo. All of the ongoing development for this program is being conducted and funded by Glaxo. Glaxo gained approval for Rotarix[®] in Mexico in July 2004, which represented the first in an expected series of worldwide approvals and commercial launches for the product. Glaxo has launched in additional Latin American and Asian Pacific countries during 2005 and 2006. Additionally, Glaxo filed for market approval with the European regulatory authorities in late 2004, which triggered a \$2 million milestone payment 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. Glaxo has agreed to make an additional payment of \$1.5 million, upon achievement of market approval in the United States. AVANT licensed-in the Rotarix[®] technology in 1995 and owes a license fee of 30% to Cincinnati Children's Hospital

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Medical Center ("CCH") 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[®] (see Note 3 of our unaudited consolidated financial statements). Under the PRF agreement, AVANT will retain 50% of future Glaxo milestone payments, with the balance payable to PRF and CCH.

On March 14, 2006, AVANT amended its agreement with PRF to accelerate the \$40 million milestone payment, which was received on March 17, 2006. The payment had previously been due upon the first sale of Rotarix[®] in the European Union, which was expected to occur during the second quarter of 2006. Other financial terms of the PRF agreement were not changed.

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 analyzing various options to counter Glaxo's assertions and protect AVANT's rights. 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 vaccines that address health care needs on a global basis. Utilizing its *Cholera*- and *Salmonella*-vectored delivery technologies together with its drying and preservation technologies, the Company 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, 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 late 2007 followed by Phase 3 field studies. IVI will be purchasing clinical materials produced at AVANT's Fall River, MA 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, as well as our new influenza vaccine program.

During the period January 1, 2002 through December 31, 2006, AVANT incurred approximately \$13.5 million in research, development and clinical costs on its CholeraGarde[®] program. During the three months ended March 31, 2007, AVANT incurred approximately \$1.1 million in research, development, manufacturing and clinical costs on its CholeraGarde[®] program.

AVANT is also developing an oral typhoid fever vaccine, Ty800, for 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-escalating 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. The NIAID trial seeks to assess the safety and immunogenicity of the Ty800 oral vaccine. Enrollment in this study was completed during the third quarter of 2006 and results are expected in mid-2007. AVANT plans to initiate its own sponsored Phase 2 out-patient dose-ranging trial of Ty800 in mid-2007. During the period January 1, 2002 through December 31, 2006, AVANT

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incurred approximately \$4.9 million in research, development, contract manufacturing and clinical costs on its Ty800 program. During the three months ended March 31, 2007, AVANT incurred approximately \$938,300 in research, development 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 and enteric fevers worldwide. These programs are in pre-clinical development. In the second half of 2007, AVANT expects to initiate a Phase 1 trial of its ETEC vaccine candidate. AVANT's long-term goal is to develop a combination vaccine containing

CholeraGarde®, Ty800, *S. paratyphi* and ETEC as a “super enteric vaccine” to address the travelers’ market. During the period January 1, 2002 through December 31, 2006, AVANT incurred approximately \$3.1 million in research, development, contract manufacturing and clinical costs on these pre-clinical programs. During the three months ended March 31, 2007, AVANT incurred approximately \$1.1 million in research, development 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. By engineering key disease antigens into the DNA of the vector organisms, AVANT expects to be able to extend the protective ability of its single-dose oral vaccines to a wide variety of illnesses. AVANT believes that its vector technologies may prove useful for improving and expanding America’s vaccine arsenal against microbial agents used in war or terrorist attacks.

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 being developed by AVANT for use in the oral combination vaccine. Total contract funding awarded by DVC now totals approximately \$12 million. Payments under the subcontract agreement are made on a time and materials basis and receipt of the full amount is 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. For the three months ended March 31, 2007 and 2006, AVANT recognized \$181,884 and \$429,837, respectively, in government contract revenue from DVC. Through March 31, 2007, AVANT had received approximately \$9.5 million in payments under the subcontract agreements. These agreements expire in 2007, although they may be terminated by DVC at any time upon 30 days notice. As a result of AVANT’s recent restructuring, it will no longer invest its resources in biodefense research and development activities.

During the period January 1, 2002 through December 31, 2006, AVANT incurred approximately \$10.9 million in research and development costs on its biodefense vaccine program. During the three months ended March 31, 2007, AVANT incurred approximately \$112,300 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. 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 will conduct a joint research program funded by Pfizer. AVANT expects to recognize revenue as the research and development service deliverables are completed and delivered to Pfizer. During the period January 1, 2002 through December 31, 2006, AVANT incurred approximately \$0.5 million in research and development costs on its food safety and animal health vaccines program. During the three months ended March 31, 2007, AVANT incurred no 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, 2002 through December 31, 2006, AVANT incurred approximately \$23.9 million in research, development, contract manufacturing and clinical costs associated with its complement inhibitor program. During the three months ended March 31, 2007, the Company incurred approximately \$767,700 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.

During the period January 1, 2002 through December 31, 2006, AVANT incurred approximately \$9.0 million in research, development and clinical costs associated with the CETP program. During the three months ended March 31, 2007, AVANT incurred approximately \$174,500 in research, development, contract manufacturing and clinical costs associated with the CETP program. AVANT is no longer expending its own resources on this program and is seeking a corporate partner to complete development and to commercialize the CETP vaccine.

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 or where certain uses of the technology are outside of AVANT’s focus. 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.

RESULTS OF OPERATIONS

Three-Month Period Ended March 31, 2007 as Compared with the Three-Month Period Ended March 31, 2006

AVANT reported consolidated net loss of \$5,626,279, or \$.07 per share, for the first quarter ended March 31, 2007, compared with a net loss of \$2,970,991, or \$.04 per share, for the first quarter ended March 31, 2006. The weighted average common shares outstanding used to calculate net loss per common share was 75,183,981 in 2007 and 74,172,563 in 2006.

Revenue: Total revenue decreased \$2,524,290 to \$1,182,197 for the first quarter of 2007 compared to \$3,706,487 for the first quarter of 2006.

Product development and licensing revenue decreased to \$8,086 in 2007 from \$2,619,974 in 2006. In February 2006, the European Commission granted approval of RotarixO in the European Union, which triggered a one-time \$4 million milestone payment from Glaxo, 50% of which is 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 recorded \$600,000 in royalty expense payable to CCH as a result of this milestone payment.

In the first quarter of 2007, AVANT recognized \$879,209 in product royalty revenue consisting of \$425,156 related to PRF's purchased interest in Rotarix® net royalties and \$454,053 related to AVANT's retained interests in Rotarix® net royalties which were not sold to PRF and which amount is also payable to CCH. As such, a corresponding amount is recorded as royalty expense and included in research and development expense. In the first quarter of 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 during the remainder of 2007 as Glaxo continues the global commercialization of Rotarix®.

AVANT has received a number of subcontracts from its partner, DVC, to develop anthrax and plague vaccines for the U.S. Department of Defense. AVANT will be reimbursed by DVC on a time and materials basis for vaccine development research work performed by AVANT. Under these agreements and several SBIR grants, AVANT recognized \$262,259 and \$500,207 in government contract and grant revenue during the first quarters of 2007 and 2006, respectively, for work performed. The decrease in revenue in 2007 compared to 2006 primarily reflects reduced levels of vaccine development work billable to DVC in 2007. AVANT expects the amount of research work to be performed for DVC during the remainder of 2007 to be substantially less than the amount of research work performed during the comparable period in 2006.

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Marketing and distribution of the Megan poultry product line is performed by AVANT's partner, Lohmann Animal Health International ("LAHI"), and AVANT receives a royalty percentage of all Megan®Vac 1 and Megan®Egg product sales. Royalty payments received during the first quarter of 2007 and 2006 totaled \$32,643 and \$35,503, respectively. We expect royalty payments from LAHI to be approximately the same in 2007 compared to 2006.

Operating Expense: Total operating expense increased \$664,728, or 10.1%, to \$7,250,727 for the first quarter of 2007 compared to \$6,585,999 for the first quarter of 2006.

Research and development expense increased \$609,995, or 14%, to \$4,958,702 from \$4,348,707 in 2006. The increase in 2007 compared to 2006 is primarily due to increases in research and development personnel and related costs of \$296,341, laboratory materials and services of \$76,019 and non-personnel operating and facility-related costs of \$368,003 associated with operations of the Needham and Fall River facilities in 2007 compared to 2006. These increases were offset in part by a decline in royalty expense of \$194,513 in 2007. Research and development expense includes \$454,053 and \$600,000 of royalty expense payable to CCH at March 31, 2007 and 2006, respectively. AVANT expects research and development expense to decrease during the remainder of 2007 as a result of AVANT's restructuring activities initiated in April 2007.

General and administrative expense increased \$63,463, or 3.2%, to \$2,051,977 in 2007 compared to \$1,988,514 in 2006 and is primarily attributed to increases in consulting expenses of \$139,077 and legal and other professional fees of \$86,562, partly offset by lower personnel and related costs of \$168,884. AVANT expects general and administrative expense to decrease during the remainder of 2006 due to the Company's restructuring activities.

Amortization expense of acquired intangible assets was \$240,048 and \$248,778 in 2007 and 2006, respectively.

Investment and Other Income, Net: Interest and other income increased \$161,730 to \$442,251 for the first quarter of 2007 compared to \$280,521 for the first quarter of 2006. The increase is primarily due to higher interest rates and average cash balances during the first quarter of 2007 compared to the first quarter of 2006. During the first quarters of 2007 and 2006, the average month-end cash balances were \$34,987,574 and \$33,676,633, respectively. The effective interest rates during the first quarters of 2007 and 2006 were 5.19% and 4.28%, 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.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2007, AVANT's principal sources of liquidity consisted of cash and cash equivalents of \$32,573,796. 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. Also, the Company 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, laboratories and manufacturing facility, 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 the Company's collaborative partners and from government entities. 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 and funded research and development under collaboration agreements that AVANT may receive. 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.

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Net cash used in operating activities was \$6,269,367 for the first three months of 2007 compared to net cash provided by operating activities of \$37,086,462 for the first three months of 2006. The decrease in net cash provided by operating activities is primarily attributed to the increase in net loss incurred in 2007 compared to 2006, the decrease in accounts payable and accrued expenses in the first quarter of 2007 and the \$40 million PRF milestone payment received in the first quarter of 2006. AVANT expects that cash used in operations will decline in the second half of 2007 as a result of the Company's restructuring activities initiated in April 2007.

Cash used in investing activities increased to \$1,995,835 for the first three months of 2007 compared to \$684,397 for the first three months of 2006. The increase is due to increased investment in property and equipment in 2007 primarily towards the renovations of the Needham facility compared to 2006. AVANT expects it will continue to use cash in its investing activities as the Company completes the full-scale renovations of its Needham facility.

Net cash used in financing activities was \$72,541 for the first three months of 2007 compared to \$65,580 for the first three months of 2006. The increase in net cash used in financing activities is primarily due to increases 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. Research and development efforts will initially target the development of vaccines against influenza including both epidemic and pandemic forms of vaccine, with the opportunity to expand the collaboration to other disease targets. Under the terms of the agreement, AVANT will make an upfront equity investment of \$735,000 in Select Vaccines and fund influenza vaccine research and development for two years, as well as provide payments to Select Vaccines for the achievement of specific preclinical and clinical development milestones. Completion of the partnership agreement is subject to the approval of Select's shareholders. AVANT also gains the exclusive right to apply Select Vaccines' technology to a second target within the next two years, and a third target within the next three years. Select Vaccines would also be eligible to receive royalties based on net sales of any approved products arising out of this collaboration that are successfully marketed.

On April 16, 2007, AVANT announced that it has initiated planned restructuring activities to reduce ongoing operational costs, following an extensive review of its operations and cost structure. The restructuring aims to increase the focus of AVANT's resources upon key programs and core operational capabilities and 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 continue to support its key partners in their development programs, but will no longer invest in biodefense research and development activities or further invest in clinical trials for its CETi and TP-10 programs.

The restructuring, which will be implemented over the next few months, resulted in a workforce reduction of approximately 30%. AVANT anticipates that it will exit from its St. Louis-based research facility later this year and move all essential research activities to its Needham, MA headquarters. AVANT estimates that it will incur a restructuring charge of approximately \$1 million in the second quarter, the cash impact of which will primarily be reflected during the second, third and fourth quarters of 2007. The Company has not determined if it will incur any contract termination or non-cash impairment charges in connection with the restructuring.

AGGREGATE CONTRACTUAL OBLIGATIONS

The following table summarizes AVANT's contractual obligations at March 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	2007	2008-2010	2011-2012	Thereafter
Contractual obligations:					
Operating lease obligations	\$ 21,121,900	\$ 1,324,000	\$ 5,843,300	\$ 4,240,700	\$ 9,713,900
Loan Payable*	1,417,400	92,600	391,200	238,000	695,600
Note Payable*	696,900	118,100	531,500	47,300	¾
Licensing and R&D obligations	1,725,500	438,800	696,700	170,000	420,000
Construction contracts	2,722,600	2,722,600	¾	¾	¾
Total contractual obligations	\$ 27,684,300	\$ 4,696,100	\$ 7,462,700	\$ 4,696,000	\$ 10,829,500
Commercial commitments:					
Clinical development	\$ 23,500	\$ 23,500	\$ —	\$ —	\$ —
Manufacturing development	474,900	474,900	—	—	—
Total commercial commitments	\$ 498,400	\$ 498,400	\$ —	\$ —	\$ —

* includes interest obligations

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

AVANT does not utilize derivative 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 March 31, 2007 due to the short-term maturities of these instruments.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures.

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), as of March 31, 2007, AVANT carried out an evaluation under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as of the period covered by this report. In designing and evaluating AVANT's disclosure controls and procedures, AVANT and its management recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and AVANT's management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Based upon that evaluation, AVANT's Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2007, AVANT's disclosure controls and procedures were reasonably effective to ensure that information required to be disclosed by AVANT in the reports it files or submits under the Exchange Act is recorded, processed, summarized, accumulated, communicated and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. AVANT will continue to review and document its disclosure controls and procedures on an ongoing basis, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that its disclosure controls and procedures evolve with its business.

Changes in Internal Control Over Financial Reporting.

There was no change 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 Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the

Company currently deems to be immaterial also may materially adversely affect the Company's business, financial condition and/or operating results.

The risk factor below has been added to provide additional information related to our stock price:

We could lose our listing on the Nasdaq Global Market if our stock price falls below \$1.00 for 30 consecutive business days, and the loss of the listing would make our stock significantly less liquid and would affect its value.

Our common stock is listed on the Nasdaq Global Market and had a closing price of \$0.96 at the close of the market on May 8, 2007. If the price of our common stock falls below \$1.00 and for 30 consecutive business days remains below \$1.00, we will receive a deficiency notice from NASDAQ advising us that we have been afforded a 180-day compliance period. If our stock fails to maintain a minimum bid price of \$1.00 for 10 consecutive business days during a 180-day compliance period on the Nasdaq Global Market, we could receive a delisting notice from the NASDAQ Global Market, and, under certain circumstances, even if our stock maintains a minimum bid price of \$1.00 for 10 consecutive business days, we may receive a delisting notice from the Nasdaq Global Market. If we are unable to comply with the bid price requirement prior to the expiration of the 180-day compliance period, we may be able to transfer to the NASDAQ Capital Market, so as to take advantage of an additional compliance period offered on that market, provided we meet all requirements for initial listing on the NASDAQ Capital Market, except for the bid price requirement. Upon delisting from the NASDAQ Global Market or the NASDAQ Capital Market, our stock would be traded over-the-counter, more commonly known as OTC. OTC transactions involve risks in addition to those associated with transactions in securities traded on the Nasdaq Global Market. Many OTC stocks trade less frequently and in smaller volumes than securities traded on the Nasdaq Global Market. Accordingly, our stock would be less liquid than it would otherwise be, and the value of our stock could decrease.

Item 6. Exhibits

- 2.1 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 with the Securities and Exchange Commission.
- 2.2 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 with the Securities and Exchange Commission.
- 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 with the Securities and Exchange Commission.
- 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 with the Securities and Exchange Commission.
- 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 with the Securities and Exchange Commission.
- 3.4 Amended and Restated By-Laws of AVANT as of November 10, 1994, incorporated by reference to Exhibit 3.3 of AVANT's Registration Statement on Form S-4 (Reg. No. 333-59215), filed July 16, 1998 with the Securities and Exchange Commission.

3.5	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 with the Securities and Exchange Commission.
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 with the Securities and Exchange Commission.
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 with the Securities and Exchange Commission.
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 3.1 of AVANT's Registration Statement on Form 8-A, filed November 8, 2004 with the Securities and Exchange Commission.
*+10.1	Collaboration and License Agreement among AVANT, Hepgenics Pty Ltd., and Select Vaccines Limited, dated as of February 9, 2007.
*31.1	Certification of President and Chief Executive Officer
*31.2	Certification of Senior Vice President and Chief Financial Officer
**32.1	Section 1350 Certifications

* Filed herewith.

** Furnished herewith.

+ Certain portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission. The omitted portions have been filed separately with the Securities and Exchange Commission.

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SIGNATURES

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

AVANT IMMUNOTHERAPEUTICS, INC.

BY:

Dated: May 9, 2007

/s/ UNA S. RYAN

Una S. Ryan, Ph. D.
President and Chief Executive Officer
(Principal Executive Officer)

Dated: May 9, 2007

/s/ AVERY W. CATLIN

Avery W. Catlin
Senior Vice President, Treasurer
and Chief Financial Officer
(Principal Financial and
Accounting Officer)

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EXHIBIT INDEX

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- *31.2 Certification of Senior Vice President and Chief Financial Officer
- **32.1 Section 1350 Certifications

* Filed herewith.

** Furnished herewith.

+ Certain portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission. The omitted portions have been filed separately with the Securities and Exchange Commission.

REDACTED COPY—CONFIDENTIAL TREATMENT REQUESTED

Redacted portions have been marked with brackets containing asterisks ([***]). The redacted portions are subject to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

COLLABORATION AND LICENSE AGREEMENT

THIS Collaboration and License Agreement (“**Agreement**”) is made effective as of February 9, 2007 (the “**Effective Date**”) by and among SELECT Vaccines Limited, ABN 25 062 063 692, a company incorporated under the laws of Victoria, Australia having its principal place of business at Suite 15, 545 St Kilda Road, Melbourne, Victoria 3004, Australia (“**SVL**”), and Hepgenics Pty Ltd, ABN 44 104 360 714, a wholly owned subsidiary of SELECT VACCINES, a company incorporated under the laws of Victoria, Australia having its principal place of business at Suite 15, 545 St Kilda Road, Melbourne, Victoria 3004, Australia (together with SELECT VACCINES, “**SELECT**”), and AVANT Immunotherapeutics, Inc., a Delaware corporation having a principal place of business located at 119 Fourth Avenue, Needham, Massachusetts 02494-2725 USA (“**AVANT**”). SELECT and AVANT are each hereafter referred to individually as a “Party” and together as “Parties”.

A. SELECT and AVANT desire to collaborate in the discovery and development of vaccines against certain disease targets, whereby SELECT will use its virus-like particle technologies to generate and characterize such vaccines and AVANT will use its expertise with respect to vaccines.

B. AVANT wishes to obtain from SELECT a license to the Licensed Subject Matter (hereinafter defined) and resulting discoveries on the terms set forth herein.

C. SELECT and AVANT desire to initiate the performance of the above-described activities by SELECT and AVANT and therefore agree to undertake the foregoing, all under the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and premises contained below, the parties agree as follows:

1 - DEFINITIONS

As used in this Agreement, the following terms have the meanings indicated:

1.1 “*Affiliate*” means any business controlled by a Party, any business entity that controls a Party, or any business entity that is controlled by a business entity that is controlled by a Party. For the purposes of this Section 1.1, “control” means (i) the direct or indirect ownership of fifty percent (50%) or more of the voting stock or other voting interests or interest in the profits of the Party, or (ii) the ability to otherwise control or direct the decisions of board of directors or equivalent governing body thereof.

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1.2 “*Antigen*” means at least one protein (including any glyco- or lipo-protein), carbohydrate, compound or other composition, and any fragment, peptide or epitope thereof, or combinations thereof that is capable of eliciting an immune response in humans.

1.3 “*AVANT Collaboration Invention*” means a Collaboration Invention created or conceived solely by AVANT Employees.

1.4 “*Business Day*” means a day other than a Saturday or Sunday on which banking institutions both in Melbourne, Australia and Boston, Massachusetts are open for business.

1.5 “*Candidate Antigen*” means an Antigen that the JRC reasonably believes shows, or is likely to show, scientific and commercial promise for the development of a Vaccine Product.

1.6 “*Collaboration Invention*” shall mean any discovery, invention, Know-How, Patent or trade secret, including an Improvement in the Licensed Subject Matter, first conceived or made in the performance of the Research Program.

1.7 “*Collaboration Patent*” means a Patent that discloses or claims a Collaboration Invention.

1.8 “*Combination Product*” means a Licensed Product that includes at least one additional active ingredient other than a VLP. Drug delivery vehicles, adjuvants, and excipients shall not be deemed to be “active ingredients”, except in the case where such delivery vehicle, adjuvant, or excipient is recognized as an active ingredient in accordance with 21 C.F.R. 210.3(b)(7).

1.9 “*Control*” means possession of the ability to grant a license or sublicense as provided for herein without violating the terms of any agreement or other arrangements with any Third Party.

1.10 “*Dollars*” or “*\$*” means U.S. dollars.

1.11 “*Employee*” means (i) an employee or agent of a Party or Affiliate, and (ii) with respect to SELECT, an employee of the Burnet Institute as long as a service agreement exists between SELECT and the Burnet Institute that contains standard confidentiality and intellectual property assignment obligations requiring the Burnet Institute to cause that employee to agree to observe and comply with the confidentiality and intellectual property assignment obligations within that agreement.

1.12 “*Excluded Antigen*” means an Antigen associated with [***].

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1.13 “*FDA*” means the United States Food and Drug Administration or its equivalent governmental, regulatory or health authorities in any jurisdiction.

1.14 “*First Commercial Sale*” means the first commercial sale of a Licensed Product by AVANT or any of its Sublicensees under this Agreement.

1.15 “*First Licensed Product*” means a Licensed Product containing a Target Antigen related to influenza virus, as specified in Appendix B.

1.16 “*FTE*” means an Employee scientist working full-time on the Research Program, or, an equivalent amount of work on the Research Program performed by more than one such Employee scientists. For purposes of this Section 1.15, “full-time” means not less than one thousand eight hundred and forty (1,840) hours per year.

1.17 “*Generic Equivalent*” means a Vaccine Product sold by a Third Party without the consent or approval of AVANT and SELECT that addresses the same Target Disease as a particular Licensed Product and (i) the manufacture, use, or sale of such Vaccine Product would be covered or claimed by one or more claims within the SELECT Patents or Collaboration Patents but for the fact that: (a) all such claim(s) are contained within patent applications, filed in good faith, that have not yet issued, but have been pending for less than seven (7) years and have not been withdrawn, cancelled or abandoned, or (b) all such claims are within patents that have expired or been revoked or determined to be invalid or unenforceable; or (ii) is sold in a country in which no SELECT Patents or Collaboration Patents covering the manufacture, use or sale of such Licensed Product have been filed.

1.18 “*Improvement*” means all improvements, enhancements, additions and adaptations to the Licensed Subject Matter conceived or created by either Party or any of their respective Affiliates that are sufficiently different to be separately patentable.

1.19 “*IND*” means an investigational new drug application filed with the FDA as more fully defined in 21 C.F.R. § 312.3 or its equivalent in any jurisdiction.

1.20 “*Joint Collaboration Invention*” means a Collaboration Invention created or conceived jointly by AVANT and SELECT.

1.21 “*Know-How*” means all information and data, technical information, trade secrets, specifications, instructions, processes, formulae, expertise and information relating to Licensed Products including, without limitation: (i) biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical and analytical, safety, quality control, manufacturing,

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preclinical and clinical data, instructions, processes, formulae, expertise and information including Technology Rights that are relevant to the manufacture, use or sale or and /or which may be useful in studying, testing, developing, producing, formulating or using the Licensed Products; and (ii) copies of any IND or NDA or other health registration documents and amendments or supplements thereto filed with the FDA or other governmental, Regulatory Authority or health authority in the Licensed Territory and all correspondence to and from such agency relevant to the Licensed Products which is known to and/or possessed and /or acquired by a Party or its Affiliates.

1.22 “*Licensed Field*” means the development and commercialization of Vaccine Products for human therapeutic and prophylactic use.

1.23 “*Licensed Product*” means a Vaccine Product that (i) is covered by or made using Licensed Subject Matter and (ii) contains a Target Antigen related to a Target Disease.

1.24 “*Licensed Subject Matter*” means the (i) SELECT Know-How, (ii) SELECT Patents, and (iii) SELECT’s interest in any Joint Collaboration Inventions.

1.25 “*Licensed Territory*” means worldwide.

1.26 “*NDA*” means a New Drug Application and all supplements filed pursuant to the requirements of the FDA, including all documents, data and other information which are necessary for, or included in, FDA approval to market a Licensed Product as more fully defined in 21 C.F.R. § 314.50 et. seq. or its equivalent in any jurisdiction..

1.27 “*Net Sales*” means, with respect to any Licensed Product, the gross revenues received from the sale of Licensed Products by AVANT and its Affiliates for *bona fide* sales of such Licensed Product to a Third Party (other than Sublicensees and AVANT’s Affiliates but including distributors for resale), less discounts (including cash, quantity and patient program discounts), retroactive price reductions, charge-back payments and rebates granted to managed health care organizations or to federal, state and local governments, their agencies, and purchasers and reimbursers or to trade customers; credits or allowances actually granted upon claims, damaged goods or rejections of such Licensed Product, freight out, postage, shipping and insurance charges for delivery of such Licensed Product; and sales and/or use taxes actually paid, including value-added taxes, or other governmental charges otherwise imposed upon the billed amount, as adjusted for rebates and refunds, to the extent not paid by the Third Party, import and/or export duties actually paid, outbound transportation prepaid or allowed, and amounts allowed or credited due to returns, including such Licensed Product returned in connection with recalls or withdrawals (not to exceed the original

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billing or invoice amount). Net Sales shall not include any payments among AVANT, its Affiliates and Sublicensees.

1.28 “*Patent*” means any patent or patent application, whether domestic or foreign, and all divisions, provisional applications, continuations, continuations-in-part, reissues, reexaminations or extensions of any of the foregoing, and any letters patent that issue on any of the foregoing.

1.29 “*Phase II*” means that portion of the FDA submission and approval process which provides for the initial trials of a Licensed Product on a limited number of patients for the purposes of determining dose and evaluating safety and immunogenicity in the proposed therapeutic indication as more fully defined as 21 C.F.R. §213.21(b).

1.30 “*Product Royalty Term*” means with respect to each Licensed Product in a country, the longer of (i) ten (10) years after the First Commercial Sale of such Licensed Product in the relevant country, or (ii) the life of Patents that claim the manufacture, use or sale of such Licensed Product in the relevant country.

1.31 “*Regulatory Approval*” means, with respect to a country, any and all approvals, licenses, registrations or authorizations of any Regulatory Authority necessary to commercially distribute, sell or market a product in such country, including, where applicable and as required, (i) pricing or reimbursement approval in such country, (ii) pre- and post-approval marketing authorizations (including any prerequisite manufacturing approval or authorization related thereto), (iii) labeling approval, and (iv) technical, medical and scientific licenses.

1.32 “*Regulatory Authority*” means any supra-national, federal, national, regional, state, provincial or local governmental regulatory agencies, departments, bureaus, commissions, councils or other government entities regulating or otherwise exercising authority with respect to the development, manufacture or commercialization of biological drug products, including the FDA, EMEA and Koseisho.

1.33 “*Second Licensed Product*” means a second Licensed Product (i.e., a Licensed Product that contains a different Target Antigen that is related to a different Target Disease than the Target Antigen and Target Disease relating to the First Licensed Product) chosen by AVANT pursuant to Section 3.5a of this Agreement and to be specified in Appendix B hereto.

1.34 “*SELECT Collaboration Invention*” means a Collaboration Invention created or conceived solely by SELECT Employees.

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1.35 “*SELECT Know-How*” means Know-How that is Controlled by SELECT as of the Effective Date or during the term of this Agreement.

1.36 “*SELECT Patents*” means all Patents that are Controlled by SELECT as of the Effective Date or during the term of this Agreement, which claim technology that is reasonably necessary or useful for the testing, developing, producing, formulating, using or exploiting of the Licensed Product in the Licensed Field, including those Patents that claim VLPs, Vaccine Products or the development or commercialization thereof.

1.37 “*Sublicensee*” means any Third Party (other than an Affiliate) licensed by AVANT or its Affiliates to make, sell, import, export, advertise, promote and otherwise commercialize any Licensed Product.

1.38 “*Sublicense Fees*” means all compensation received by AVANT from a Sublicensee that relate specifically to the grant of a sublicense by AVANT of the rights licensed hereunder by SELECT to AVANT, including (i) up-front cash payments made to AVANT in consideration of the sublicense; (ii) the fair market value of all non-cash consideration received by AVANT from a Sublicensee, including, without limitation, equity in other companies, the value of which is to be calculated as the average closing price for a share of stock from the class of stock involved for 5 consecutive days preceding the execution of the sublicense agreement; (iii) any premium over fair market value paid by a Sublicensee for an equity investment in AVANT; (iv) milestone payments paid by a Sublicensee; and (v) royalty payments on sales of Licensed Products received by AVANT from any Sublicensee. Sublicensee Fees shall not include any of the following: (a) sponsored research payments; (b) payments for past research expenditures relating to development of Licensed Products; (c) payments made for an equity investment in AVANT by a Sublicensee to the extent that such payments do not exceed the fair market value of such equity; (d) payments made in consideration of the manufacture or supply of Licensed Products by AVANT to the extent that such payments do not exceed the costs of such manufacture and supply; and (e) loans made to AVANT.

1.39 “*Target Antigen*” means an Antigen specified in Appendix B.

1.40 “*Target Disease*” means a disease specified in Appendix B.

1.41 “*Technology Rights*” means a Party’s rights in technical information, processes, procedures, compositions, devices, methods, formulas, protocols, techniques, software, designs, drawings or data created before the Effective Date relating to a Party’s technology that are not covered by Patents but that are necessary for practicing any invention covered by Patents.

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1.42 “*Third Licensed Product*” means a third Licensed Product (i.e., a Licensed Product that contains a different Target Antigen that is related to a different Target Disease than the Target Antigens and Target Diseases relating to the First Licensed Product and the Second Licensed Product) chosen by AVANT pursuant to Section 3.5b of this Agreement and to be specified in Appendix B hereto.

1.43 “*Third Party*” means any entity other than SELECT or AVANT, excepting Affiliates of either.

1.44 “*VLP*” means a virus-like particle.

1.45 “Vaccine Product” means a vaccine (i) containing a VLP, or (ii) made using a VLP.

1.46 Terms defined elsewhere in this Agreement. The following terms are defined in the applicable Sections of this Agreement:

a. “Agreement”	Preamble
b. “Confidential Information”	Section 10.1
c. “Disclosing Party”	Section 10.1
d. “Effective Date”	Preamble
e. “First Milestone”	Section 4.2
f. “Indemnifying Party”	Section 8.1
g. “Indemnitees”	Section 8.1
h. “JRC”	Section 2.2a
i. “Notice Period”	Section 7.2
j. “Party” or “Parties”	Preamble
k. “Receiving Party”	Section 10.1
l. “Research Program”	Section 2.1
m. “Research Plan”	Section 2.1
n. “Research Term”	Section 2.3a
o. “Shares”	Section 4.1a

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p. “Third Party Claim”	Section 11.4
q. “Third Party Licenses”	Section 3.4

2 - RESEARCH COLLABORATION

2.1 SELECT and AVANT agree to jointly research and develop Candidate Antigens and Licensed Products under a research program (the “**Research Program**”) in accordance with the initial research plan set forth in Appendix A (the “**Research Plan**”). Each Party shall use diligent efforts to perform its respective responsibilities under and for the Research Plan, and shall cooperate with and provide reasonable support to the other Party in such other Party’s performance of its responsibilities thereunder.

2.2 Joint Research Committee.

a. Promptly after the Effective Date, SELECT and AVANT shall establish a joint research committee (“**JRC**”) to (i) oversee the Research Program, (ii) establish, plan and coordinate the activities under the Research Plan, and (iii) facilitate the exchange of information regarding the Research Program. The JRC will set specific research goals of the Research Program, evaluate the results of the Research Program, discuss information relating to the Research Program and will ensure that there is appropriate scientific direction for the Research Program.

b. Within thirty (30) days following the Effective Date, the JRC will evaluate the Research Plan and modify it if necessary. The JRC shall thereafter periodically modify the Research Plan as it deems necessary.

c. The JRC shall be comprised of two (2) representatives from each Party. The chairperson of the JRC shall be designated by AVANT.

d. If the JRC fails to reach unanimous agreement on any matter before it for consideration, representatives of AVANT shall have sole authority to decide the matter.

e. Meetings of the JRC shall be held at such times as agreed to by the Parties (but no less than once each calendar quarter). Such meetings may be in-person, via videoconference, or via teleconference, provided that at least one meeting per calendar year shall be held in person. The location of in-person JRC meetings will alternate between Needham, Massachusetts, and Melbourne, Australia, or in such other manner or location as the Parties mutually agree. SELECT and AVANT shall each bear all expenses of their respective JRC representatives related to their participation on the JRC and attendance at JRC meetings. SELECT will

provide AVANT with a proposed agenda for each JRC meeting at least five (5) Business Days prior to the scheduled meeting date. AVANT shall record all decisions made, and otherwise take minutes as appropriate. JRC meeting minutes will be sent to each member of the JRC for review within five (5) Business Days after a meeting; such minutes shall be deemed approved by both of the Parties unless a Party objects to the accuracy of such minutes by providing written notice to the other Party within ten (10) Business Days of receipt of such minutes by such Party's primary JRC contact. A Party may, with the prior consent of the other Party (such consent not to be unreasonably withheld or delayed), invite a reasonable number of Employees, consultants or scientific advisors to attend a meeting of the JRC, provided, however, that such attendees shall participate only as observers and advisors and shall not have a decision-making role. Those invitees must be bound by appropriate confidentiality obligations.

2.3 Collaboration Term.

a. The Research Program begins on the Effective Date and shall expire two (2) years after the Effective Date, unless extended as provided below, or unless this Agreement is earlier terminated by either Party pursuant to the provisions of Section 7 (the "**Research Term**"). In no event, however, will the Research Term extend beyond three years after the date of the First Milestone. Upon the end of the Research Term, SELECT will not have any obligation to perform any activities with respect to the development or optimization of Candidate Targets or Licensed Products.

b. The Research Program and the Research Term may be extended at the option of AVANT for two additional one (1) year periods by providing written notice to SELECT within thirty (30) days of the then-current expiration date of the Research Term and, thereafter, by mutual agreement of the Parties.

2.4 SELECT Research Efforts. During the Research Term, SELECT shall support the research and other activities to be undertaken by SELECT under the Research Plan and as part of the Research Program with an annual resource commitment to provide [***] FTEs. SELECT may not subcontract or outsource any work or any activities under the Research Plan, except that SELECT may fulfill its commitment to provide FTEs to the Research Program by having work performed by Third Party individual contractors or consultants upon AVANT's prior written approval (each, a "**Third Party FTE**"). As a condition to obtaining AVANT'S approval with respect to a Third Party FTE, that individual must: (i) have appropriate experience and qualifications, (ii) be under SELECT's direct supervision and control, (iii) be obligated to observe the limitations and

restrictions respecting SELECT's Confidential Information and Know-How with the same degree and care as required under this Agreement, (iv) be obligated to assign to SELECT of all the right, title and interest in and to any intellectual property (and intellectual property rights) created or discovered by such Third Party FTE. SELECT is responsible for compliance by such Third Party FTEs with the terms and conditions of this Agreement. In no event, shall SELECT be obligated to incur costs in performing activities under the Research Program in excess of the amounts provided under Section 2.5.

2.5 Research Program Funding.

a. AVANT agrees to fund the Research Program at the following rates:

(1) During the first year of the Research Program, such funding shall be [***], which shall be paid in cash to SELECT in advance in equal installments on a quarterly basis.

(2) During the second year of the Research Program, such funding shall be [***], which shall be paid in cash to SELECT in advance in equal installments on a quarterly basis.

(3) If AVANT elects to extend the Research Program and Research Term in accordance with Section 2.3b, the amount of funding shall be mutually decided by the Parties, taking into account the current FTE rates and shall be paid in cash to SELECT in advance in equal installments on a quarterly basis.

b. In addition to AVANT's Research Program funding set forth in Section 2.5a, SELECT shall support the research and other activities to be undertaken by the FTEs under the Research Plan and as part of the Research Program with a first-year resource commitment of [***].

2.6 Limited Use of Research Program Funding. AVANT's Research Program funding set forth in Section 2.5a shall be used by SELECT only in connection with the research and other activities to be undertaken by the FTEs under the Research Plan and as part of the Research Program.

2.7 Records.

a. SELECT will maintain complete and accurate records which are relevant to (i) work performed by FTEs, and (ii) its expenditure of Research Program funding under this Agreement. Such records shall be available for inspection during reasonable business hours for a period of two (2) years from creation of individual records for examination at

AVANT's expense and not more often than once each year by AVANT for the sole purpose of verifying SELECT's compliance with Section 2.6.

b. The Parties shall prepare and maintain records of the activities performed hereunder in sufficient detail and generally in a manner sufficient for purposes of establishing intellectual property rights in any inventions conceived of or reduced to practice in connection with the Research Program.

2.8 Within thirty (30) days after the end of each calendar quarter in which activities are performed under the Research Plan, SELECT shall provide to the JRC a written progress report, which report shall (i) describe the activities SELECT has performed or caused to be performed under the Research Plan during such calendar quarter, (ii) evaluate the work performed in relation to the goals of the Research Plan, and (iii) provide such other information as may be required by the Research Plan or reasonably requested by the JRC with respect to SELECT's activities under the Research Plan.

3 - LICENSES

3.1 Licenses for Research Program

a. SELECT grants AVANT a nonexclusive, royalty-free, fully paid-up worldwide license, with no right to grant sublicenses (except as set forth in Section 3.3c, under the Licensed Subject Matter solely to carry out AVANT's obligations under the Research Plan during the Research Term.

b. AVANT grants SELECT a nonexclusive, royalty-free, fully paid-up worldwide license, with no right to grant sublicenses, under the AVANT Collaboration Inventions and AVANT's interest in the Joint Collaboration Inventions solely for SELECT to carry out its obligations under the Research Plan during the Research Term.

3.2 Licenses for Collaboration Patents

a. SELECT grants to AVANT a nonexclusive, fully paid-up worldwide license, with the right to sublicense, under any Collaboration Patents that are owned solely by SELECT.

3.3 License to AVANT for Licensed Products

a. SELECT hereby grants to AVANT a royalty-bearing, exclusive (even with respect to SELECT) license under the Licensed Subject Matter to develop, make, have made, use, offer to sell, sell, have sold and import Licensed Products within the Licensed Territory for use within the

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Licensed Field. This license is subject to (i) the continued effectiveness of this Agreement and (ii) the rights retained by SELECT to perform its obligations under the Research Program. As of the Effective Date, the First Licensed Product is the only Licensed Product.

b. AVANT may extend the license granted in this Agreement to any of its Affiliates if that Affiliate consents to be bound by this Agreement to the same extent as AVANT, and SELECT approves such Affiliate. Any approval granted by SELECT under this Section 3.3b must be in writing and must be granted before the extension.

c. AVANT may grant sublicenses (through multiple tiers) consistent with the scope of the rights and licenses granted to AVANT pursuant to Sections 3.1a or 3.3. AVANT will be responsible for the operations of its Sublicensees relevant to this Agreement as if carried out by AVANT. AVANT must deliver to SELECT a true and correct copy of each sublicense granted by AVANT, and any modification or termination of the foregoing, within 30 Business Days after executing, modifying or terminating a sublicense. When this Agreement is terminated, all existing sublicenses shall survive; provided that such Sublicensees promptly agree in writing to be bound by the terms of this Agreement.

3.4 Third Party Licenses. SELECT represents and warrants to AVANT that the licenses granted under this Agreement do not include any sublicenses related to the Licensed Products that have been licensed by SELECT from a Third Party and that SELECT is not party to any license or similar agreement which SELECT reasonably believes would relate to the Licensed Products.

3.5 Option to AVANT for Additional Vaccine Products.

a. Second Licensed Product

(1) AVANT will have the right to add a Second Licensed Product by choosing a second Antigen and related disease, other than an Excluded Antigen.

(2) AVANT must select the second Antigen for the Second Licensed Product, if at all, no later than two (2) years after the date of the First Milestone.

(3) If selected, the Second Licensed Product, along with the second Target Antigen and related Target Disease, will be added to Appendix B.

b. Third Licensed Product

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(1) AVANT will have the right to add a Third Licensed Product by choosing a third Antigen and related disease, other than an Excluded Antigen.

(2) AVANT must select the third Antigen for the Third Licensed Product, if at all, no later than three (3) years after the date of the First Milestone.

(3) If selected, the Third Licensed Product, along with the third Target Antigen and related Target Disease, will be added to Appendix B.

4 - PAYMENTS AND REPORTS

In consideration of rights granted by SELECT to AVANT under this Agreement, AVANT will pay SELECT as follows:

4.1 Upfront License Fees. AVANT will pay SELECT the specified amounts as follows:

a. A nonrefundable license fee of Seven Hundred Thirty-Five Thousand Dollars (\$735,000) to be paid by the purchase of Twenty-Nine Million Five Hundred Eighteen Thousand Seventy-Two ordinary fully paid shares in the capital of SELECT (ASX Code: SLT) which are freely-tradable, duly-authorized and issued, and which are free from any and all liens and encumbrances (the "Shares") with said purchase being made no later than fifteen (15) days after SELECT delivers written notice of the availability of the Shares for purchase by AVANT (the "Notice"), provided that SELECT shall provide the Notice to AVANT no later than ninety (90) days after the Effective Date;

b. A nonrefundable license fee of [***], due and payable no later than fifteen (15) days after electing the Second Licensed Product pursuant to Section 3.5a; and

c. A nonrefundable license fee of [***], due and payable no later than fifteen (15) days after electing the Third Licensed Product pursuant to Section 3.5b.

With respect to the purchase and sale of the Shares as described in Section 4.1(a), if such transaction cannot be closed within one hundred (100) days following the Effective Date because the Shares are not available for sale by SELECT on the terms set forth in Section 4.1(a) (for example, the Shares are not freely-tradable by AVANT upon issuance), within such period, then either Party shall be permitted to void the obligation to enter into such purchase and sale of Shares and this Agreement shall otherwise continue in full force and effect.

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4.2 First Milestone. AVANT will pay SELECT [***] no later than thirty (30) days after obtaining [***] (the "First Milestone").

4.3 Additional Milestone Payments. For each Licensed Product, AVANT will pay SELECT the specified amounts no later than 30 days after the following specified, relevant milestones are reached. For clarity, only one set of milestone payments is payable under this Agreement with respect to each Licensed Product, no matter how many times each of the milestone events is achieved:

a. [***].

b. [***].

c. [***].

d. United States.

(1) [***]; and

(2) [***].

e. European Union.

(1) [***]; and

(2) [***].

f. Japan.

(1) [***]; and

(2) [***].

4.4 Earned Royalties. During the Product Royalty Term and subject to Sections 4.6 and 4.7 below, AVANT will pay to SELECT a running royalty on a country-by-country and Licensed Product-by-Licensed Product basis equal to the following percentages of annual Net Sales for each Licensed Product sold by AVANT and its Affiliates, which royalties will be payable every six months pursuant to Section 4.9 below:

a. Royalty Schedule

- (1) [***],
- (2) [***],
- (3) [***], and

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- (4) [***].

b. Determination and Calculation of Net Sales

Net Sales shall be determined in accordance with generally accepted accounting principles, consistently applied. Net Sales for any Combination Product shall be calculated on a country-by-country basis by multiplying actual Net Sales of such Combination Product by the fraction A/B, where A is the weighted average price paid for the Licensed Product contained in such Combination Product if such License Product is sold separately in finished form in such country, and B is the weighted average invoice price paid for such Combination Product in such country. If such Licensed Product is not sold separately in finished form in such country, the parties shall determine Net Sales for such Licensed Product by mutual agreement based on the relative contribution of such Licensed Product and each such other active ingredients in such Combination Product in accordance with the above formula, and shall take into account in good faith any applicable allocations and calculations that may have been made for the same period in other countries.

c. Notwithstanding the foregoing, upon expiration of the Product Royalty Term for a Licensed Product, AVANT's license with respect to that particular Licensed Product will automatically become a fully paid, perpetual, irrevocable, royalty-free, exclusive license.

4.5 Sublicense Fees.

a. For amounts received pursuant to sublicenses granted by AVANT before the first human study performed under an IND, an amount equal [***] of all Sublicense Fees from such sublicenses.

b. For amounts received pursuant to sublicenses granted by AVANT after the first human study performed under an IND, an amount equal to [***] of all Sublicense Fees from such sublicenses.

4.6 Generic Competition. Royalty payments due for a Licensed Product under Sections 4.4 and 4.5 shall be reduced on a product-by-product and country-by-country basis by [***] following the first bona fide arms-length commercial sale of a Generic Equivalent, with all such reductions calculated on calendar quarterly basis.

4.7 Additional Third Party Licenses. Royalties due SELECT under Section 4.4 of this Agreement shall be reduced by [***] of the amount of royalties, if any, paid to a Third Party by AVANT for a license that AVANT determines in good faith, after consultation with SELECT, is necessary to

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research, develop, manufacture or commercialize a Licensed Product; provided that the royalties due to SELECT are not below [***] of the royalty otherwise payable for such Licensed Product.

4.8 Records. During the Term of this Agreement and for three (3) years after the Agreement expires or is terminated, AVANT agrees to keep complete and accurate records of its, its Affiliates and its Sublicensees' sales and Net Sales of Licensed Products under the license granted in this Agreement, as well as all Sublicense Fees received by AVANT, in sufficient detail to enable the royalties payable under this Agreement to be determined. AVANT will provide to SELECT on a semi-annual basis written reports that detail activity relevant to the license granted under this Agreement as described in Section 4.9. AVANT will permit an independent certified accountant selected by SELECT and which is reasonably acceptable to AVANT to periodically examine all books, ledgers, and records during regular business hours for the purpose of and to the extent necessary to verify any report required under this Agreement. In no event shall such inspections be conducted hereunder more frequently than once every six (6) months. Such accountant must have executed and delivered to AVANT a confidentiality agreement as reasonably requested by AVANT, which shall include provisions limiting such accountant's disclosure to SELECT to only the results and basis for such results of such inspection. If the amounts due to SELECT are determined to have been underpaid by more than five percent (5%) or \$50,000, whichever is less, AVANT will pay the cost of the examination and accrued interest at a rate equal to the lesser of (a) the prime rate, as published in the Wall Street Journal, Eastern United States Edition, plus one and one-half percent (1.5%), on the last Business Day preceding the date of payment, or (b) the highest rate permitted by applicable law, calculated on the number of days such payment is delinquent.

4.9 Reports. Within six (6) months after the Effective Date, and for every subsequent 6 month period, AVANT represents and warrants that it will deliver to SELECT a true and accurate written report, even if no payments are due SELECT, giving the following information:

- a. The quantities of Licensed Product that have been produced;
- b. The total Net Sales for each Licensed Product;
- c. All Sublicense Fees received by AVANT;

- d. The calculation of royalties thereon;
- e. The total royalties computed and due SELECT; and
- f. The occurrence of any milestones under Section 4.3.

Simultaneously with the delivery of each report, AVANT must pay to SELECT all monies, if any, due for the period of each report.

4.10 On or before each anniversary of the Effective Date, irrespective of having a First Commercial Sale or offer for sale, AVANT must deliver to SELECT a written progress report as to AVANT's, its Affiliates and any Sublicensee's efforts and accomplishments during the preceding year in diligently commercializing Licensed Products in the Licensed Territory and AVANT's, its Affiliates and, if applicable, Sublicensee's commercialization plans for the upcoming year.

4.11 All amounts payable by AVANT shall be paid by wire transfer to an account specified by SELECT without deductions for taxes, assessments, fees, or charges of any kind. The payment of royalties to SELECT shall be made using a rate of exchange of the currency of the country from which the royalties are payable as published in the Wall Street Journal on the last day of the month for which such payment was due.

5 - PRODUCT DEVELOPMENT AND COMMERCIALIZATION

5.1 Subject to Section 5.2, all business decisions, including, (i) the research and development of Licensed Products, except for the specific manner in which SELECT conducts its obligations under the Research Program; (ii) the manufacture of a Licensed Products either by itself or through Third Parties; and (iii) the design, sale, price, promotion and all other commercialization activities regarding Licensed Products, shall be within the sole discretion of AVANT.

5.2 Diligence Obligations. In developing, commercializing and marketing Licensed Products, AVANT shall expend reasonable, diligent, good faith efforts to accomplish such objective as AVANT would use with respect to a product owned or controlled by AVANT, or to which AVANT has similar rights, which product is of similar market potential and is at a similar stage in its development or life as is such Licensed Product, taking into account issues of safety, efficacy, product profile, the competitiveness of the marketplace, the proprietary position of the Licensed Product, the regulatory structure involved, profitability of the Licensed Product and other relevant commercial factors.

5.3 Technology Transfer. SELECT shall disclose to AVANT in writing any and all Licensed Subject Matter developed or prepared or otherwise Controlled by SELECT or any of its Affiliates, promptly after the development or preparation or acquisition thereof, in each case as reasonably necessary or useful for AVANT to exercise the license granted to it pursuant to Sections 3.1.a and 3.2.a. SELECT shall provide reasonable assistance to AVANT to effect the timely and orderly transfer of SELECT's Know-How to AVANT for AVANT's

use under the Research Program and for use in AVANT's research, development, manufacturing activities and commercialization of Licensed Products.

6 - DISCLAIMER OF WARRANTY

6.1 EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN SECTION 9, NEITHER SELECT NOR AVANT MAKES ANY WARRANTIES, EXPRESS OR IMPLIED AND EXPRESSLY DISCLAIM ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

7 - TERM AND TERMINATION

7.1 Term. This Agreement shall commence as of the Effective Date and, unless sooner terminated as provided herein, shall continue in effect on a Licensed Product-by-Licensed Product basis, and country-by-country basis until the date on which SELECT is no longer entitled to receive a royalty on such Licensed Product in such country. Upon there being no more such payments hereunder for any such Licensed Products in such country, the license grants contained in Section 3.1.a and 3.2 shall become fully paid up with respect to such Licensed Products in such country.

7.2 Termination for Breach. Either Party may terminate this Agreement in the event the other Party shall have materially breached or defaulted in the performance of any of its material obligations hereunder, and such default shall have continued for sixty (60) days after written notice thereof was provided to the breaching party by the non-breaching party (the "**Notice Period**"), *provided, however*, that the Notice Period shall be six (6) months in the case of a material breach by AVANT of its diligence obligations set forth in Section 5.2, subject to the condition that AVANT shall commence action to cure such breach within thirty (30) days after receipt of such notice and shall diligently continue such actions thereafter. Any termination shall become effective at the end of such Notice Period unless the breaching party has cured any such breach or default prior to the expiration of the Notice Period. The Parties acknowledge and agree that the failure by AVANT to comply with its diligence obligations set forth in Section 5.2 for a period of more than three (3) months shall constitute a material breach of this Agreement. Termination of this Agreement by SELECT under this Section 7.2 shall be on a country-by-country and Licensed Product-by-Licensed Product basis (and not for this Agreement as a whole) if the material breach giving rise to termination is specific to one or more countries or one or more Licensed Products (*e.g.*, a royalty dispute for one Licensed Product in one or more countries).

7.3 Termination by AVANT. AVANT may terminate this Agreement on a Licensed Product-by-Licensed Product or country-by-country basis or in its entirety or as to any particular SELECT Patent at any time by giving at least sixty

(60) days written notice of such termination to SELECT. From and after the effective date of a termination with respect to a SELECT Patent, such SELECT Patent in the particular country shall cease to be within the Licensed Subject Matter for all purposes of this Agreement.

7.4 Termination for Bankruptcy. AVANT shall have the right to terminate this Agreement forthwith by written notice to SELECT if SELECT is declared insolvent or bankrupt by a court of competent jurisdiction, if a voluntary or involuntary petition in bankruptcy is filed in any court of competent jurisdiction against SELECT and such petition is not dismissed within ninety (90) days after filing, or if SELECT shall make or execute an assignment of substantially all of its assets for the benefit of creditors.

7.5 Effect of Termination. Upon a termination of this Agreement under Section 7.2 by SELECT, or under Section 7.3 by AVANT, all rights and obligations of SELECT and AVANT shall terminate, except as provided in Section 7.6, *provided* that that in the case that such termination shall relate to one or more countries or one or more Licensed Products rather than this Agreement in its entirety, the rights and obligations of SELECT and AVANT shall terminate with respect to such terminated countries and terminated Licensed Products only.

7.6 Surviving Rights. Subject to and without limiting anything contained in Section 7.5, Sections 1,4, 7.5, 7.7, 7.8, 8, 10, 11.5, 12 and 13 shall survive the expiration and any termination of this Agreement for any reason. Except as provided in Section 7.5 and this Section 7.6, all other provisions of this Agreement shall terminate upon the expiration or termination of this Agreement.

7.7 Accrued Rights, Surviving Obligations. Termination, relinquishment or expiration of the Agreement for any reason shall be without prejudice to any obligations which shall have accrued prior to such termination, relinquishment or expiration, including, without limitation, the payment obligations under Sections 2.5 and 4 hereof and any and all damages arising from any breach hereunder. Such termination, relinquishment or expiration shall not relieve either Party from obligations that are expressly indicated to survive termination or expiration of the Agreement.

7.8 Termination Not Sole Remedy. Termination is not the sole remedy under this Agreement and, whether or not termination is effected, all other remedies will remain available except as agreed to otherwise herein.

7.9 Sale of Remaining Licensed Products. If this Agreement is terminated for any cause, AVANT may sell all Licensed Products it has on hand at the date of termination if it pays earned royalties on those Licensed Products according to the terms of Section 4..

8- INDEMNIFICATION AND INSURANCE

8.1 Each Party (the “**Indemnifying Party**”) hereby agrees to defend, hold harmless and indemnify the other Party and its sublicensees, and their respective officers, directors, Employees, agents consultants, successors, heirs, legal representatives and assigns (“**Indemnitees**”) from and against any claims, demands, losses and expenses (including reasonable attorney fees) arising from Third Party claims to the extent relating directly to a breach by the Indemnifying Party of any of its obligations, covenants, representations or warranties set forth in this Agreement. In addition, AVANT agrees to defend, hold harmless and indemnify SELECT, and its officers, directors, Employees, agents consultants, successors, heirs, legal representatives and assigns (“**Indemnitees**”) from and against any claims, demands, losses and expenses (including reasonable attorney fees) to the extent arising from Third Party claims relating directly to personal injuries suffered in connection with the use of a Licensed Product. Notwithstanding the foregoing, neither Party shall have any obligation to provide indemnification under this Section 8.1 for claims, demands, losses or expenses (including reasonable attorney fees) to the extent arising from the gross negligence, recklessness or willful misconduct of any Indemnitees.

8.2 In no event will either Party be liable for any incidental, indirect, special, consequential or punitive damages (including, without limitation, damages for loss of profits or expected savings or other economic losses, or for injury to persons or property) arising out of or in connection with this Agreement or its subject matter, regardless of whether such Party knows or should know of the possibility of such damages. Each Party agrees to give the other Party prompt written notice of any claims made for which the other party might be liable under Section 8.1. The indemnifying Party shall have the opportunity to defend, negotiate, and settle such claims; provided, however, that the indemnified Party shall be entitled to participate in the defense of such matter and to employ at its expense counsel to assist therein. The Party seeking indemnification shall provide the indemnifying Party with such information and assistance as the indemnifying Party may reasonably request, at the expense of the indemnifying Party.

8.3 Insurance

a. Beginning on the Effective Date, each Party shall, at its sole cost and expense, procure and maintain commercial general liability insurance in appropriate amounts, as determined by the board of such Party, and such Party shall have the other Party, its directors, officers, Employees and agents named as additional insured parties. This commercial general liability insurance shall provide (i) product liability coverage; (ii) broad form contractual liability coverage for such Party’s indemnification under this Agreement; and (iii) coverage for litigation costs. The minimum amounts of insurance coverage required shall not be

b. Each Party shall provide the other Party with written evidence of such insurance upon such other Party's request. Each Party shall provide the other Party with written notice of at least thirty (30) days in advance before the cancellation, non-renewal or material change in such insurance.

c. Each Party shall maintain such commercial general liability insurance beyond the expiration or termination of this Agreement during (i) the period that any Licensed Product developed pursuant to this Agreement is being commercially distributed or sold by AVANT or by a Sublicensee or agent of AVANT; and (ii) the five (5) year period immediately after such period.

9- REPRESENTATIONS AND WARRANTIES

9.1 Each of the Parties hereby represents and warrants and covenants as follows:

a. This Agreement is a legal and valid obligation binding upon such Party and enforceable in accordance with its terms. The execution, delivery and performance of the Agreement by such Party does not conflict with any agreement, instrument or understanding, oral or written, to which it is a Party or by which it is bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

b. Each Party has not, and during the term of the Agreement will not, grant any right to any Third Party relating to its respective technology in the Field which would conflict with the rights granted to the other Party hereunder.

c. Each party owns or otherwise Controls all of the rights, title and interest in and to its Patents and Know-How.

9.2 SELECT represents, warrants and covenants that as of the Effective Date, the SELECT Patents are set forth on Appendix C, and there are no other Patents owned or Controlled by SELECT or any of its Affiliates as of the Effective Date concerning the research, development, manufacture, use or sale of Licensed Product or otherwise relating to the subject matter of this Agreement.

9.3 Patents and Know-How Warranties. To the best of its knowledge as of the Effective Date, each Party represents and warrants that (i) Know-How and any

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Patent or other intellectual property right relating to the Field owned or controlled by such Party are not currently being infringed by any Third Party, and (ii) that the practice of such rights does not infringe any property right of any Third Party.

9.4 Exclusivity/Non-Competition.

a. SELECT shall not conduct, have conducted or fund any research, development, regulatory, manufacturing or commercialization activity directed to the discovery, development or commercialization of a Vaccine Product containing an Antigen while AVANT has the right to select a Second Licensed Product or Third License Product, except as is permitted for (i) a Candidate Antigen as provided by Section 9.4b and (ii) an Excluded Antigen.

b. Other than with respect to the First Licensed Product, AVANT shall have no rights under this Agreement with respect to a Vaccine Product containing a Candidate Antigen unless AVANT elects to choose such Candidate Antigen for a Second Licensed Product or Third Licensed Product as set forth in Section 3.5. Except as otherwise set forth herein, during the six (6) month period following the Effective Date and other than with respect to an Excluded Antigen, SELECT shall be precluded from conducting any research, development, regulatory, manufacturing or commercialization activity directed to the discovery, development or commercialization of a Vaccine Product containing an Antigen, either by itself or with a Third Party. After the six (6) month period following the Effective Date, SELECT may enter into an agreement with a Third Party (but not an Affiliate) to conduct research, development, regulatory, manufacturing or commercialization activity directed to the discovery, development or commercialization of a Vaccine Product containing an Antigen, provided that while AVANT has the right to select a Second Licensed Product or Third License Product, SELECT shall notify AVANT in writing prior to entering into any such agreement with a Third Party, and AVANT shall have a one hundred twenty (120) day period to select such Antigen as a Target Antigen for the Second Licensed Product or Third Licensed Product, as the case may be.

If (i) AVANT provides notice to SELECT in writing that it does not intend to select such Antigen as a Second Licensed Product or Third Licensed Product, or (ii) after the termination of such one hundred twenty (120) day period AVANT has not selected such Antigen as a Target Antigen for the Second Licensed Product or Third Licensed Product, then SELECT may enter into an agreement with a Third Party regarding such Antigen, *provided* that if SELECT does not enter into such agreement with a Third Party during the one hundred twenty (120) day period following the earlier of (i) or (ii) above, then such Antigen shall again be subject to

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AVANT's right to select such Antigen for a Licensed Product as set forth above.

c. During the period during which AVANT has the right to select a Second Licensed Product or Third License Product, SELECT may provide the notice to AVANT set forth in Section 9.4b regarding proposed agreements with Third Parties no more than three (3) times per year.

9.5 Collaboration with Third Parties. During the term of this Agreement, SELECT and its Affiliates will not directly develop or assist a Third Party in developing a Vaccine Product that targets a Target Disease of a Licensed Product where such Vaccine Product would be directly

10 - CONFIDENTIAL INFORMATION AND PUBLICATION

10.1 SELECT and AVANT each agree that each Party (the “**Receiving Party**”) shall keep confidential all information of the other party (the “**Disclosing Party**”), including without limitation information regarding the Research Program, or a Disclosing Party’s business plans, strategies, technologies, manufacturing, research and development, and products (“**Confidential Information**”) furnished to it by, or otherwise made available by, the Disclosing Party pursuant to this Agreement; provided that a Receiving Party may disclose the Confidential Information of a Disclosing Party to its Employees and consultants who are required to have access to the Confidential Information in connection with the exercise of the Receiving Party’s rights and performance of obligations under this Agreement. The Receiving Party agrees that the Confidential Information of the Disclosing Party will be (i) be used only for the purposes of this Agreement, and (iii) not be disclosed by the Receiving Party without the prior written consent of the other party, except to the extent that the recipient party can establish competent written proof that such information:

- a. Was in the public domain at the time of disclosure;
- b. Later became part of the public domain through no act or omission of the Receiving Party, its Employees, agents, successors or assigns;
- c. Was lawfully disclosed to the Receiving Party by a third party having the right to disclose it;
- d. Was already known by the Receiving Party at the time of disclosure;
- e. Was independently developed by the Receiving Party; or

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- f. Is required by law or regulation to be disclosed.

10.2 Each party’s obligation of confidence under this Agreement shall be fulfilled by using at least the same degree of care with the other party’s confidential information as it uses to protect its own confidential information, but in no event less than reasonable care. This obligation shall exist while this Agreement is in force and for a period of ten (10) years after the Agreement expires or terminates.

10.3 Before either Party makes any publication or other public disclosure of any technology developed in connection with the Research Program, the Party proposing such disclosure will send the other Party a copy of the information to be disclosed, and will allow the other Party sixty (60) days from receiving it to determine whether the information to be disclosed contains subject matter for which patent protection should be sought before disclosure, or otherwise contains Confidential Information of the reviewing Party. The Party proposing disclosure will be free to proceed with the disclosure unless before the expiration of such 60 day period, the reviewing Party notifies the Party proposing disclosure that the disclosure contains subject matter for which patent protection should be sought or confidential information of the reviewing Party, and the Party proposing publication will then delay public disclosure of the information of an additional period to be mutually agreed upon to permit the preparation and filing of a patent application on the subject matter to be disclosed or for the parties to determine a mutually acceptable modification to the publication to protect adequately the Confidential Information of the reviewing Party. The Party proposing disclosure will afterwards be free to publish or disclose the information. The determination of authorship for any paper will be in accordance with accepted scientific practice.

11 – OWNERSHIP OF INTELLECTUAL PROPERTY AND PATENT RIGHTS

11.1 Collaborative Inventions. Collaborative Inventions shall be either jointly owned or solely owned by the party for whom ownership can be established under the provisions of U.S. patent law and licensed as provided herein.

11.2 Disclosure of Collaborative Inventions. Each Party shall promptly disclose in writing to the other Party all Collaboration Inventions made during the Research Term.

11.3 Patent Filings.

- a. AVANT Collaborative Inventions. AVANT shall have the first right to prepare, file, prosecute, obtain and maintain Patent

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applications and Patents on AVANT Collaboration Inventions with the expenses for any such preparation, filing, prosecution and maintenance to be borne by AVANT.

- b. SELECT Collaborative Inventions. SELECT shall have the first right to prepare, file, prosecute, obtain and maintain (i) Select Patents that claim the manufacture, use, sale or importation of a Licensed Product, and (ii) Patent applications and Patents disclosing SELECT Collaboration Inventions, with the expenses for any such preparation, filing, prosecution and maintenance to be borne by SELECT.

- c. In the event that either Party elects not to exercise its first right to prepare, file, prosecute, obtain or maintain Patent applications and Patents as described in Sections 11.3a or 11.3b, such Party shall so notify the other Party promptly in writing and in good time to enable such other Party to meet any deadlines by which an action must be taken to establish or preserve any such rights in Patent

rights. Following the receipt of such notice, the other Party shall have the right, but not the obligation, at its sole expense to prepare, file, prosecute, obtain and maintain the Patent applications and Patents identified in the notice all for its own benefit, and such Patent applications and Patents shall be removed from the operation of this Agreement.

11.4 Enforcement Rights.

a. Defense and Settlement of Third Party Claims. If a Third Party asserts that a Patent or other right owned by it is infringed by the manufacture, use or sale of any Licensed Product (a "Third Party Claim"), AVANT shall have the right to be solely responsible for defending against any such assertions at its cost and expense. If AVANT elects to exercise such right, SELECT shall cooperate with AVANT at AVANT's request and shall have the right to be represented by counsel selected and paid for by SELECT. If AVANT elects not to exercise such right as to such Third Party Claim, SELECT shall have the right but not the obligation to manage solely the defense of the Parties against the Third Party Claim and AVANT shall cooperate with SELECT at SELECT's request and shall have the right to be represented by counsel selected and paid for by AVANT. The Party that manages solely the defense of the Parties against the Third-Party Claim shall also have the right to settle such Third-Party Claim on terms deemed appropriate by such Party provided, however, that (A) neither Party shall settle any Third-Party Claim in a manner that is prejudicial to the License Products, (B) such Party shall consult with the other Party concerning the terms of any settlement agreement before entering into such an agreement, and (C) neither Party shall settle any such Third-Party Claim without the prior written consent of the other Party.

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b. Infringement by Third Parties Of Licensed Subject Matter. If any Patent licensed hereunder is infringed by a Third Party in any country in connection with the manufacture, use and sale of a Licensed Product in such country, the Party to this Agreement first having knowledge of such infringement shall promptly notify the other in writing. The notice shall set forth the known facts of that infringement in reasonable detail. AVANT shall have the primary right, but not the obligation, to institute, prosecute, and control any action or proceeding with respect to such infringement of the Patent, by counsel of its own choice, and SELECT shall have the right, at its own expense, to be represented in that action by counsel of its own choice. If AVANT fails to bring an action or proceeding within a period of one hundred eighty (180) days after a request by SELECT to do so, SELECT shall have the right to bring and control any such action by counsel of its own choice, and AVANT shall have the right to be represented in any such action by counsel of its own choice at its own expense. If one Party brings any such action or proceeding, the second Party agrees to be joined as a party plaintiff and to give the first Party reasonable assistance and authority to file and prosecute the suit. The costs and expenses of the Party bringing suit under this subsection and any damages or other monetary awards recovered shall be retained by the Party bringing suit. A settlement or consent judgment or other voluntary final disposition of a suit under this subsection may be entered into without the consent of the Party not bringing the suit; provided that such settlement, consent judgment or other disposition does not admit the invalidity or unenforceability of any Patent licensed hereunder; and provided further, that any rights to continue the infringing activity in such settlement, consent judgment or other disposition shall be limited to the Licensed Product or activity that was the subject of the suit.

c. General. With respect to infringement of the Patents licensed hereunder, the Parties shall consult with each other regarding the institution, prosecution and control of any action or proceeding of any of the Patents.

11.5 Patent Marking. AVANT shall permanently and legibly mark all products and documentation manufactured or sold by it under this Agreement with a patent notice as may be permitted or required under Title 35, United States Code.

12- ALTERNATE DISPUTE RESOLUTION

Any dispute or controversy arising out of or relating to this Agreement, its construction or its actual or alleged breach will be decided by mediation. If the mediation does not result in a resolution of such dispute or controversy, it will be finally decided by

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an appropriate method of alternate dispute resolution, including without limitation, arbitration, conducted in Los Angeles, California, in accordance with the Commercial Dispute Resolution Procedures of the American Arbitration Association. The arbitration panel will include members knowledgeable in the evaluation of Vaccine Products. Judgment upon the award rendered may be entered in the highest court or forum having jurisdiction, state or federal. The provisions of this Section 12 will not apply to decisions on the validity of patent claims or to any dispute or controversy as to which any treaty or law prohibits such arbitration. The decision of the arbitration must be sanctioned by a court of law having jurisdiction to be binding upon and enforceable by the parties.

13 - GENERAL

13.1 Assignment. This Agreement may not be assigned by AVANT, regardless of whether such assignment is by contract or operation of law, without the prior written consent of SELECT, which will not be unreasonably withheld. Notwithstanding the foregoing, either Party may assign or transfer its rights and obligations under this Agreement without consent of the other Party to a party that succeeds to all or substantially all of that Party's business or assets whether by sale, merger, operation of law or otherwise. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the Parties hereto and their respective successors and permitted assignees. Any assignment in violation of this Section 13.1 will be null and void.

13.2 This Agreement constitutes the entire and only agreement between the parties with respect to the Licensed Subject Matter and Licensed Products and all other prior negotiations; representations, agreements, and understandings are superseded. No agreements altering or supplementing the terms of this Agreement may be made except by a written document signed by both parties.

13.3 Any notice required by this Agreement must be given by prepaid, first class, certified mail, return receipt requested and addressed to:

In the case of SELECT, to:

Select Vaccines Limited
Suite 15, 545 St. Kilda Road
Melbourne 3004 Victoria
Australia
Attention: Martin Soust PhD, Managing Director
Fax: +613 9529 2622
Phone: +613 9529 8788

With a copy to:
Polsinelli Shalton Flanigan Suelthaus PC
180 N. Stetson Avenue
Suite 4525
Chicago, IL 60601
Attn: Teddy Scott, Ph.D., Esq.
Fax: (312) 819-1910

Or in the case of AVANT to:

Avant Immunotherapeutics, Inc.
119 Fourth Avenue
Needham, MA 02494-2725, U.S.A.
Attn: Timothy Cooke, Ph.D., Chief Operating Officer
Fax: (781) 433-0262

with a copy to:
Goodwin | Procter LLP
Exchange Place
Boston, MA 02109
Attn: Stuart M. Cable, Esq.
Fax: 1-617-523-1231

Or other addresses as may be given from time to time under the terms of this notice provision.

13.4 Each Party must comply with all applicable federal, state and local laws and regulations in connection with its activities pursuant to this Agreement.

13.5 Each Party agrees to do and perform all such further acts and things and shall execute and deliver such other agreements, certificates, instruments and documents necessary or that the other Party reasonably may

deem advisable to carry out the intent and accomplish the purposes of this Agreement and to evidence, perfect or otherwise confirm its rights hereunder.

13.6 Each Party is an independent contractor under this Agreement. Nothing contained herein is intended or is to be construed so as to constitute AVANT and SELECT as partners, agents or joint venturers. Neither Party shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any contract, agreement or undertaking with any Third Party.

13.7 This Agreement will be construed and enforced in accordance with the laws of the United States of America and of the State of New York.

13.8 Failure of either Party to enforce a right under this Agreement will not act as a waiver of that right or the ability to later assert that right relative to the particular situation involved.

13.9 Headings are included in this Agreement for convenience only and shall not be used to construe this Agreement.

13.10 If any part of this Agreement is for any reason found to be unenforceable, all other parts nevertheless remain enforceable.

IN WITNESS of the above, the parties have caused their duly authorized representatives to execute this Agreement as of the date set forth below.

SELECT VACCINES LIMITED

AVANT IMMUNOTHERAPEUTICS, INC.

By : /S/ Martin Soust

By : /S/ Una S. Ryan ,

Name : Martin Soust

Name : Una S. Ryan Ph. D.

Title : Managing Director

Title : President and CEO

Date : 10 February 2007

Date : 9 February 2007

HEPGENICS PTY LTD

By : /S/ Martin Soust

Name : Martin Soust

Title : Director

Date : 10 February 2007

APPENDIX A

[***]

APPENDIX B

Target Disease and Target Antigen

<u>Licensed Product</u>	<u>Target Disease</u>	<u>Target Antigen</u>
First	Influenza	TBD
Second (if elected)		
Third (if elected)		

APPENDIX C

SELECT PATENTS

[***]

CERTIFICATION

I, Una S. Ryan, certify that:

1. I have reviewed this report on Form 10-Q 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)) 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: May 9, 2007

By: /s/ UNA S. RYAN
Name: Una S. Ryan, Ph.D.
Title: President and Chief Executive Officer

CERTIFICATION

I, Avery W. Catlin, certify that:

1. I have reviewed this report on Form 10-Q 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)) 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: May 9, 2007

By: /s/ AVERY W. CATLIN
Name: Avery W. Catlin
Title: Senior Vice President and
Chief Financial Officer

The undersigned officers of AVANT Immunotherapeutics, Inc. (the "Company") hereby certify to their knowledge and in their respective capacities that the Company's quarterly report on Form 10-Q 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: May 9, 2007

By: /s/ UNA S. RYAN
Name: Una S. Ryan, Ph.D.
Title: President and Chief Executive Officer

Date: May 9, 2007

By: /s/ AVERY W. CATLIN
Name: Avery W. Catlin
Title: Senior Vice President and
Chief Financial Officer

This certification shall 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.
